SOCIAL ENTERPRISE IN AUSTRALIA: ACHIEVING PRIVATE BENEFITS AND PUBLIC OUTCOMES

BY

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ABSTRACT

In the post-industrial economy, the social role of Australian business is widening in anticipation of the economic benefit derived from the intangible assets of a good reputation, employee loyalty and enhanced legitimacy in the community. Meeting social expectations is becoming a legitimate aspect of an enterprise’s core purpose and functions, not only because of the community’s intolerance of unacceptable corporate behaviour but because the global economy is generating new parameters for business success.

Expansion in voluntary community involvement and the formation of social partnerships typifies this new business strategy and is a recent occurrence in Australian business. While community involvement is only one component of the mosaic of the broadening social role of enterprises, it is a window through which the changing social character of business in the global environment can be investigated. Community involvement is the aspect of Australian business that is empirically investigated in this thesis.

Advocates for business as a social actor in the public domain depict the business benefits as extensive and the public benefits as self-evident. While this promises mutual gain, both the private and public sectors need to be watchful. Long-term business benefits will not be achieved without integration of the social dimension into the core business strategy of enterprises. Similarly, in the public domain, the potential benefits for the community will be limited without a public policy framework that takes account of the boundary crossing nature of social activity by business. A model of social enterprise is advanced in this thesis to portray the dimensions of the social role of business that will yield private sector benefits and the qualities needed in public policy to facilitate and reward the shared ownership of social conditions.
DECLARATION

This is to certify that this thesis comprises only my original work and that due acknowledgement has been made in the text to all other material used. The thesis is less than 100,000 words, exclusive of tables, bibliographies and appendices.

Dahle Suggett
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CHAPTER 1: INTRODUCTION

At the beginning of the 21st century, the role of the corporation as an economic and social entity is in the public spotlight in a way that is unlike the past. Globally, corporations are increasing their size and number. Of the world’s largest 100 economic units, fifty-one are corporations and the top 200 have sales equivalent to one quarter of the world’s total economic activity (Anderson and Cavanagh 1996). Massively enhanced market freedom has stimulated intense economic pressures for profit. But the economic implications for enterprises from globalisation are not the only challenges. Accompanying this vastly altered economic terrain is an equivalent transformation of the social environment of enterprises. Changed workplace cultures due to frequent corporate restructuring, the growing value of intangible assets such as reputation and relationships in the global knowledge economy, changing community priorities and the rise of anti-corporate protest and the reconfigured character of government combine with the economic pressures to produce pervasive change for enterprises.

The response by Australian business to the changing social environment is the focus of this thesis. The new social environment is generating additional parameters through which business success will be determined. Moreover, these new social pressures and requirements for success have the potential to reshape the character, responsibilities and activities of enterprises. Australian business is already exhibiting awareness of a more demanding social context. Even though responses are uneven and the language to understand the benefits is not developed, companies’ interaction with their non-market or social environment is increasingly part of their business strategy and organisational practices. This has added a new but tentative moral and social dimension to the business role.

However, as business responsibilities are projected further into the social domain and beyond the traditionally narrower social responsibilities of enterprises in employing people and providing services and products, they encroach on the areas of responsibility traditionally occupied by government and non-government organisations or civil society. The nexus between enterprises’ new social engagement and the responsibilities of government to steer public policy in the interest of the
public good therefore becomes a critical issue for both enterprises and government but one that is currently not well understood or managed.

Social enterprise is the concept advanced in this thesis to characterise the social role of business in the post-industrial economy. While there is an existing lexicon, such as corporate social responsibility and corporate citizenship, these concepts do not adequately take account of the business and community partnerships and cross sector networks that are central to the emerging practice. Also, they do not show the importance on the socio-political context of business and the public policy environment in which business social activities are taking place.

The model of social enterprise extends the conventional management analysis of the social responsibilities of business to include the socio-political dimension. It highlights the importance of the socio-political context in addition to business strategy in ensuring not only benefits for the private sector but also public or community benefits. Social enterprise requires a company to articulate its objectives in terms of values and moral positions as well as economics and the price system (Bell 1980; Thurow 1997). It calls for a business strategy that gives effect equally to social and economic objectives and management and governance that include stakeholders’ input (Clarkson 1998; Post et al 2002a; Wood and Jones 1995). The language of social enterprise goes beyond that of market capitalism or neoclassical economics and enables accurate assessment of the social and economic benefits for business and outcomes for the community (Elkington 1997; Suggett and Goodsis 2002; Zadek 2001). Cross sectoral networks and partnerships are formed in the social as well as commercial domain (Jessop 1995; Rhodes 1997) and the public environment for sustaining social enterprise facilitates the boundary crossing nature of partnerships and rewards shared ownership of social conditions (Edgar 2000; Dryzek 2000; Latham 1998).

Community involvement by companies is the window through which the changing social character of business in the global environment is examined. While acknowledging that this is only one component of the mosaic of the broadening social role of business – with others such as environmental sustainability, product responsibility, business ethics and governance, observation of human rights – community involvement reveals companies’ increasing acceptance of the expanding community
expectations for business to engage more deeply with their social environment. It also shows the anticipated value and competitive advantage to be derived from socially directed practices. The empirical research conducted for this thesis encompassed the rationale, activities and economic and social benefits of voluntary community involvement activities by ninety-eight large Australian companies and seventeen other business and community organisations. The Business Council of Australia (BCA) served as a reference point for the collection and interpretation of data.

The interest of the BCA in the nature and extent of companies’ social attitudes and activities was partially driven by Prime Minister John Howard’s public statements in 1999 and 2000 for the formation of a social coalition. This concept was not understood, nor necessarily welcomed, by business leaders in the BCA (Taylor 1999:18). The Prime Minister’s overture to business was based on the self-evident proposition that ‘governments alone cannot solve immense social problems’, and he asked business to play their part ‘to give back to the community from which they profit’ (Howard 1999a). The idea of a social coalition signalled the possibility of innovative public policy to facilitate alignment across business, non-government and government sectors for the public good. Unfortunately, the social coalition has subsequently proven to be no more than a call for individuals and business to be more philanthropic.

Community involvement by Australian business had not previously been comprehensively documented. Mark Lyons (1999) Sydney University produced a paper for the Prime Minister’s Roundtable on Business and Community Partnerships that concluded there was little empirical study in Australia in this area. He cited three surveys of corporate social responsibility conducted by Jeremy Moon (1995 and 1996), and one by Max Dumas and Carol Cohn (1993). More recently, Sol Encel (2001) reviewed the completed and ongoing research in business and community partnerships in Australia identifying a growth in interest but many gaps remaining. He proposed future work should consider identifying motives for giving, understanding the actions of welfare agencies that seek support, and establishing how business and community partnerships would be most effective in assisting government social policy.
Corporate community involvement is an increasingly popular, but admittedly partial, expression of corporations’ social responsibilities and activities. While philanthropic activity has existed as long as business entities have operated, the new form of community involvement identified in this study is significantly different. It concerns financial or in-kind involvement or social investment (Logan et al 1997) in the community to alleviate social, economic and environmental problems. It might take the form of support for education, community development in regional and remote communities, health research, environmental research and remediation, or social welfare. Frequently, employees are also involved. A significant feature for this thesis is that enterprises’ activity of this kind is increasingly through close and on-going interaction with not-for-profit organisations or local communities where the formation of a social partnership typifies the engagement.

The conservative assumption has been that business best meets social responsibilities through observing its core economic role in creating wealth and meeting fiduciary responsibilities to shareholders. This might include selective community involvement as a defensive business strategy (Barry 1999; Friedman 1970; Henderson 2001). Despite the assumed strength of this position, this study found that many leaders of large Australian companies increasingly aspire to perform a wider social or non-market role. In addition to their responsibilities to shareholders, they identify responsibilities to the community, stakeholders and employees. Some do hold the view that social activities in the community are discretionary and, as long as they do not interfere with shareholders’ needs, they can soften the hard image of capitalism and serve as a ‘feel good’ element for management. However, a surprisingly large proportion of business now anticipates higher order benefits that contribute to organisational wealth. The social engagement that is evident in these Australian companies derives its value to the business from the increasing worth of intangible assets\(^1\) in the knowledge economy. Improved company reputation, enhanced relationships with the community, employee loyalty and legitimacy with government are new sources of wealth (Post et al 2002a).

\[^1\] ‘Intangible asset’ is used here in a general sense rather than in a legal sense where an asset relates to property and ‘belongingness’ and can be legally protectable as in a trade mark or a data base. The technically correct term would be ‘intangible resource’ (Hall: 1993).
Aspirations for business benefits are, however, no guarantee of success. Many of these new benefits fall outside the conventional measures of business success such as revenue, return on investment and access to capital and are therefore contested by those in the neoclassical economists’ camp. As well, the integrated business practices needed to secure these longer-term and less visible gains are not well understood. The study found that many companies were conducting their community involvement role in relative isolation from core business strategy, reducing the likelihood of securing the anticipated benefits.

In addition, the expectations and activities of the socially engaged company signal a paradox. While companies’ involvement is growing in the external social and local domain, partly guided by a deeper sense of their social and moral responsibilities, their primary purpose is to enhance their economic value in the globally competitive business environment rather than serve any externally directed social or public objective. They identify a business case or economic rationale for their expanded social role and expect a business outcome; the external social and local outcomes of their community activities are, at best, a secondary concern and often of minimal interest. While freely using the rhetoric of the post-industrial or new economy – community, networks, partnerships, relationships, trust and stakeholders – (Castells 1996; Fukuyama 1999; Kellner 1998; Walzer 1983) enterprises believe they are serving their economic interests by reshaping their external social engagement.

The new social and moral rhetoric of business promises a bridge between economic and social rationalities – a task commonly managed by government intervention² (Kristensen 2001). Social engagement by business through voluntary activity and partnerships with the community is assumed to be beneficial in an economic and social sense – a win-win for business, the community and government. It is an integral component in theories of corporate citizenship (Birch 2001; McIntosh 1998; Moon 1995; Tichy et al 1997), the stakeholder corporation (Clarkson 1998; Post et al 2002a; Wood 1995) or the civil corporation (Zadek 2001). A heightened social presence in the community has become a palpable expression of the responsible company. However, this thesis questions the

² However, over the course of industrial development there are exceptions to government assuming this role. One example is the longstanding German apprenticeship that predated modern government and labour market policy.
assumption that social engagement will, as a matter of course, deliver benefits to the community. Instead, a richer theoretical and practical understanding of the new social role of business needs to take into account the public value and public policy implications of these activities in their own right in addition to estimating their new economic value to the enterprise.

On the surface, the intertwining social responsibilities of both the private and public sectors suggest a new alignment of purpose for the public good. However, the elements of this are, to date, poorly understood and unevenly executed. The social character and local activity of the private sector is undoubtedly altering in response to the new economic and social pressures arising from globalisation and the knowledge economy but these changes are deeply perplexing for business. The boundaries of their new social activity are not defined and, despite the use of a new social language to describe behaviour, business really only has the conventional language of the market and profit making through which to evaluate its activities – social or economic.

Similarly, the public sector in Australia does not have the constructs to interpret the implications of non-state social activism by the private for-profit sector. Direct social provision and community interaction by business, while currently minor in comparison with public provision, will in the future become highly relevant in social policy, if current directions are extended, as for social welfare reform (Reference Group on Welfare Reform 2000) and British and European approaches are adopted. This thesis argues that these changes will call for new and dynamic governance arrangements for both business and government so that the changing social responsibilities and activities of the private and public sectors are coherent (Jessop 1995; Rhodes 1996).

Analysis of the social role of business as a socio-political phenomenon is largely missing from studies of the changing social character of business in Australia and not common in international studies over the past two decades or so. As Moon (1995) states there has been a substantial amount of research in Australia on business and government relations and the politics of business but scant attention to the politics of the social responsibility of business. Traditional studies of business and government relations focus on the interaction between the state and business in
management of the economy and in the relationship between business and
government in the processes of representative democracy and regulation
(Bell and Wanna 1992; Galligan and Singleton 1991; Mc Eachern 1991; Stewart 1994). However, the business and government relations of
companies’ social engagement have not been considered to anything like
the same extent.

Studies on corporate citizenship in Australia and the United Kingdom by
Jeremy Moon (1995, 1996), that informed this thesis, adopt a political
analysis. Investigating the social contribution by business provided Moon
with a means to re-evaluate the role of the firm; it also provided an
alternative approach to evaluating social provision by government. Some
studies in the United Kingdom and Europe that have a socio-political
perspective are by Moore and Richardson (1988), Marinetto (1998),
Harvey et al (1984) and Kjaergaard and Westphalen (2001) and others at
The Copenhagen Centre. In this literature, the social role of business is
examined in ideological and political terms, including how business is
shaped by and interacts with government and other external institutions
and the implications for public policy of a changing business role. On the
other hand, the large volume of writing over a number of decades in the
United States, as shown in the comprehensive accounts of business and
society studies by Carroll (1993) and Post, Lawrence and Weber (1999),
does not adopt a socio-political analysis of the intersection of public and
private sector social responsibilities. The studies are in largely
functionalist and managerialist terms (Moore and Richardson 1988).

The profoundly different relations between the public and private spheres
in the United States compared with Australia or the United Kingdom is a
likely explanation of these differences. In the United States, notions of
individual autonomy and local control are embedded in the analysis of the
social commitments by business in Europe with that in the United States,
demonstrates that the ‘minimal and shrinking’ role of government and
growth in the ‘authentically American’ spirit of volunteerism explains the
absence of an analytical framework that incorporates political concepts
for examining business and government relations in the social domain.
Similarly, a major overview of research into business philanthropy from
1970 to 1993 by Wood and Jones (1996) concluded that analysis in this
area of business activity is unnecessarily narrow and superficial, concentrating on why companies should or should not give money to the community rather than framed by deeper questions of intent and impact.

Moreover, in public policy, direct association by business with government and with not-for-profit organisations through community involvement activities has only recently entered the mainstream discourse. The social partnership rhetoric in the British and European contexts (Blair 1998; Commission of the European Communities 2001) is drawing policy connections between business and government but this appears only superficially to inform the discourse about new social engagement of business in Australia. The notion of a ‘stronger social coalition’ to be ‘more than a social safety net’ announced by The Prime Minister John Howard in 1998 did signal awareness of business social activities and the intersection with government. To date, this has neither been followed up by a deeper articulation of what this would look like in relation to government responsibilities nor by significant dialogue with business (Glazebrook 2001).

Adopting a socio-political perspective on social engagement by business highlights a range of practical questions that business and government should be posing. What are the legitimate boundaries of corporate community involvement activity – what non-market or market mechanisms guide companies in judging the extent of their social activities? How capable are corporations in making judgements to identify social needs? Are partnerships between wealthy corporations and relatively poor not-for-profit organisations distorting each other’s core competency and are enterprises to be held responsible for supporting public social programs when they are experiencing a downturn in profit?

Normative questions also arise about the wider relevance of greater corporate community involvement. Those who oppose the introduction of the private sector and market mechanisms in government services (for example Cass and Smyth 1998; Cox 1998) would also argue against social provision, conventionally the province of civil society and government, being in the hands of business. For social problems to be addressed through the market mechanisms that drive business would be seen as jeopardising the capacity of public policy to serve the public good and playing into the hands of big business.
Others would see these developments differently. Rather than seeing corporate community involvement in Australia as a market substitute for government, it may herald a beneficial form of corporate engagement with the broader community, softening the face of capitalism and widening corporate governance. It might serve as a new bridge between the market and the state (Emy 1993; Handy 1997; Hutton 1999; Korten 1999). Advocates of a communitarian perspective (Etzioni 1995), greater civic engagement (Putnam 1993), or deliberative democracy (Dryzek 2000) would most likely welcome interdependency between business and its community stakeholders for social projects and more involvement by external groups in dialogue with enterprises.

Although, ironically for such a powerful institution, the business sector is rarely mentioned in these theories of socio-political organisation: business does not routinely count as part of civil society or as a citizen in the community. Where business does have visibility is through its ‘human’ presence through local employers at the community level where they are included as influential and contributing members of a local community – where meaningful civic interaction is seen to take place.

The theoretical question for government is what do private led solutions to public problems signify for the structure of public policy (Harvey et al 1984). Arguably, corporate community involvement adds, albeit voluntarily, to the role of an enterprise those objectives traditionally thought to be the responsibility of government. For pluralists, this may not be noteworthy as there is already a blurring between business and government responsibilities with public policy never really restricted to the simple choice between private or public or voluntary or compulsory requirements (Dahl and Lindblom 1953). Moreover, business has always had a social role with employees, customers and sometimes neighbours, largely led by government through incentives and regulation (Rein 1982).

Neo-corporatist views in Europe (for example Kjaergaard and Westphalen 2001), and reflected in Australia in Emy (1993), are reinventing the previous tripartite cooperation in wage determination to form social partnerships and conduct civil dialogue in the interest of social cohesion and economic growth. Or, a more recent and radical view of government, based on the notion of functional flexibility, would favour additional players contributing to previously government managed
provision for the public good where all traditional structures are open to redefinition (Edgar 2001; Latham 1998). But again, large companies are not clearly included in these theories of political and administrative organisation.

The conclusion of this thesis is a moderately optimistic one. There is the danger that the converging interests of both business and government in the social sphere may be illusory; market forces ultimately drive business, but market signals for social activity are as yet not well understood, and government is managing for the public good but resources and strategies are constrained.

The idea of corporate citizenship, in highlighting mutual responsibilities, goes some way to signalling the requirements of the external environment as well the desired management orientation but this concept does not direct sufficient critical attention to the public environment in which corporate social activities are conducted. It does not indicate what would be required of government and civil society as well as business to maximise the public benefits of increased corporate activity in the community.

Developing a public culture that supports a social role for business calls for greater business awareness of the external and non-market outcomes of their social activity, balanced by a sense of what is within the capability of business. It also calls for resolving whether the responsibility and capacities of government in social policy and democratic accountability are enhanced or eroded by business increasingly playing a public social role. That is, what would be required of business and government to maximise the public benefits of corporate community involvement? To incorporate enterprises as social actors, calls for a more deliberate transformation of the public policy environment than is evident in Australia at this time. Social enterprise depends not only on heightened business awareness and capacity but on the external environment that promotes and rewards shared ownership of social conditions.
Structure of thesis

The emergence of social enterprise in Australia is the primary focus of this thesis. It is seen through business conducting non-market activities in the community and forming social partnerships in anticipation of a new level of intangible business benefits. The secondary focus is the poorly understood blurring of the boundaries between the public and private sectors in the social domain that is a consequence of a more socially engaged business sector and the case for an alternative public policy framework.

Chapter Two advances a model of social enterprise that widens the scope of corporate social responsibility or corporate citizenship beyond management characteristics to include the socio-political environment for business. It points to the prerequisite public policy framework for social partnerships and networks to flourish and deliver private and public benefits. The conceptual framework of social enterprise is the basis for investigating and interpreting the changing social role of business in Australia. It assists interpret the views and practices of Australian business and the public implications of companies adopting an expanded social role, in this case, increased community involvement.

The theory to date has concentrated on the first of these aspects – the rationale and techniques for integrating the social dimension into business objectives and operations – with the benefits for community and government portrayed as self-evident. The theory of corporate citizenship presents a strong case for business reorientation by positing a more complex relationship of interlocking rights and responsibilities and was a starting point for this thesis. Corporate citizenship ideally becomes a way of operating and integral to the way a company does business. However, arising from the research of corporate community involvement in this thesis, there is now the need for theory to make more explicit the implications for the state and the community arising from the new external social engagement by business.

The political theories of networks, partnerships and social movements add insight by showing that social coordination does not only happen through the market or the state but can be multifaceted and non-hierarchical. Either less or different intervention by government may be required or, as
is argued in this thesis, more non-state activism and new forms of business and community relations that have a moral as well as social intent may call for different forms of democratic governance. The theoretical framework for understanding the social role for business in our contemporary Australian environment needs a stronger socio-political perspective. It needs to explain the reconfigured and unanticipated relationship between business, the state and community where each may be transformed. Social enterprise is the term chosen to represent this new set of considerations.

Chapter Three of the thesis identifies the dominant structural features that are motivating business to expand its social responsibilities. It establishes the link between globalisation, which is transforming the economic boundaries of enterprises, and the social role of business that, paradoxically, is demanded by the increasing number of local communities in which global companies operate. The analysis establishes why business success in the social domain should contribute to organisational wealth as well as provide benefits to the community.

A confluence of factors is motivating change in the social character of business. The global and information rich marketplace is the primary source of the social prerequisites for business success but there is a counter-intuitive aspect to this. In expanding economic and information boundaries, globalisation is also heightening number and influence of communities that function in a local context. The increase in the value of intangible assets for business success such as reputation, community support, employee loyalty is due to the complex forces at play in the transition from the industrial to the post-industrial or new economy.

The combined impact of globalisation, limitations on national government, harsh community attitudes to business and the increasing importance of internal organisational dynamics in enterprises generates a complex mix of competitive opportunities, pressures and responsibilities. Changing business and government relations is a special feature of the Australian environment, different from the American business experience, but there are commonalities with the experience of British business. Following a history of protection in the mixed economy, Australian business has reached a new level of autonomy from government and, with that, greater visibility and social accountability in
Enterprises are faced with the challenge to continue to deliver value for shareholders but also and equally well deliver a different form of value to society at large. These pressures are redefining the relations between business and its external non-commercial environment and they challenge the definition of the purpose that business serves.

Chapters Four, Five and Six present the findings of the empirical research (survey and case studies) conducted into the social activities of ninety-eight large Australian companies and seventeen other business and community organisations. Adopting a social role has become a new and distinctive feature of the character of the majority of large Australian companies and they strongly assert that this is compatible with boosting competitiveness and achieving their long-term success. A minority reject the idea that they have responsibilities other than to shareholders for profit maximisation.

This social transformation is driven by companies increasingly valuing the intangible assets of a good reputation, improved relations with the community and, in particular, relations with employees. They articulate a ‘business case’ for community involvement activities revolving around achieving these economic objectives. Community involvement does not in the main support the short-term competitiveness of companies; rather it contributes to longer-term business sustainability. Anticipated benefits differ across industry sectors as an expression of the varying commercial, social and political contexts in which companies operate.

Companies employ a number of vehicles for community involvement including partnerships and alliances and employee driven initiatives. There is a reasonable degree of institutionalisation of these practices in that companies claim community activities are informed by business strategy and driven by internal business systems. However, over half the companies did not show evidence of conventional management processes that build these activities into business strategy to maximise returns, suggesting that practices in many companies are immature and only partially fulfil the desired intentions.

Forming partnerships has become the dominant symbol of the new social character of business. The concepts of partnerships and networks in political science not only refer to shared responsibilities and renegotiated
boundaries, they also refer to changed governance where the partners share in decision-making. The latter practice is not obviously embraced in the business use of the term partner but, nevertheless, evident in the few companies that have moved to a more heightened awareness of the voice and influence of stakeholders in business decision-making – a state that Littlewood (2000) calls a ‘moral zone’. The main opportunity that partnerships provide for business is ongoing dialogue with community members and building mutual trust, including with those who are traditional opponents such as environmental groups in partnership with minerals companies or consumer groups in partnership with finance sector companies.

However, companies do not routinely and comprehensively measure the external social or economic impact of these activities and their activities only marginally interact with public policy. The role of government in planning and implementation is minimal and there is no collective knowledge of the activities of individual companies – they are a relatively private matter as is consistent with an activity promising competitive advantage.

The assessment of the changing social role of business in Australia, as reflected in corporate community involvement, is mixed. On the one hand, the intentions are to broaden companies’ social considerations in the interests of business sustainability. But, on the other hand, most companies do not have the operational procedures to enable their intentions to be met. Companies, nevertheless, anticipate ongoing pressures from the government, the community and employees to meet broader social objectives, engage in non-market relationships to build networks and address social problems. As the past five years have seen many changes in social activity, companies anticipate the next five years will bring new social expectations and new indicators of business success. They anticipate forming new relationships and alliances in solving social and environmental problems.

Chapter Seven explains that the emergence of social enterprise in Australia has brought to the foreground the role of public policy in facilitating public benefits from corporate community involvement. Benefits for business are the most commonly discussed outcomes but there are opportunities to enhance public outcomes alongside private
benefits. A new task for government is to recognise the nexus between public and voluntary private social provision and maximise the social outcomes from these private and public sources. But, government is in the unusual position of not being able to control the new level of voluntary business social activity and enterprises are not seeking government permission or intervention. They are new and autonomous social actors in the public domain.

Nevertheless, business social activity is being conducted in the sphere that is traditionally the province of the public sector. Young people and their education, training for the unemployed, transfer payments to the disadvantaged, health assistance in remote communities are just some of the areas of corporate community involvement. For reasons of democratic accountability alone, it would seem incumbent on government to understand the magnitude of private sector social provision. Furthermore, the public benefit of private sector involvement could be maximised through public policy that takes account of the increasing private sector role. Although achieving this necessarily requires the reach of public policy to support rather than coerce voluntary business activity. However, there is only tentative recognition of the potential role of public policy in Australian governments.

While the purpose of the Australian Prime Minister’s social coalition is promoting mutual benefits for business and the community through collaboration for long-term solutions to community problems, the public policy to facilitate this is limited to encouraging philanthropic donations and conventional labour market subsidies in the social welfare system. Where combined private and public sector social provision is already evident, as in support for Indigenous Australians, there is little attempt to align public policy to voluntary private sector processes or to modify government programs in the light of successful innovations in the private sector.

Public policy in the United Kingdom presents one way to manage the complex task of supporting voluntary business activity within a public policy framework. The British Government’s framework for corporate social responsibility facilitates the private sector in their voluntary activities though building consensus on priorities for action consistent with the broader government agenda in social policy. The policy takes
account of the greater degree of subtlety required in government intervention of this kind to maximise the public benefits of voluntary business community involvement.

There are of course strong objections to incorporating the private sector in the social responsibilities of democratic government – a distrust of the self-interested motives of business, scepticism about their capability and consistency, concern for accountability and the de facto sanctioning of the withdrawal of government social provision. Nevertheless, commonsense indicates that if social enterprise is increasingly a feature of business performance in the 21st century, the public private nexus deserves serious consideration.

As business and community partnerships grow, government has the opportunity to nurture this transformation. Social partnerships will continue to expand without enabling public policy but the public benefits are likely to fall short of their potential. An alternative public policy framework would seek to work within the changes in governance that see the respective roles and responsibilities of business, the not-for-profit sector and government undergoing a transformation and partnerships becoming an important element in governance. Public policy would also ‘work with the grain of business’ with a deep understanding of the complex business motives for social enterprise.

Elements of a framework would include a role for government in indicating themes of public value where social enterprise could significantly contribute to the public good. Information provision on others social enterprise activities would also facilitate decision-making accompanied by resources to foster cross-sectoral dialogue. Public policy tools such as incentives like tax credits and subsidies should actively target autonomous community dialogue and networks and build in a sense of mutual responsibility to consolidate the essential features of local governance. A process to foster accountability to stakeholders would encourage enterprises to open their social activities to wider public visibility with the associated inbuilt improvement mechanisms. Existing social policy tools could be enhanced to promote autonomous partnerships and provide greater flexibility when incentives and services are provided.
The research for this thesis establishes that the majority of Australian companies pursue social activity for business gain. The emergence of social enterprise is part of the redefinition of business in the post-industrial economy and a logical step for companies to take; they do not require any further justification. They will form longer-term partnerships in the community through which they will also build stakeholder relationships. The new language of business will have moral content, with emphasis on communities, obligation and partnerships.

However, assessment of the societal value of the social programs in their own right is not a significant feature of company practices. Neither liaison with government nor with companies pursuing similar programs features significantly – companies are not seen by government or non-government organisations as authoritative in social provision but more as the source of considerable funds. Indeed, governments, community organisations, and business associations are overwhelmingly ignorant of the extent or nature of corporate community involvement.

Intuitively, more voluntary assistance in preventing and alleviating social problems is unquestioningly beneficial, especially as the boundaries between public and private domains become more blurred. The key question then becomes that of when and to what degree the state should engage with the new business processes or whether the new social role for business might simply remain a new process that is played out in the public sphere and signalling a new terrain for social activism. The notion of social enterprise advanced in this thesis argues for the private and public sectors to share solutions for social problems and to share the benefits.

**Research methodology**

While theoretical discussion of the relations between business and society has been occurring for at least three decades, particularly in the United States, empirical examination of corporate community involvement and its related aspects such as business philanthropy has not been consistent or extensive and has had a relatively weak theoretical base. Chapter Two reviews the literature for community involvement in context with the broader field of corporate social responsibility and corporate citizenship. Burlingame and Young (1996) edited the major collection of international
articles on corporate philanthropy, which demonstrated the change in approach that was taking place in the 1990s from companies making philanthropic donations to good causes to adopting a more strategic approach that connected philanthropy with the objectives of the company. In that collection, Wood and Jones (1996) reviewed twelve American and British studies from 1970 to 1993 and concluded that this area of business research is too narrowly framed by the question as to whether companies should or should not give money. Many studies provide guidance on orderly giving and providing advice on management. Wood and Jones (1996) proposed that research in this area should adopt a deeper analysis of intent and impact tied to the roles business plays in society and the responsibilities companies have.

A related approach to interpreting non-market corporate activity in the community has examined community involvement in a socio-political context. Marinetto (1998) examined the history of British and Italian companies’ social involvement through case studies and identified the significant role government and politics plays in influencing corporate social behaviour. Moon (1995), Moon and Richardson (1985, cited by Moon 1995:3), Moon and Sochacki (1996) and Moore and Richardson (1988) reviewed Australian and British companies’ social responsibility programs operating in the community through surveys of practice and analysed the results in political as well as functional and managerial terms to establish a redefinition of the business role in society and its connection with government.

The choice of methodology in this thesis was therefore influenced by the desire to investigate the magnitude and broad characteristics of community involvement in Australian business, as representative of a broader corporate social responsibility and corporate citizenship, and to place this development in its socio-political context. The empirical data for this approach required a close examination of the motivation, internal dynamics and activities of those companies that are the most active in this area in Australia. This called for a descriptively detailed and theoretically cogent interpretation of company beliefs and practices. Consequently, the strategy for the empirical research employed a hybrid methodology. There were three data sets: a survey of companies, interviews with
leading companies and two workshops of predominantly business representatives. The structure of each component is discussed below.

The empirical research was conducted in 1999 and 2000 by this author under the auspices of a professional firm, The Centre for Corporate Public Affairs, a division of The Allen Consulting Group, funded by a grant from the Federal Government. The Business Council of Australia (BCA), the peak business organisation for large companies, provided additional advice. Survey findings and case study descriptions were made available to the companies surveyed, the BCA and the Federal Government in 2000 and the findings have been in the public domain since October 2000. This thesis has drawn more fully on the data collected, in addition to other written material from companies and supplementary discussion with the management, and has subjected that to secondary analysis.

A reference group of members of the BCA, comprising four Chief Executive Officers, one Board Chairperson and an executive in the not-for-profit sector provided direction and comment to the author on findings and approaches. The reference group met twice in 1999 and once in 2000. A further group of senior managers from the BCA and member companies advised and piloted the survey questions. The working party met once in 1999 and responded as required in 2000. The names of members of the reference group and working party are in Appendix 4.

The survey was in two parts with one part for Chief Executive Officers (CEOs) of large Australian companies and the second for their senior managers responsible for community involvement. The survey was mailed to the executives of the 200 largest companies, and sought evidence of corporate community involvement through their attitudes to the role of business in the community, descriptions of corporate activity and the benefits that flow to business. Those surveyed were the ninety-eight companies that were members of the BCA. (Membership of the BCA is available to those companies that meet a revenue hurdle and is limited to around the largest one hundred companies.) Other large public companies were selected from the Business Review Weekly ‘Top 500 Public Companies’ in rank order according to revenue, excluding those who were already nominated via their BCA membership.
In total, seventy-six companies or 38 per cent completed the surveys. Not all companies returned both surveys. Survey respondents have not been identified by name at the request of the reference group. (They are known to the author through the coding required to manage the distribution and checking of returns.) The return rate for the survey of CEOs was 28 per cent or fifty-five in number and 22 per cent or forty-one from senior managers. Through a mix of open-ended and multiple-choice questions, CEOs were asked seven questions about their intent, benefits and vision for the future of community involvement. Senior managers responsible for program implementation were asked seventeen questions on planning and management and four questions on strategy that were the same as the CEOs’ questions. The results were interpreted as strongly indicative of behaviour, are taken at face value, and have not been subject to complex statistical analysis. (Survey data was entered into a database by NCS Australasia, Nunawading Victoria.) Five companies that did not respond were phoned to follow up and the reason for the non-response was that the survey was seen as irrelevant to their interests because the company did not care to reflect on the topic or did not conduct the activities being examined. The survey instruments are in Appendix 1.

The second component was case studies of the community involvement practices of forty companies. Interviews were conducted with forty large companies; two industry associations; two non-government associations (including Philanthropy Australia, the peak non-government group for philanthropic foundations and charities); and one company owned charitable foundation. The list of companies and organisations interviewed is in Appendix 3. The companies and associations were identified as those who were active and seeking to innovate in corporate community involvement. Thirty companies self-selected by sending details with their survey response and indicated a willingness to contribute further information as they believed they conducted activities worthy of further analysis. Through direct contact, ten additional companies were invited to be interviewed. They had featured in the first Prime Minister’s Community Business Partnerships Awards, March 1999, Business and Community Awards of the Australian Financial Review and occasional press articles commenting on their initiatives (for example, Business Review Weekly).
The interviews were face-to-face with senior managers for around two hours and sought to obtain insight into the rationale, planning and implementation of their community involvement activities. The structure for the interviews covered the following elements: the intent of their community involvement activity and its relationship to business objectives; the planning processes employed in the company; the structure and content of the community involvement activities, including the role for employees; and the social and business outcomes and impact of community involvement. While the interviews were structured, they also allowed for the free flow of conversation. Detailed notes were taken and companies provided the interviewer with written material on the company policies and practices. Descriptive text of the initiatives was verified for accuracy by the contacts in the companies.

The third component comprised two workshops conducted by the author to review the survey and case study findings and propose interpretations. The invitations were sent to those who had been surveyed and a range of industry associations and a small number of non-for-profit bodies. The workshops were conducted in Sydney and Melbourne in February and March 2000 each for approximately four hours. Thirty-nine companies and other relevant organisations attended the workshops. Twelve companies attending had neither responded to the survey nor been interviewed; eight industry associations attended and six had not been interviewed; four government owned corporations attended that had not been interviewed; three non-government associations attended and one had not been interviewed; and two company charitable foundations were present and one had not been interviewed. A list of the organisations that attended the workshops is in Appendix 3.

In total, from the three components of the empirical research, data was gathered from 115 organisations comprised of ninety-eight large Australian companies, four government owned corporations, eight industry associations, two company owned charitable foundations, and three not-for-profit organisations.
CHAPTER 2: SOCIAL ENTERPRISE: CONCEPTS AND THEORIES

Introduction

This chapter introduces the core concepts and theoretical models for specifying the character of social enterprise in Australia and for examining corporate community involvement, which is the focus for empirical study in this thesis. As well as examining theories of corporate social responsibility, stakeholder engagement and corporate citizenship, particular attention is paid to the political concepts of partnerships and networks to support the proposition that an expanding social role for business requires enabling public policy to ensure maximum public as well as private benefits.

The terms social enterprise is employed in this thesis to signal not only the responsibility of enterprises but also the socio-political context in which business is active. As this chapter demonstrates, there is an existing lexicon for representing the social role of business – corporate social responsibility and corporate citizenship being currently the most prominent. This chapter concludes that neither concept adequately takes account of the business and community partnerships and cross sector networks that are central to the emerging practice. Also, they do not show the importance on the socio-political context of business and the public policy environment in which business social activities are taking place. These are two new perspectives on the nature and implications of the social role of business and arguably, the use of existing descriptors would obscure those points. Social enterprise as a concept is intended to convey the blurred boundaries between business, community and government that are now evident and will develop further.

In the United States and, to a less extent, in the United Kingdom, the debate around corporate social responsibility has been evident for a number of decades and is intensifying in the 21st century. Discussion on the social responsibilities of business is now underway in Australia by government, the community and business. The bulk of the literature is derived from the core idea that business and society are interwoven rather than distinct entities. Therefore, ‘society has certain expectations of appropriate business behaviour and outcomes’ (Wood 1991a:695).
James Post, a leading American scholar in the management field studying business and society relations argues there are two fundamental and enduring questions that direct enquiry into relations between business and society: ‘to whom is the corporation responsible and for what is a corporation responsible’ (Post 2000:5). These questions direct attention to the transactions that business makes to achieve its social and economic objectives and to the relationships, with their risks and rewards, that flow from those transactions.

This thesis proposes there is a third question that is not sufficiently addressed by management theory, which is how and with whom are these responsibilities enacted. This question adds consideration of the socio-political context for business activity, drawing attention to the institutional environment in which business operates and asks whether others – government, non-government organisations or community groups – have similar responsibilities and what that implies for the scope of the social responsibilities of business.

This chapter provides a critical account of the concepts and theories that address these questions. The theories of the social role of business, have largely concentrated on the two functional questions posed by Post (2000) – the ‘to whom’ and ‘for what’ dimensions and argued for expanding the scope of companies’ responsibilities from those that are strictly economic and minimally social. Over a number of decades, the theories of corporate social responsibility in economics and management theory, which are mainly American, have posited the criteria by which individual enterprises should be assessed as socially responsible. Ethical decision-making, exercise of social values, financial contributions to the community, sound employee relations, environmental and product responsibility, respect for human rights, and stakeholder or community relations are some of those elements (Ackerman 1973; Carroll 1993; Drucker 1964; Post et al 1999; Sethi 1981; Wartick and Cochran 1985; Wood 1991; Zenisek 1979). The benefits for the company are increased ‘legitimacy’ or the ‘license to operate’, seen through community and market endorsement or a less stringent regulatory regime. While these benefits are expected to provide financial and competitive advantage, the benefits for the community are portrayed as self-evident and unproblematic. Much of the early writing was aimed at raising the
consciousness of business through urging greater attention to social and ethical expectations. Later writing concentrated more on the management techniques of corporate social performance.

The theory of corporate citizenship, enunciated more recently in the United Kingdom and Europe, extends the idea of corporate social responsibility by envisaging a more active two-way business and society relationship. Corporate citizenship frames the social role of business as a more complex relationship of interlocking rights and responsibilities whereby a company’s wider influence on society is managed for the benefit of the company and society. Corporate citizenship ideally becomes a way of operating and integral to the way a company does business (Birch 2001; McIntosh et al 1998). This theory was a starting point for this thesis.

However, the research in this thesis into corporate community involvement demonstrates the need to make explicit the implications for the state and community of the expanding social aspirations of business. Social enterprise is the term chosen to reflect the balance required between the public and private dimensions. A model of social enterprise is proposed to ensure benefits are not only maximised for the private sector but also public benefits are enhanced. Understanding the emergence of social enterprise in Australia requires consideration of ideas in political science in addition to management theory. Less or different intervention by government may be called for or, as is argued in this thesis, new forms of business and community relations that have a social intent may need a different form of governance for the private sector benefits and public outcomes to be gained. Insights from network theory and partnerships in public policy studies and the theory of social movements from political studies have been included alongside the management theory for corporate social responsibility and corporate citizenship to establish a conceptual framework for understanding the emergence and conduct of social enterprise in Australia.

Social enterprise requires a company to articulate its objectives in terms of values and moral positions as well as economics and the price system (Bell 1980; Thurow 1997). It calls for a business strategy that gives effect equally to social and economic objectives as well as management and governance that include stakeholders’ input (Clarkson 1998; Post et al
The language of social enterprise goes beyond market capitalism or neoclassical economics and enables accurate assessment of the social and economic benefits for business and the outcomes for the community (Elkington 1997; Suggett and Goodsr 2002; Zadek 2001). Cross sectoral networks and partnerships are formed in the social as well as commercial domain (Jessop 1995; Moon 1991; Moon and Willoughby 1990; Rhodes 1997) and the public environment for sustaining social enterprise facilitates the boundary crossing nature of partnerships and rewards shared ownership of social conditions (Edgar 2001; Dryzek 2000; Latham 1998).

The sections that follow in this chapter analyse the concepts and theories that inform the model of social enterprise. The chapter starts with the powerful position of neoclassical economics in defining the role of business. Ironically, the research for this thesis found that while only a minority of Australian business openly endorse the values of neoclassical economics or market capitalism, the language and measures of profit maximisation remain dominant, irrespective of the expanding social considerations. Neoclassical or rationalist economic thought therefore plays a powerful but indirect part in defining the benefits from an expanded social role: social activities essentially support the overriding economic goals. Finding a new business language to value the social contribution of business is proposed as a requirement for sustaining the growth of social enterprise into the future.

On the other hand, ‘non-rational’ economists do amplify the role of social values alongside prices in business decision-making. Managerial capitalism, debated from the 1940s and 1950s, introduced the changed role of managers and employees in influencing the social values and activities of enterprises. Although a foundation idea, managerialist theory has not been prominent in subsequent theories of corporate social responsibility and does not really assist in the implementation of business strategies but it helps interpret the motivation of enterprises and the approach of the Australian government in appealing to the personal interests and responsibilities of employees and managers.

As explained earlier, the mainstream literature on corporate social responsibility is mainly American management theory. This large body of work has developed around the need to understand the relationship
between business and society and how business can meet complex social objectives through pursuing enlightened self-interest. More recently, the theory has focussed on the importance of meeting stakeholder as well as shareholder needs as a means of opening business decision-making to all of those affected by business. Management theories outline the constructs and techniques for adopting socially responsible practices. While at times narrowly functional, these theories do provide the parameters for investigating management strategies in enterprises and this thesis had drawn on the classification by Wood (1991a) to structure the empirical research into companies’ rationale for community involvement and the practices undertaken in Australia.

While classifying the business practices of individual enterprises was essential for the empirical analysis, seeing the business role as a product of interaction between the public and private domains was a further step in developing the analytical framework needed for this thesis. As Moore and Richardson (1988) argue, the development of social activity by enterprises needs to be understood not only in functionalist and managerialist terms – how companies should structure their activities – but also in broader ideological and political terms. This includes how they interact with government and other external institutions, what public purpose that serves and what that implies for government as well as the enterprise.

Corporate citizenship theory addresses the interlinked rights and responsibilities of business and society. It introduces concepts that are more social and political – citizenship and civil behaviour, partnerships, relationships, and mutual obligation. Corporate citizenship theory clearly goes some way in characterising engagement with the external environment, in addition to exploring the internal dynamics of enterprises, but it does not address the public policy environment in which an enterprises’ social activity is located.

The public policy concepts of partnerships and governance (Rhodes 1996; Jessop 1995) and the political concept of social movements (Dryzek 2001) assist in understanding the public policy implications of business operating with explicit social intentions. Although not normally applied to theoretical discussion of the social role of business, self-organising networks and partnerships delineate a new facilitative mode of operation
for government and business. Social coordination does not happen unilaterally through the market or the state but through governance that is multifaceted and non-hierarchical. The preferred public management environment for social enterprise therefore becomes one that recognises good governance in blurring institutional boundaries, co-operative management and self-organising structures.

The chapter concludes with the theoretical dimensions of corporate community involvement as one significant element in the way that companies enact their social responsibilities and the focus for empirical investigation in this thesis. This study uses the concept of corporate community involvement as voluntary business involvement and engagement in external social issues and community activities and interaction with non-market stakeholders.

The language of business: Neoclassical economics

From around the 1950s the pivotal questions in debating the role of business – what is business responsible for and to whom (Post 2000) – have revolved around identifying if there is an inherent conflict between an enterprise pursuing its commercial goals, and responding to wider social expectations or, if economic and social goals are compatible. This binary preoccupation has meant that schools of thought have mostly been seen as either in the neoclassical economist camp – ‘the business of business is profit’ school of thought – or in the group who saw corporate responsibilities arising from all those individuals or institutions that interact with business as it performs its role. This simple ‘either-or’ distinction inhibits understanding the changes in social expectations that Australian business is experiencing.

Neoclassical economic thought, that stresses the obligation of business to pursue unfettered profit maximisation, is not the usual starting point for an examination of the social features of business. Its relevance in this discussion is due to its centrality in conventional business thought and language, despite growth in the use of concepts of wider business social responsibilities to employees and the community. The conventional language of business objectives and achievements – profits, net present value, shareholder wealth, and market value – draws from neoclassical economics and is dominant in business discourse.
Also, neoclassical thought is an important part of the theoretical landscape because, ironically, even though many theories of the social role of business attempt to distinguish themselves from the raw profit motive, they are in fact preserving a focus on financial profit. As Kang and Wood (1995) argue, most of the business and society writers have presented arguments that either openly or implicitly remain within the neoclassical paradigm, although seeking to broaden the parameters and incorporate externalities’. The notion of business acting to meet social responsibilities through a sense of enlightened self-interest (Sethi 1981) is an explicit version of this. Understanding the place of neoclassical economic thought, as it relates to a social role for business, is therefore more complex than merely dismissing it as greedy and amoral.

When the modern debate on the social responsibilities of business started to grow in the 1960s and 70s, prominent post-war neoclassical economists and commentators led by Milton Friedman, (1962), Friedrich von Hayek (1969) and Theodore Levitt (1979) were adamant on the core role of the corporation being one of strictly meeting shareholder needs for profit. A business that seeks to fulfil its commercial obligations secures not only its own survival but it contributes to the overall wealth and prosperity of society (Levitt 1979).

Friedman was the most ‘eloquent and persuasive defender of the faith in Adam Smith’s invisible hand’. (Luthens and Hodgetts 1979:79). ‘As if by an invisible hand’ is a metaphor from the 18th and 19th century classical school of British economic theory for the process whereby the accumulation of wealth would automatically benefit wider society through consumption and investment. The entrepreneur ‘will be led by an invisible hand to promote…the interests of society more effectually than when he really intends to promote it’ (Jacoby 1974:232).

Defending Adam Smith’s ‘invisible hand,’ Friedman’s (1970) seminal essay in the New York Times argued that the responsibility of business is the accumulation of wealth, which would automatically benefit wider society through consumption and investment:

[Business responsibility is] to conduct the business in accordance with [owners’] desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embedded in law and those embodied in ethical custom (Friedman 1970).
The neoclassical economists assert that, in the open market, the public interest is an outcome of various forces operating in a state of competition through the market mechanism. Through profit maximisation and strict accountability to the owners of capital, the wealth created would be sufficient to meet any social responsibilities. Therefore, an enterprise that seeks to fulfil its commercial obligations secures not only its own survival but it contributes to the overall wealth and prosperity of society (Levitt 1979).

In one sense, the neoclassical economists’ view is not a denial of social obligations; it is more an analysis of the mode in which they are best met. With each firm seeking to maximise its individual goals, it is assumed that this will automatically lead to serving the public interest in a social and economic sense. The enterprise goals will be essentially economic in character while the interaction in the market will produce social outputs along with economic results. Importantly therefore, this conservative position does not dismiss the existence and importance of social concerns and their solutions. Rather, the argument is that economic efficiency and output maximisation as the core enterprise goals would lead to meeting broader social goals.

A further feature of the American free enterprise and neoclassical economics tradition is the need for a restricted role by government to allow the corporation to meet it full potential. This is a dualistic view that strictly separates the public and private spheres. Resource allocation, including for social purposes, is seen to take place as much as possible through market mechanisms rather than through political processes. The Road to Serfdom, by Friedrich von Hayek, originally published in 1944 and re–published in 1994 with a foreword by Milton Friedman, re-affirms the neo–classicists’ unswerving faith in the free market and individualism, as opposed to collective action or intervention by government, for engagement in social issues or the resolution of social problems (Post 1996:155).

This interpretation of a corporation’s social role is still current. Posner (1998), a leading thinker in economics and the law argues that in either competitive markets or a monopoly ‘a sustained commitment to any goal other than profitability will result in a firm shrinking’. Barry (1999), writing for the New Zealand Business Roundtable, rejects the relevance
of notions such as community or stakeholders in favour of a singular focus on value for shareholders. Barry sees social responsibility that is seen as an obligation of a company, rather than as a response to market forces, as an unjustified cost for business and therefore bad for both business and society. If company executives pursue social goals as distinct from business goals they are ‘guilty of embezzlement or theft’ (Barry 1999:24).

Similarly Henderson (2001:viii), also published by the New Zealand Business Roundtable and reviewed in *The Economist*, November 2001, identifies corporate social responsibility as a distortion of the true purpose of business arguing that it has ‘potential to do real harm…[it] would reduce community well-being and undermine the market economy’. The role of the corporation is to generate wealth and any other activity undermines that objective. As with others conservatives, Henderson distinguishes between community and employee activities that are clearly in the commercial interest of the company, such as a public safety campaign or promotion of a brand, and those activities that are for social benefit in their own right. The latter distort the core purpose of business.

The legal mainstay of this argument is a narrow interpretation of the fiduciary responsibilities of corporate directors to do all that is possible to maximise profit for their shareholders. Sheikh (1996) shows through examples of case law in the United States that profit maximisation is enforced by corporate law. He concludes that ‘English company law is based on the presumption that shareholders by nature support profit maximisation’ (Sheikh 1996:201) but goes on to argue that satisfactory definitions of profit maximisation and profit do not exist and fiduciary duty would be better defined through a wider view of profit optimisation rather than maximisation.

Clark, (1986) writing on corporate law similarly explains that the dualist viewpoint that sees the public and private spheres as distinct functions and profit maximisation as the sole objective of the corporation also allows for long-term profits, not only short-run gains. Corporations have many formal responsibilities to non-shareholders such as customers, employees and the environment. In other words, there are many misunderstandings about the actual dimensions of the company’s responsibilities to shareholders and the scope for maximising profit.
The neoclassical economists’ view of business responsibilities serves as the conservative benchmark in delineating the views of business leaders. The survey of Australian business attitudes for this research puts the proportion at around 15 per cent of large companies. David Murray, Managing Director of the Commonwealth Bank of Australia, a well-known exponent of this view, argues that Australians should be pleased their banks have become efficient and generate healthy profits and questions why further burdens or community service obligations arising from a sense of social responsibility to the community should be imposed on their competitiveness (Harris 2000). Similarly, The Institute of Public Affairs consistently rejects the idea of broader social responsibilities for business and asserts that ‘business has no role in the community’ and continuing to validate the idea of stakeholders rather than shareholders is opening business to a pervasive form of civil society regulation (Johns 2000, 2002).

The neoclassical economists do not deny the existence of business responsibilities that are in the social arena and that there are many points of market failure in our economic system. But, they see the solutions to market failure though allowing the enterprise as much free rein as possible to manage in the way that it wishes rather than in adopting specific values to improve social performance or increase dialogue with community stakeholders. The latter responses are ‘socialism by another name’ and ‘civil society regulation’ that is an ‘assault on the interests and rights of real stakeholders’ (Johns 2002:2). Instead, business social responsibilities will be met most efficiently and effectively through enlisting market mechanisms where business pursues profit in as unconstrained way as possible.

Neoclassical economic thought throws into relief the tensions being experienced in the Australian business environment. The empirical research for this thesis found that, surprisingly, only a small proportion of business leaders unequivocally support the position of unconstrained market capitalism, with the majority expressing their belief in a company’s primary social obligations and ‘putting back’ into the community. But, the research also found the language for valuing the social contribution of business is underdeveloped. As later chapters show, greater social awareness might be entering the boardroom discussion,
annual reports and the financial media in Australia, but the underlying language and ‘hard’ measures of business success – profit, market share and position in the equity markets – are the language of the marketplace. This significantly limits the capacity of business to fully explain and put a value on the emergence of the social and moral dimensions in business success.

Neoclassical economics clearly leaves unresolved many important questions about the role of business in society and the redress of market failure. Nevertheless, it is a core aspect of attitudes and practices in business today. While, neoclassical economics serves as the most popular counterpoint to theories of the social role of business, this underplays its significance in the dominant language of business in Australia and in underpinning the objectives espoused by the majority of business leaders. Advancing social enterprise therefore calls for establishing an equally powerful and constructive alternative business language.

**Moderating capitalism through social values**

Challenging rationalist economic theory and seeking to moderate the impact of market forces, other economists and social scientists identify a social and ‘non-rational’ context as well as a market environment for business. In answering the questions what is the corporation responsible for and to whom is it responsible, these theories propose that meeting social or community needs should be a prominent feature of successful business management. They argue that an enhanced social awareness is a strategy for business managers to adopt in reducing the social harm caused through capitalism and to enable the continued growth of large business (Bell 1974; Drucker 1989; Galbraith 1974). They highlight the role of managers and their values in the exercise of business social responsibilities.

By rejecting pure profit maximisation, managerial capitalism posits that corporations have the capacity to broaden their business priorities to include equally relevant personal and social needs. Rather than all business behaviour being understandable only through concepts that stressed individualistic and competitive behaviour, there is interplay with collective entities such as ‘community’ ‘society’ or ‘government.’ The notion of ‘virtue’ replaces pure self-interest; what ultimately should
provide direction for the modern economy is not the price system but the value system of the culture in which the economy is embedded (Bell 1980:78).

As well as laying a basis for subsequent theories of corporate social responsibility (Jones 1983), the managerialists are important to the analysis in this thesis because of the insight they introduced with regard to the role of the managers of enterprises and organisational design in shaping the social orientation of a business. As Moon (1995:7) points out, managerialism in the theory of the firm enables the case to be argued that satisfying managers’ social needs contributes to business success so that ‘profit maximisation and organisational dynamics are no longer seen as antithetical’.

Galbraith (1977:533) labelled terms such as ‘private enterprise’ as promoting the idea that the corporation ‘has private affairs that should be protected from public view’ and that there is a natural right for the corporation to be left alone. Rather, he argues that the public character and responsibility of the corporation should be brought into view and used along with the bottom line to assess success or failure. Through contributing to ‘building a better community’, he forecast that a broader social focus in an enterprise could enhance commercial benefits:

A sound corporate image would help in recruiting and worker morale, avoid unwelcome taxes or cultivate a better public attitude towards products’ (Galbraith 1974:184).

Inserting social and human considerations into traditional economic decision-making would strengthen rather than weaken capitalism: there is a need for a ‘social must in capitalism’ for it to survive (Thurow 1966 cited in Birch 2001:54). New forms of governance and wider responsibilities come together in a new corporate social contract (Cannon 1992).

The ‘managerialists’ (Berle 1959; Cyert and March 1963; Kaysen 1957; Simon 1957) saw the changing ownership and management structure of the corporation as the key stimulus for the more values oriented corporation. With the separation of owners of capital from those controlling a firm, managerial specialists therefore had discretion in choosing the behaviour that suited them. The enterprise had become
responsive to forces other than the owners (Berle 1959). Managers were able and motivated to drive a social awareness in business and respond to personal and community social needs. The new management class sought to ‘satisfice’ rather than be motivated by vested interests to take risks to maximise profits.

Managerialism is a theory built on the social and political assumptions – essentially anti-collectivist and anti-welfare state notions – of the United States. In the United Kingdom, and most likely in Australia, managers are observed to be more ambivalent in assuming the social responsibilities of the welfare state (Harvey et al 1984). By contrast, in the United States there has been substantial corporate social activity alongside volunteering by individuals for decades and vigorous advocacy of minimalist government (Googins 2002). Business in New York City as far back as the 1960s was invited by government to take up responsibilities for social welfare in the face of severe budgetary constraints and collapse in public infrastructure (Drucker 1989). While the capability of business to assume a task of this nature was challenged, the fact that it was proposed was not strongly contested.

Despite the political and cultural differences between the United States and Australia, seeing managers in their own right, not only in rational pursuit of profit but as people with personal dispositions, opened the way for understanding the role of enterprises’ internal dynamics in guiding social activities. Indeed, this comparatively simple observation, that managers’ personal values and attitudes influence their companies’ social behaviour, may well explain variations among companies’ practices in Australia when all else is similar – industry sector, location and size. The Prime Minister John Howard appears to operate from this assumption when he relies on personal appeal to business leaders ‘do the right thing’ and experience how personally ‘rewarding it is to give’ resources to the Arts (Safe 2002). Acknowledging the role played by managers’ values and need for personal satisfaction is a valuable contribution to the analysis of the mechanisms at play in enterprises as they adopt a more active social role.

Managerialism also draws attention to the management systems in business. Introducing the role of social values into the management strategy for business success, these theories warn of the danger of failing
to reinforce the social institutions and processes that create shared values – such as the relations between organisations and community or individuals and their places of employment (Fombrun 1997). As Chapters Four, Five and Six reveal, the internal organisational processes developed by enterprises to meet the social needs of their employees have recently become a prime motivating factor in determining companies’ community involvement activities in Australia.

While these writings on managerial capitalism and social values were mostly generated a number of decades ago, their focus on the connection between social values, internal organisational dynamics and the social performance of enterprises is highly relevant to the present and the model of social enterprise advanced in this thesis. The pursuit of employee support is a factor motivating consideration in companies of their social values and a significant component in interpreting the motivations of the Australian companies investigated in this thesis.

‘Enlightened self interest’: pursuing legitimacy and stakeholder support

The largest body of work on corporate social responsibility is American management theory and the model by Donna Wood (1991a) guided the collection of data from Australian companies in this thesis. The management theorists focus on business strategy and the choices faced by individual enterprises. Conceptual frameworks designed for implementing corporate social responsibility and performance arose from management theory seeking to operationalise a corporation’s social role (Ackerman and Bauer 1976; Ashen 1980; Carroll 1979, 1993; Clarkson 1998; Freeman 1984; McAdam 1973; Preston and Post 1975, Post et al 1996; Wood 1991a, 1995). Whereas the previously discussed theories see business as one of a host of institutions negotiating its way in the market and in relation to the complex interaction of social, economic and political forces (Moore and Richardson 1988), these authors dissect management values and strategies that contribute to or inhibit a greater corporate social role. They focus on business processes for individual enterprises, seeking to identify the connections between business social practices, profit and other benefits. As Moore and Richardson (1988) argue, most management theories for corporate social responsibility aim
to present an administrative or technical solution for socially responsible business practices but without equivalent development of an ideological or political context. While the more recent American writing does go beyond functional prescriptions (for example Post et al 2002a), the prime focus of these writers is the operation of the enterprise.

Core concepts describing the motives of business are the pursuit of enlightened self-interest and corporate legitimacy or licence to operate as a pragmatic, even defensive resolution of the conflicts between economic objectives and intense social and moral expectations. Corporate survival in modern societies is seen as an indispensable part of business strategy. Indeed, the pragmatism of this approach in a way reconciles the classical ‘Friedmanite’ view with what might be seen as opposed models. Most of the management theories for assessing community expectations and designing social activity are, understandably, strategies to pursue profits and preserve business freedom rather than deliver social and community benefits in their own right.

Models for corporate decision making include Carroll’s (1993) four-part model to establish corporate social responsibility as an umbrella concept, guiding all business decisions not just those concerned with social objectives:

The social responsibility of business therefore encompasses the economic, legal, ethical and discretionary expectations placed on organisations by society at a given time (Carroll, 1993:34).

The slogan for this model is be profitable, obey the law, be ethical and be a good corporate citizen. Including the economic or legal aspects of responsibilities took the view of social responsibility beyond just ethics and philanthropy. Carroll argued there was a social contract between business and society in each of these four areas.

Sethi (1981) maintained that business responds to two kinds of social forces: market forces and non-market forces. An enterprise essentially adapts to market forces through modification to price and products – all familiar responses. The non-market forces are less familiar and arise from second order effects in the externalities that flow from the way the enterprise engages in its market – environmental pollution, for instance – is an externality of many sorts of production. Not responding adequately
to these non-market social forces is a threat to the firm’s legitimacy and success. Baron (2000:562) distinguishes between social actions as strategic responses to non-market pressures and morally motivated actions. Indeed, striving to maintain legitimacy through contracting the gap between expected and actual social performance is an imperative for the enterprise if it wishes to maintain control over its internal decision-making and external dealings.

The quest for legitimacy shapes a three-stage hierarchy for analysing corporate social behaviour. At the most basic level is response to market or economic forces and compliance with legal constraints. Secondly, there is behaviour that brings corporate behaviour up to the standards of prevailing social norms not yet codified into laws. Finally is corporate behaviour that is ‘anticipatory and preventative’ where enterprises conceive of their ‘long run role in a dynamic social system’ (Sethi 1981:73).

A similar categorisation analyses inactive, reactive, proactive or interactive corporate behaviour (Post et al 1996). The interactive form of social response is essentially the most advanced socially responsive form, much like Sethi’s third stage, where the corporation can shift behaviour to meet social expectations and sees those changes as consistent with business objectives and long-term prosperity – such as McDonalds shift from polystyrene to cardboard packaging on the advice of the Environmental Defence Fund. Acting in this way is to be guided by enlightened self-interest – being socially aware without sacrificing economic self-interest and optimising profits rather than maximising (Post et al 1996). Examples provided in later chapters include Rio Tinto and WMC in their interactive strategies with Indigenous communities around mining developments or employee centred strategies in Ford Australia and Lend Lease that recognise the importance of values and employees’ connections with their local communities.

Wood (1995) argues that the enlightened self-interest thesis has lead to an overemphasis on ‘doing well by doing good’ rather than reconceiving the role of business to include a centrally located social purpose. Assuming a simplistic connection between social intent and financial benefits for the enterprise is, for Wood, to remain in the neoclassical economist camp. She has argued that this assumption has rarely received serious challenge
and indeed her own model essentially stays within the enlightened self-interest framework.

Wood’s model of corporate social performance (1991a) divides social behaviour by business into three aspects. The first aspect is the principles of social responsibility that ‘motivate human and organisational behaviour’ – business attitudes, beliefs and assumptions about the responsibilities of business as an institution in society and individual enterprises (Wood 1991a:713). Secondly, the processes of social responsiveness include the corporate practices that are generated to understand the external environment and better manage social expectations. The third aspect is the outcomes of corporate behaviour, both business and social outcomes. Wood sees this as an attempt to remove corporate social performance from ‘the category of wishful thinking and allows more pragmatic assessment to be made’ (Wood 1991a:710).

Wood’s model is not so much a theory for understanding the social character of business but rather a classificatory scheme that captures in one model the main themes that have been enunciated in management theory for the social role of business (Husted 2000). Accordingly, Wood’s three-part framework has been a guide for the collection of information of social activities in individual enterprises for this thesis. Interpreting the patterns of activity of social enterprise in Australian business has called for understanding the principles or rationale adopted by business, the activities undertaken and their relationship with the principles and an assessment of outcomes.

A further development in management theory was to view enterprises’ social and economic behaviour as exchanges with stakeholders such as employees, suppliers, customers, government and interest groups (Clarkson 1998; Freeman 1984; Post et al 2002a). Stakeholder is a term freely used by the enterprises surveyed in this thesis when talking about their social role. Freeman’s classic definition of a stakeholder is ‘any group or individual who can affect or is affected by the achievement of the organisation’s objectives’ (Freeman 1984:46).
The goal of stakeholder theory is to shift the theoretical focus from ideals for socially desirable corporate performance to an emphasis on analysing actual corporate behaviour in its social milieu:

Performance is what counts; corporations are what they do. Whether they are motivated by enlightened self-interest, common sense, high or low standards of ethical performance are all questions that cannot be answered by any social scientist or empirical methodology available today. But performance can be defined, managed, measured or evaluated (Clarkson 1998:275).

Stakeholder theory argues that rather than conceiving of responsibilities in the abstract, managers consciously negotiate their relationships with customers, employees, government, community members and other stakeholders. Environmental activities or occupational health and safety, for example, are social issues but a company will manage its interactions on these matters distinctly and separately with government, employees, and customers and with their own managers rather than see them as issues in their own right. Accordingly, Clarkson (1998) concluded that a stakeholder management model provided the most appropriate organising principle for understanding the social role of business because it accords with actual business behaviour.

This American management theory should not be confused with the British and European political ideas of a stakeholder society. The stakeholder society is where the locus of authority and the parameters of participation in corporate governance and political processes are shifted to a more participative democratic basis (Hutton 1999). Rather, the theory of managing through stakeholders stays essentially within the assumptions of enlightened self-interest and examines who a company’s stakeholders are and how their interests and needs direct company decisions. Stakeholder theory redesigns a management strategy to reflect the linkages between stakeholder engagement and organisational wealth:

Companies that understand and balance stakeholders’ needs are in the position of building sustainable wealth through sound economic and social relationships (Post et al 2002a).

Stakeholder theory reinforces the importance of the guiding questions posed by Post (2000) of not only asking what is business responsible for but to whom is it responsible – in other words, who are the relevant
stakeholders for business attention and to whom is business directing attention when it makes a decision. Throughout the discussions with Australian business for this thesis, the idea of meeting the needs of stakeholders was provided as an important rationale for social activity. As Post argues, this is intuitively what companies do and the challenge in theory (and law) is to turn this observable reality into a formal redefinition of the corporation (Post et al 2002a). The idea of stakeholders has popular resonance in business thinking in Australia and stakeholder theory can assist in identifying the motivation of enterprises in converting abstract social intentions into tangible activity.

There is, however, the danger with stakeholder theory that it is amorphous – the idea of layers of internal and external stakeholders whose divergent needs should direct business decisions does not necessarily accord with a commonsense view of business processes or with the strategic intentions conveyed by business in this research. However, if the overly prescriptive elements of stakeholder theory are kept in perspective, stakeholder theory does open up the opportunity to consider the two-way interactive communication processes that many companies in this research state they are aspiring to achieve.

The contribution of the management theories of corporate social responsibility to this thesis is in providing a structure for investigating the actual social practices of enterprises. In essence, this accords with their intention. A practical framework for asking companies to describe their community involvement practices for this thesis is provided by Wood’s (1991a) three-part model. It comprises the principles or rationale for corporate social responsibility, the actual practices adopted in being socially responsive and the outcomes of the social behaviour. Stakeholder theory assists interpret the rationale and focus of the social activity by answering the question to whom is the enterprise responsible.

However, Wood’s model and stakeholder theory are essentially about business strategy and management processes for individual enterprises. Their key deficiency in providing a complete analytical framework for this thesis is that do not take into account the socio-political context in which business as an institution operates – government is merely a stakeholder for a company that maybe more or less important that others in the community. While the task for this thesis has been to document
social practices by enterprises, it has also sought to explain the emergence of social enterprise and this calls for not only an assessment of the motivation of an individual enterprise but a more revealing assessment of the social role of business in its larger institutional setting.

**Interaction between private and public responsibilities and corporate citizenship**

While functional analysis of management directs attention to business practices, seeing the business role as a product of interaction between the public and private domains is a further step in providing the analytical framework needed for this thesis. That is, not only the intent and management practices of enterprises require examination but also the complex web of community interactions and responsibilities should be taken into account. The nature of the public private interaction in shaping the social role of business is viewed in a number of ways.

At a minimal level and tied to the pursuit of enlightened self-interest, Preston and Post (1975) argued that business interests and public policy interpenetrate and are interdependent and that public policy is a significant influence on business and planning. In American business, this proposed interdependence of private and public responsibilities for the corporation was and remains a controversial proposition (Cabot Lodge 1974) but Preston and Post maintained that despite the strong assumptions that public and private domains are separate, the ‘interrelatedness between private management and public policy is simply a matter of modern social life’ (Preston and Post 1975:2). The use of the notion of ‘public’ as distinct from ‘social’ was also an important contribution to the evolution of definitions of corporate behaviour in that it drew attention to the importance of the public policy process and public culture:

> We chose the word public rather than social…in order to stress the importance of the public policy process, rather than individual opinion and conscience (Preston and Post 1975:102).

A less instrumental view than Preston and Post and others (for example Hargreaves and Dauman 1977; Beesley and Evans 1978) is that corporate interaction with government is not only a choice made in self-interest but directly shaped by the national characteristics of state economic and political development (Marinetto 1998; Moore and Richardson 1988).
Business and government relations concerned with the economics of business are well understood and well researched (Bell and Wanna 1992). Analysing the processes of social activity by business similarly requires understanding the political environment as well as the organisational culture and the predisposition of particular businesses. Social activity by companies is tied to specific societal and political factors: how business and government interact; how business and the community interact; the particular conditions surrounding state-business relations, particularly in terms of what corporations are encouraged or prevented from doing in the social arena (Moore and Richardson 1988).

This analysis argues that assuming companies’ expression of their social responsibilities is exclusively a product of their organisational culture or management skills misses the crucial role of the socio-political environment in shaping business attitudes and behaviour. In examining styles of environmental regulation in the United States and the United Kingdom, Vogel (1986), observed that British companies are less suspicious of government than their American counterparts and more open to social pressure from government to behave responsibly. Another cross cultural study proposed that moral responsibility, as opposed to functional responsibility, of business is largely determined by the prevailing political, economic and cultural milieu (Harvey et al 1984:23). The study found American business was driven more by explicit management requirements than the implicit British interpretation of social responsibilities.

Recent theory contains more explicit social and political concepts such as corporate citizenship (Birch 2001; Drucker 1993; McIntosh et al 1998; Moon 1995; Tichy et al 1997), the civil corporation (Zadek 2001) and the stakeholder corporation – which extends the earlier stakeholder theory (Post et al 2002a). The distinguishing features of corporate citizenship, the most prominent current theory, urges a more holistic approach to conceiving business as an economic and social institution rather than grafting additional social activity onto the unchanged economic role of business. The enlightened self-interest motivation is less aggressively asserted. Corporate citizenship speaks of connections with other institutions, civil society – the not-for-profit sector and interest groups – and society at large. It conveys that business has an inherent social
character and that business and social institutions are deeply connected. In other words, it is not an option to conceive of the enterprise as only an economic institution as the new market theorists would have it (Barry 2001; Henderson 2002; Johns 2002) but that the enterprise as a corporate citizen is necessarily both an economic and social institution with rights and responsibilities.

This idea of corporate citizenship draws on political theories of citizenship and there are parallels between theories for individual citizenship and corporate citizenship that are worth outlining. Marshall’s post World War II analysis of citizenship (Marshall 1965, cited in Wood and Lodgson 2001:88), established citizenship dimensions as civil (such as free speech), political (such as the right to vote) and social (such as right to education). Progression through these levels is a sign of a maturing political system. Citizenship ensured that everyone would be treated equally as a member of society. More recent thinking distinguishes citizenship in its minimalist form, as legal rights and compliance with rules, from the notion of citizenship as a desirable activity – the ‘good citizen’ – and the communitarian view where rights and duties are set by the nature and history of one’s community. A further view of citizenship is based on universal human rights where the good society guarantees fundamental rights for all humans and government’s role is to protect these rights (Kymlicka and Norman 1995 cited in Wood and Lodgson 2001:89).

Extending citizenship to business enterprises, Wood and Lodgson (2001:93) see the neoclassical economists’ view as parallel with the minimalist view of citizenship where the enterprise is ‘a nexus of freely chosen individual contracts’ that are generated to pursue the self interest – or profit – and are unconcerned with collective interests. The communitarian and universalist view of citizenship views the enterprise as a member of a local community or embedded in a network of stakeholder relationships. This is the view espoused by corporate citizenship theorists. It proposes that enterprises not only have rights but also responsibilities to society, not just the commercial market, and that they play a role in relation to government and engage with other institutions for the overall benefit of society (Moon 1995:10). Historically, corporate rights have been emphasised over corporate
responsibilities but the contemporary environment expects enterprises to be more conscious and informed social participants (McIntosh et al 1998). Corporate citizenship considers how a corporation should contribute to democracy and the future of society (Glazebrook 2001).

A key element in corporate citizenship theory is therefore that it concerns a two-way relationship between business and society: a mutually beneficial relationship where some of a corporation’s needs will ultimately only be met by taking actions which are oriented towards serving public good (McIntosh 1998). The repertoire of behaviour includes dialogue with employees and external stakeholders, partnerships with not-for-profit organisations, and business decision making that includes the environmental and social implications of economic development – or the triple bottom line.

The notion of a triple bottom line (Elkington 1997) takes a new perspective on the neoclassical economists’ view. Profit making, environmental sustainability and social awareness are not seen as competing priorities but integrated into a new ‘bottom line’. The goal remains to secure business success but with a radical reorientation to include activities outside the traditional commercial market place. This concept redefines the parameters of business success.

In establishing a framework to examine social enterprise in Australia, the previous sections in this chapter have examined theories that consider the social relationships between business, society and government. As explained in Chapter Four, despite a low level of endorsement among the enterprises surveyed for this thesis, the morally neutral and dualist view of the neoclassical economists continues to provide the language that dominates in business. By implication, there is need for new language, beyond that of market capitalism, to express the value derived from widening the social role of business. The pluralist views of the ‘new economists’ like Drucker (1989), Galbraith (1974) and Thurow (1983), in arguing for managerial capitalism, introduced the relevance of managers’ social values and their personal disposition but without revealing what should actually be done by business. The American management theories of enlightened self-interest and stakeholder engagement do direct attention to the management processes required to take support for social values into core business decisions so as to preserve the legitimacy of the
business within the social environment (Baron 2000). Adopting a social role is a business strategy. However, they do not pay sufficient attention to the institutional underpinnings of business society relationships by pointing to the implications for government, not-for-profit organisations and other aspects of civil society or the community in maximising the public gains to be made from more socially responsible business.

Consistent with the ‘third way’ politics in Britain and European social democracy (Giddens 1998), contemporary British, European, and Australian theories of corporate citizenship propose a far more deliberate interaction between the private and public domains in the interest of both the public good and the private benefit of the enterprise. Unlike American theories, these include business in a social partnership with other public and private institutions. These theories accord more with the analysis in this thesis that the fundamental context for business success is changing and that a new social character for Australian business is emerging which calls for new social relationships to serve new purposes. The latter bring in concepts that are more social and political – citizenship and civil behaviour, partnerships, and relationships founded on mutual obligation. These theories clearly go some way in characterising engagement with the external environment in addition to exploring the internal dynamics of enterprises.

As Moore and Richardson (1988) suggest with respect to Britain around fifteen years ago, the development of social activity by enterprises needs to be understood not only in functionalist and managerialist terms – how companies should structure their activities – but also in broader ideational and political terms. This includes how they interact with government and other external institutions and what that means for them as well as the enterprise.

Nevertheless, this is a minority view. The core focus for theories of the social role of business understandably remains that of defining the activities, demonstrating how reshaped social priorities will deliver superior business outcomes. This is the search for the ‘business case’ expressed in the language of rationalist economics. However, as the external social activities of companies grow there is also a need to theorise the implications for the community of the new business relationship. Understanding the community impact and benefits and how
business activity aligns, conflicts or replaces government and non-government organisations’ responsibilities become important.

Theories of corporate citizenship should not necessarily be charged with also defining the desirable social and political context for corporate social activity. Nevertheless, social enterprise needs to be enacted in a context that is receptive and enabling for it to endure and for the public, as well as private benefits, to be realised. This requires turning to other theories of political and social organisation that provide deeper insight into how the changing social role of business interacts with other institutions and what that means for those institutions as well as for business.

**Partnerships, networks and governance**

The public policy concepts of partnerships and governance and the political concept of social movements provide insight into the public policy implications of business operating with explicit social intentions beyond the conventional scope of their role. Although not normally applied to theoretical discussions of the social role of business, the ideas of self-organising networks and partnerships delineate a new facilitative mode of operation for government and business. The distinguishing feature is that social coordination does not happen unilaterally through the market or the state but through governance that is multifaceted and non-hierarchical. The model of social enterprise advanced in this thesis is directed at not only achieving better outcomes for enterprises but also ensuring that there are equally significant public outcomes.

The network, alliance and partnership metaphors are becoming commonplace both in business literature and as concepts to capture the salient features of contemporary public policy. The certainties and institutional boundaries of the industrial society have given way to the complexity and unpredictability of the ‘new economy’ and the post-industrial economy (Bellah 1992; Castells 1996, 1997). This calls for models of political and social organisation that actively respond to the changing boundaries of the public and the private sectors and embrace the additional players in the public sphere. Economic and social models that posit the market, state and civil society as distinct and separately operating spheres are becoming less appropriate than notions of interdependency and network type relations (Jessop 1995).
Theories from political science for partnerships, networks and governance (Jessop 1995; Rhodes 1996, 1997) address the flexible, self-organising and relational arrangements that are increasingly apparent in government, business and civil society relations. These new relations are emerging from deeply rooted changes in organisational, technological and political processes. Rhodes describes a ‘centreless society’ where public policy outcomes are not dependent on central government:

There is a multiplicity of actors specific to each policy area; interdependence among these socio-political administrative actors; shared goals; blurred boundaries between public private and voluntary sectors and multiplying and new forms of action, intervention and control. Governance, is the result of interactive socio–political forms of governing (Rhodes 1996: 656).

The ‘partnership boom’, frequently represented as a new way of ‘getting things done that individual enterprises would be unable to achieve alone’ (Zadek 2001:91), suggests a new governance function that confers legitimacy on the new boundary crossing networks and alliances. Schorr (1997, cited by Martin-Weeks 2000:294) refers to a ‘public purpose sector’ that arises out of the free association of business, community and government, blurring the distinctions between their traditional functions. Zadek (2001a) argues that traditional reliance on structured representation and the rule of law is giving way to more fluid patterns of representation. New forms of accountability are based on communication and new styles of governance are dependent on partnerships that embrace negotiation and networks rather than hierarchical or market processes (Considine 2001; Rhodes 1996).

Advocacy of the partnership concept in public policy is unusual in that it is supported at different points along the political spectrum. The socially conservative Howard government, the British Labour Party through the Blair government, a minority led by Mark Latham in the Australian Labor Party, business organisations such as the Victorian Chamber of Commerce and Industry, voluntary organisations such as The Smith Family and the Brotherhood of St Lawrence and many large companies like Rio Tinto, Shell, BP, and Westpac all explicitly endorse the notion of partnerships. They employ the concepts of partnerships and boundary crossing alliances to point to workable solutions in response to the
complexity of social and economic issues facing contemporary
government, community and business.

Kristensen (2001:21) argues that in Europe the idea of new social
partnerships has succeeded in setting ‘a new ethical and political agenda’. Partnerships contribute to a redefinition of the welfare state via the political delegation and relocation of social responsibility to market actors, to civil society and to individuals. He sees ‘partnerships’ and ‘responsibility’ as moral rather than political concepts and located in the rise of a new kind of ‘etho-politics’ where the main characteristic is a kind of ‘moralisation of political and economic problems’ which is accompanied by a moralisation of the vocabulary’ in public policy.

For government, the use of partnership and alliance concepts points to the state-centred analysis of public provision giving way to a more flexible view of the role of government and political coordination. A rigid public-private demarcation, with big business and big government and an amorphous community, which has dominated public policy in the post-war era, is now infused with notions of complexity, unpredictability, and flexibility. Accepting the limitations of the state, concepts of the state as facilitator, enabler or animator feature prominently in discussions of the reconceived balance between the market, civil society and the state (Botsman and Latham 2001; Rose 2000). A key aspect of this is the notion of community as the preferred site for renewed political activity (Adams and Hess 2001; Everingham 2001). Rose (1996) suggests that in the social welfare regime, we are witnessing the end of the ‘social’ to be replaced by the notion of the community as the locus of support and structure along with self, family and workplace.

Civil society is an important concept in the community, network and partnership discourse – if a ‘sometimes murky concept’ (Dryzek 2000:23). Lyons explains the North American liberal tradition, most powerfully seen in the writing of Michael Walzer (1995, cited by Lyons 2001:210), as civil society occupying the space where ‘uncoerced relational networks’ and voluntary associations flourish. Dryzek (2000) applies the concept civil society to the social interactions that do not take part in the economy or through the state, mainly through failure of the state or the economy, and are not part of private life. For Lyons (2000), a particular manifestation of this space is the role of the third sector – those
not-for-profit organisations that conduct their activities outside of the public and the business sectors. As the findings in this thesis show, the role of the third sector as intermediaries is central to companies enacting their newly found social role in the community. They inhabit the often unidentified ground between business, the community and the state.

In considering the future shape of government and public policy in a social democracy, Latham (1998:210) hinges his argument on a ‘functional flexibility’ where the ‘communal needs of citizens’ will be most effectively met through customised methods of delivery. Public provision would lose its tightly prescribed forms as a more responsive approach is developed in much the same way that business organisations have developed products and services for niche markets. The transformation of public provision will involve redrawing how the public good is served and by whom. Governments as we know them will not remain the exclusive conduit for public services and the traditional differences between private and public will break down:

The boundaries of government will become so blurred that we will have trouble knowing whether we are being served by a public servant or a private employee, whether we are dealing with national, state or local government or whether we are dealing with our own governments at all and what is more, increasingly we will not care (Sturgess, 1994 cited in Latham 1998:211).

Giddens and Etzioni in different ways explain the importance of the presence or absence of active and connected community. Giddens’ ‘communitarianism’, that influenced the Blair government in the United Kingdom, argues that people regret the loss of certainty and accepted guidelines for how one makes one’s way in social and economic life. He sees that it results in a loss of intimacy and a transformation of civil society. In the modern world people have to negotiate their daily lives, construct their own lifestyle and remake not only public institutions but also everyday life; ‘it is a society living after the end of tradition’ (Giddens 1999:43). His view of present social life is one of ‘moral transition’ in which ‘social cohesion cannot be guaranteed by the top down action of the State or by appeal to tradition’ (Giddens 1998:37). New forms of social alliance, mediated through a new role for government is the favoured mechanism.
Amitai Etzioni’s ‘new communitarianism’ (1998) which influenced the Clinton administration in the United States also proposes a balance between social forces and the person, between community and autonomy, between common good and liberty, and between individual rights and social responsibilities. The communitarian platform argues that serving the common good calls for strengthening the social institutions on which social, economic and political life is based:

Communitarians favour strong democracy. That is, we seek to make government more representative, more participatory, and more responsive to all members of the community…Similarly, we ask how ‘private governments’ whether corporations, labour unions or voluntary organisations can be more responsive to their members and to the needs of the community (Etzioni 1998:45).

These notions of the enabling state and stronger community processes raise the question of the extent to which the community simply becomes an agent of the government, rather than representing a new social and political form (Everingham 2001:109). The alternative notion of an active state (Redell 2002) proposes that the political and bureaucratic institutions of the state collaborate and negotiate in new ways with other institutions to ensure social cohesion and economic development. To do this, the state is no longer a market oriented state or a bureaucratic state but one where collective action through social movements (Dryzek 2000) and a recasting of the parameters for social engagement and ‘associative activity’ (Walzer 1992, cited by Dryzek 2000:8) is the cornerstone of economic and social wellbeing.

Networks require participants to engage in a dynamic social process through communication on themes that are relevant and authentic. However, a key aspect for functioning successfully in this democratic space would be deciding when non-state and non-market processes present opportunities for improved democratic and social outcomes. Dryzek proposes that one criterion would be when networks manifestly contribute a better outcome in bring diverse interests together in a freely structured democratic process:
In today’s world …control over issues increasingly eludes the state and its associated civil society…the network form of organisation plays a crucial role in bringing these discourses under dispersed and so democratic control (Dryzek 2000:5).

While business is treated differently, if at all, in these theories (sometimes part of civil society and sometimes not), they nevertheless add an important political and public policy dimension to consideration of the changing social role of business. They imply, even if they do not state, the need for parallel changes to institutional roles and responsibilities in government, civil society and business in building new co-ordination and facilitative processes. While Dryzek (2000) refers to the values and processes of corporatism as the European tripartite model for industrial bargaining (Streeck 1992), he also dismisses it as not inclusive of the broader notion of community participants. Corporatism falls short of the rich social and political intentions of these democratic theories.

The political theories of partnerships, networks and governance therefore augment theories of a social role for business, particularly those that consider a more deliberate interaction between the public and private domains, such as corporate citizenship. From the perspective of government and the community, they propose coalitions for change, a focus on shared ownership of social conditions that crosses market, government and civil society and a reconceived site for cross-sectoral dialogue. These ideas show how social enterprise requires a complementary public environment in which to flourish. The public environment for sustaining social enterprise is one that facilitates the boundary crossing nature of partnerships and rewards shared ownerships of social conditions.

**Understanding corporate community involvement: a window to an enhanced social role**

Corporate community involvement, is one important component in a set of corporate beliefs and practices – such as environmental responsibility, production practices that observe human rights, product ‘stewardship’ and equal employment opportunities – that together comprise a greater contribution to the social dimension of companies’ responsibilities (Birch 2001; Nelson 1998; Tichy et al 1997; Wheeler and Sillanpaa 1997; Wood
1991). The judgement of this study is that corporate community involvement provides a valuable and tangible insight into the bigger picture of the changing social role of business and the interaction with other social institutions (Saia 2001) and is an accessible area of business social activity to investigate.

Definitions of corporate community involvement are varied and it is useful to explain the evolution in thinking and the interpretation adopted in this thesis. In Australia, unlike the United States and to a lesser extent Britain, corporate community involvement is a relatively recent activity (Lyons 1998; Moon 1995). Also, in Australian companies it is not a rigidly defined function derived from philanthropy, as is apparent in North American companies, where it is frequently driven out of legally structured and tax effective foundations that operate according to the tight parameters of tax law (Alperson 1995; The Conference Board of Canada 1998; Googins 2002).

Making philanthropic donations to social causes has featured in companies’ social practices from the earliest years of industrialisation in most industrialised countries (Cannon 1992; Marinetto 1998). It was driven by the sense of moral obligation and community leadership felt by the wealthy owners of capital – the charity principle – (Heald 1970). In a later era, it was driven by enterprise managers who sought an additional level of personal satisfaction as well as meeting a sense of social obligation (Abrams 1951 and Eals 1960, cited in Post et al 1999:63). In Australia, from around the 1980s, social and economic developments alerted business to community expectations such as environmental soundness, transparency and openness with the community. The responses often took the form of enhanced relations with local communities, increased dialogue with interest groups, sponsoring local activities as well as sponsoring sporting and cultural events as part of corporate or brand marketing (Byrt 1985; Centre for Corporate Public Affairs 1990–1995; Hancock 1993).

Developments in the 1990s escalated the requirement for greater awareness and responsiveness to an enterprise’s social context so that some enterprises embarked on closer relations with their communities on the ground that they had a longer-term interest in their economic and social wellbeing. Global companies such as Shell, Rio Tinto and BP, who
seek to be positioned in the public eye and in the marketplace as ‘good corporate citizens’, expanded the notion of community involvement to ‘investment in communities’ or ‘social investment’ (Cannon 1992; Logan et al 1999; Marinetto 1998). For example, the Chairman of BP (globally) has extended their vision to being committed and engaged ‘in areas of real difficulty and public controversy where society has problems and where solutions are not readily apparent’ (Browne 2000:6). The Chairman of Shell committed to ‘working with a wide range of partners to minimize the impact of its operations in societies and maximise local benefits’ (Moody-Smith 2000:8).

Community involvement or social investment activities in these companies is recognised as more than a discretionary financial contribution but as a business activity that is part of the set of integrated practices and central to ‘good corporate citizenship’ (Andrioff and McIntosh 2001; Logan et al 1997; Tichy et al 1997). However, an issue of concern to some scholars in this area (Birch 2002; Glazebrook 2000) is that community involvement has assumed, particularly in Australia, a position as the dominant expression of corporate citizenship to the detriment of a more beneficial integrated approach to meeting social obligations. The concern is that limiting the vision of a changed social role to the short-term transactional exchanges of philanthropy and sponsorship is falling short of the transformational possibilities that a deeper expression of corporate citizenship would entail. The argument in this thesis concurs with this position. Corporate community involvement is used in this study to signal and represent the nature of the changes that are occurring rather than purport to be the total expression of the social role of business.

To capture this dimension, the definition of corporate community involvement that underpins this investigation of company practices in Australia is wider than has been conventionally employed, particularly in the United States. It goes beyond a narrow view of corporate giving or philanthropy, consistent with a neoclassical view of the corporation, which comprises short-term transactional relationships (Birch 1999 cited in Lee and Higgins 2001:82). It also goes beyond the view of establishing business objectives for community activities that has been part of ‘softening the face of capitalism’ and directed at enlightened self-interest.
(Carroll 1996; The Conference Board of Canada 1998). Instead, this study proposes corporate community involvement as voluntary and strategic business engagement in external social issues and community activities and interaction with non-market stakeholders. Both business outcomes and net social benefits are apparent from this cross-sectoral interaction.

The intention is to take into account a wider range of existing and emerging practices in a company’s external social engagement such as participation directly with the community in dialogue, participation in networks and in partnerships with the not-for-profit sector and government as well as the more conventional philanthropic activities. But, as indicated in workshops with business and the not-for-profit sector for this study, the language used is highly variable and the terms are often exchangeable, with for example, ‘partnership’ and ‘stakeholders’ widely applied to company’s external relationships irrespective of the depth or purpose of the relationship or the relevance of the audience.

This notion of corporate community involvement draws on elements of a range of the previously discussed theories. From management theory, there is the transition in business strategy from practices of discretionary philanthropy to the newer forms of strategic philanthropy that align corporate giving with business strategy and professional management (Burlingham and Young 1996; Carroll 1975; Himmelstein 1997; Lyons 2001; Post and Waddock 1995; Wood 1991). From stakeholder theory (Clarkson 1985; Freeman 1984; Post et al 2002a) there is the view of a successful company negotiating its way through a complex web of demands and relationships. From corporate citizenship theory (Birch 2001; Andrioff and McIntosh 2001) there is the idea of deliberately managing the wider influence of business so that the enterprise is embedded in society and pursuing activities that yield a social and business benefit.

A major review of the management theory literature for corporate community involvement identified twelve American studies from 1970 to 1993 (Wood and Jones 1996). The review concluded that this area of business activity is unnecessarily narrow in being framed by the question why companies should or should not give money and that the area would be more effectively examined through a deeper analysis of intent or
impact. A more illuminating approach would consider community involvement as a core aspect of a wider social role for business:

[It would] frame questions of business philanthropy within the broader context of corporate social performance...(to understand) the roles corporations play in society and the responsibilities they have to members of our society.(Wood and Jones 1996:41).

Wood and Jones argue that the literature takes a narrow approach to this business activity because of the dominant expectation that community involvement would be supported more widely by management if only it could be shown that companies ‘can do good and do well’ or even better that they can ‘do well by doing good’. This implies a ‘simplistic connection between social and financial’ and one that does not help explain why companies undertake discretionary activities that may or may nor produce benefits that may or may not be measurable (Wood and Jones 1996:48).

They conclude that the findings from studies in this area are mostly ambiguous when considering what drives firms to engage in community involvement – most studies are constructed on the assumption that there is something about the characteristics of the firm that mean some give a lot or some give a little. They conclude however, that the studies simply do not address the questions of whose interests are served by firms’ charitable donations and what the effects are on the enterprise of those contributions. On the other hand, as proposed in this thesis, viewing community involvement as exercising a ‘complex web of inter organisational relationships’, broadens the intent beyond the self-interest of the enterprise to include an explicit goal of improvement in the wider community (Wood and Jones 1995:335).
Conclusion

This chapter has reviewed the core concepts and theoretical models concerned with the social role of business to specify the characteristics of social enterprise as the focus of thesis. The concepts are employed in the analysis of practices in community involvement in Australia in Chapters Four, Five and Six.

The discussion in this chapter has considered a range of pertinent theories from the morally neutral and dualist views of the economic rationalist, to the pluralist views of the ‘new economists’ like Drucker (1989) and Galbraith (1974), to the American management theorists and finally to those more radical theories of corporate citizenship from Britain and Europe. The latter bring concepts that are more directly political into the definition of business responsibilities – citizenship and civil behaviour, along with the notions of partnerships and mutual obligation. These theories do view business engagement with the external environment as providing significant public benefits in addition to the business advantages. They do not, however, satisfactorily account for business as an institution performing a social role in the broader socio-political landscape. Throughout this thesis the argument is that increased social activity by business requires a different form of democratic governance and public policy framework to gain the full potential of the public and private benefits. Networks, partnerships and governance are public policy and political concepts that add to the understanding of the social role of business.

Social enterprise is the preferred view of business proposed in this thesis. As well as answering the questions of ‘to whom’ and ‘for what’ is business responsible, the notion of social enterprise also explains how and with whom business exercises its social responsibilities. Social enterprise not only considers the social obligations of business, its management style and advantages but it inserts consideration of the socio-political process. An enabling public policy and political process becomes a prerequisite to fully gain not only private sector benefits but also public social outcomes.
The following chapter identifies the dominant structural features that are motivating business to recast its sense of social responsibilities and establishes why the social domain is of increasing value to business. Rather than depending on the explanation that community pressure for improved corporate behaviour is the main motivation for change, the chapter argues that the forces of globalisation, growth in the global knowledge economy, the changed role of government and the nature of community expectations of business produce a confluence of forces for change that are redefining the very nature of business success. The following chapter establishes the case to demonstrate that social enterprise best reflects the vision for socially responsible business in the 21st century.
CHAPTER 3: FORCES REDEFINING BUSINESS SUCCESS

Introduction

This chapter identifies the dominant structural features that are motivating business to expand its social responsibilities. It establishes the link between globalisation, which is transforming the economic boundaries of enterprises, and the social role of business that, paradoxically, is now demanded by local communities. The analysis establishes why business success in the social domain will increasingly contribute to organisational wealth as well as provide benefits to the community.

Significant shifts are occurring in the historical relationship between business, the community and government. A confluence of changing economic and social factors is pushing business into a broader social or non-market role. This is a new phenomenon and poorly understood. The popular explanation attributes the changing social character of business to community pressures to redress the social and environmental fallout from past behaviour or, in other words, the negative externalities of capitalism. This chapter adopts a less short-term and impressionistic view and argues instead that the pervasive forces of globalisation and the knowledge economy are profoundly reshaping the boundaries of enterprises – what they do and what is expected of them. This is transforming the social character of business and redefining the parameters for business success. Moreover, in Australia, the liberalised market economy that has replaced the state regulated mixed economy has exacerbated these global structural changes.

Locating the role of business in the development and organisation of modern society is a more constructive basis from which to analyse social activity by business than arguing change is motivated by the conscience of managers (Marinetto 1998; Moon 1995; Moore and Richardson 1988). Leon Davis, chairman of the Australian bank Westpac and previous Chief Executive Officer of the minerals company Rio Tinto Australia, asked the question why is there so much unease about large business when the free enterprise system has delivered so many benefits:
One of the fascinating questions of our time is why, when the free enterprise system has obviously proved its superiority over its rivals, is there so much unease about the social and political consequences of free markets...[there is] a demand from a broad spectrum of the community that business exhibit greater social responsibilities...the feeling is so intense that companies which ignore this aspect of doing business will erode their competitiveness (Davis 2001a:23).

A popular explanation is that the pressure on business to adopt a wide range of social responsibilities is in response to the build up of community distrust of business. The recent change of heart in Australian business to consider social responsibilities is portrayed as redressing errors of the past – a new awareness of ‘the social and environmental inefficiencies’ of business or government operations (Glazebrook 2001:162) – and is cast as a sort of moral awakening.

While this view addresses many immediate issues arising from corporate size, corruption and unacceptable behaviour, there are deeper explanations. As Leon Davis (2001a) went on to explain, the struggle for global competitiveness has social and cultural consequences that need to be addressed but are not well understood. The argument in this thesis is that the social consequences of globalisation and the local community’s response are redefining the expectations of business and the competencies it needs to develop. In one way this is not surprising as the changing social character of business parallels the transformation required in other institutions of the industrial era. Business has the choice of converting to a more compassionate capitalism or remaining unchanged and being forced to spend a greater proportion of resources in socially defensive actions (Block 1995, cited by Bell 1997:278; Hutton 1996; Korten 2000). Leon Davis, as Chairman of an Australian bank under intense social scrutiny and whose growth is constrained by government, is all too aware of these pressures and this choice (Davis 2002).

The global and information rich marketplace is identified as the primary source of the social prerequisites for business success. Companies in this study identified increases in the value of intangible assets such as reputation and employee commitment, support for organisational culture change, facilitation of non-commercial community partnerships and relationships as benefits that accrue from greater community
involvement. The claim in this thesis is that these assets are now worth more to business through the complex forces at play in the transition from the industrial economy to the post-industrial or new economy (Belah et al 1992). As well, in this era of multiple changes to social conditions, the information revolution is now seen as the most far reaching. Not only does it directly affect business functions but it also mediates changes in the social context of business so that everything is accelerated and more open to scrutiny. Business cannot hide from community judgement.

The restructuring of government is an added stimulus in shaping the social role of business. In the shift from the industrial to the knowledge or information age and from a national to global context the role and cost of democratic government is being altered. This transition in Australia changes the balance of traditional relationships and places new pressures on all institutions that serve the public good. The business sector is being asked to focus on social issues and contribute resources to social policy areas beyond that which the marketplace has traditionally required.

The changing social dynamics of western communities and expectations of business to perform as a social institution at the local level is a further relevant aspect of the contemporary environment for business. The previously assumed nexus between business success and community benefit has been fractured in individuals’ search for personal meaning and other post-materialist values. Social capital and trust are being sought to meet the needs of the post-industrial economy. To regain the support of the community, business is being drawn into being a social member of local communities, as well as serving an economic function. This is not only an external pressure as business organisations are now internally more receptive to social expectations. The pressure from employees and managers for a more socially responsible place of employment and the increasing value of intangible assets such as employee commitment are evident across most large and medium businesses as the internal or organisational dynamics of enterprises have become a core ingredient in business success. A social and moral dimension is entering the business consciousness.

A question is why is this happening now in Australia; are there features in this business environment that have either inhibited developments in a previous era (particularly in comparison with the United States) or are
creating additional pressures at this time? A brief cross-cultural analysis shows that the way governments identify social problems and influence business action is a significant determinant of the social agenda that enterprises assume.

The conclusion in this chapter is that that a simple view of rising community distrust of business is not the central motivation for greater social responsibility by business. Rather, there are motivating factors inside the enterprise – the organisational dynamics of the enterprise – and external social and political factors linked to globalisation. These powerful forces are directly or indirectly reshaping the relationship between business and society, business and government and between an enterprise and its local community. Globalisation is breaking down economic and information boundaries but it is also heightening the influence of communities that function in a local context. This is the context in which corporate community involvement, the subject of empirical analysis in this thesis, needs to be assessed.

**Globalisation: redefining the architecture of relationships**

The changing role of corporations in the 21st century cannot be understood without considering globalisation. As Kenichi Ohmae (1995:2) argued, the rapid global expansion of information technology, a defining feature of globalisation, has a dramatic and permanent impact on all steps, processes and attitudes involved in business operations. Indeed, so powerful are these effects that all social, economic and political institutions will be effected:

> [Globalisation] has a profound and irreversible impact on structures of business processes, on the values, judgements and preferences of citizens and consumers in all parts of the world…once the genie of global information flow really gets out of the bottle…there can be no turning back (Ohmae 1995:2).

Globalisation has irrevocably transformed the economic and social assumptions of the industrial era and redefined the role and expectations of the corporation. Globalisation refers to the forces that have stimulated a rapid expansion in world merchandise trade (exceeding the pace of growth in world outputs), an even greater explosion in international capital flows, the integration of the world’s capital markets,
and the acceleration in global diffusion of new technologies. Important policy and institutional changes, notably declining barriers to trade, the creation of multilateral trade regimes and the dismantling of capital controls have fostered the rise of globalisation (Hatzichronoglou 1996:8). International corporations have increased in size and power and, by implication, their impact on the localities where they operate has also intensified.

The global financial economy now dwarfs the level of economic activity associated with trade and production (Bell 1997:101). The global markets are made up of millions of investors moving money around the world ‘with the click of a mouse’ (Friedman 2000:13). With investment no longer geographically constrained, the international and cross border flow of capital diminishes many nation states’ ability to control exchange rates and protect their currency – an outcome experienced particularly in Australia:

…wherever you sit in the world, if the opportunity is attractive the money will come in…because most of the money moving across borders is private, governments do not have to be involved (Ohmae 1995:3).

At the level of the enterprise, globalisation of the world economy has generated intensified competition and this has been acutely felt in Australia (Productivity Commission 1999). As domestic market protection is swept away, enterprises are increasingly exposed to competition on a global scale. The rising level of competition means that the globalised world is a turbulent commercial environment in which to operate.

Enterprises can no longer ensure growth through the duplication of commodities that are similar to those of their competitors. The established business ethos now argues that enterprise growth depends on innovation and networks (Porter 1990). Winning, or merely maintaining, market share often requires changing the product, the service or underlying concept and striking commercial relationships across industry sectors and national borders. In the face of increased competition, enterprises are forced to specialise in their core competencies. They seek to become part of a value chain, outsourcing and forming alliances with strategic partners around the world.
Globalisation is also inextricably linked with the knowledge economy – the growth in value of tacit knowledge and intangible capital. In the globalised economy, where factors of production are increasingly free to move around the world, the traditional laws of comparative advantage no longer apply. With most tangible assets now able to move across borders, the key to competitiveness becomes dependent on those intangible assets that are not easily transferable and have a local and interpersonal application, notably tacit knowledge and values (Edvison and Malone 1997; Prusak 1997; Reich 2001; Stewart 1997; Sveiby 1997). The OECD (1996) estimates that more than one half of the output of the world’s advanced economies now relies on knowledge based processes.

Particularly pertinent as motivation for business social responsibilities, the intangible resources of trust, reputation, corporate culture, mutual respect, and employee commitment are assuming a new locally derived commercial value for competing in the global economy. That is, globalisation and the knowledge revolution are dramatically altering the physical boundaries of business operations but the increasingly valuable assets concerned with people, relationships and social actions are necessarily fixed and remain locally determined. Tacit knowledge has taken on the role as a relatively fixed factor of production and that concerns people, relationships and values:

In the 21st century, comparative advantage will become less a function of the natural resource endowments and capital–labour ratios and much more a function of technology and skills. Mother nature and history will play a much smaller role, while human ingenuity will play a much bigger role (Thurow, 1997:75).

In this environment, enterprises search for the capability to innovate and to respond quickly to changing market demands, to new opportunities offered by technology and to the progressive dismantling of barriers to entry. Customisation and product diversity become increasingly important to survival and success. In order to meet these challenges and compete in the globalised environment, industries and enterprises continuously seek to adjust their structures and organisation in order to remain competitive. Enterprises are urged to ‘re–invent’ themselves, to learn, build interpersonal relationships and to be flexible (Hammer 1996; Senge 1992). Business, along with other economic and social institutions, is now
subject to pressures to adapt to new forces in the global marketplace but there is no available template to follow. The one constant is the need to change so as to manage the ‘complex world of possibilities’ (Ohmae 1995:29) and to juggle the global with the local.

Not surprisingly, interpretations of the fundamental nature of globalisation and perceptions of its impact are contested (Held et al 1997) with implications for how the role and responsibilities of corporations are seen in this environment. The ‘hyperglobalists’ or ‘globalisation radicals’ (Giddens 1999) see triumph of the market over the state as the ultimate framework and reference for human organisation (Ohmae 1995; Wriston 1997). For some, this transforms the nature of national governments, enterprises, civil society and individuals. Castells, for example, forecasts a massive overhaul arising from globalisation equivalent to the industrial revolution:

At the dawn of the information age a crisis of legitimacy is voiding of meaning and function the institutions of the industrial era (Castells 1997:355).

In this scenario, the institutions that will emerge will differ in many ways from those of the industrial era. The predominance of the ‘network’, pivotal in information technology, will determine the ‘architecture of relationships’ in economic and social structures:

…who are the owners, who are the producers, who are the managers and who are the servants becomes increasingly blurred in a production system of variable geometry, of teamwork, of networking, outsourcing and subcontracting (Castells 1996: 470).

‘Globalisation radicals,’ believe there is a fundamental transformation to the operation of the global economy and, in particular, to the nature of countries operating in the new global context and seek to explore the meaning for national governments, enterprises, civil society and individuals (Held et al 1999). The promise is mounting prosperity for rich and poor countries alike where the role of the corporation, while open to some challenges for renovation, is seen as beneficial as the corner stone of modern capitalism.
Some more moderate members of this school of thought who see great economic and social promise also see serious threats for many developing economies, and established industry and people who work in those industries (Friedman 2000). There is a fear that nations and people will no longer be able to control their way of life. The negative social and environmental impacts from uncontrollable international corporations, such as vast income inequality and social dislocation will overwhelm any economic and social benefits. Moreover, these challenges come from well established business and government institutions such as the Prince of Wales Business Leaders Forum in the United Kingdom (1996) and the United Nations (United Nations Development Programme 1999) who urge business and governments to be more alert to the social impact of globalisation so as to preserve the economic benefits.

How do ‘globalisation radicals’ and ‘globalisation sceptics’ look upon the social role of business? In the scenario for ‘globalisation radicals’, corporations’ expanded set of social responsibilities with new flexible relationships and partnerships is valued as an intrinsic requirement for operating successfully in the new environment. Corporate community involvement is a legitimate and mainstream mechanism for adapting to this new context, consistent with changes to other social and political institutions, dovetailing with the fundamental reshaping of the ‘architecture of relationships’. It is also a suitable response to the potential inequalities resulting from globalisation and a means of redistribution of corporate wealth.

By contrast, ‘globalisation sceptics’, mostly from the political left and favouring a strong role for interventionist government, argue that globalisation is more an ideology in support of the free market and neoliberalism than actual integration of the worlds’ economies. The sustained challenge to social and political institutions through globalisation is more a contest between the growth of the global market and the drive for competitiveness, against the maintenance of enduring social values such as equality, equity, justice and shared obligation. In this scenario, important social and political values and institutions need to be retrieved from the economic onslaught of globalisation and regenerated at a local, regional and national level. Rather than globalisation and information technology setting the post-modern paradigm for new social and political
relations, Capling et al (1998:5) argue that ‘human aspirations’ cannot be modelled on the attributes of markets.

Those involved in protest about the activities of the World Trade Organisation and the International Monetary Fund regard globalisation as a new form of corporate dominance, designed to protect the rights and freedoms of transnational capital, not the basic human and democratic rights of people (for example Clark 2001). The more moderate opponents to globalisation (for example Korten 1998) see the intransigent and destructive behaviour of the transnational firms as impeding the creation of wealth and innovation and undermining democracy and the freedoms that globalisation could otherwise bring.

‘Sceptics’ would most likely see corporations’ increased social activity as a marginal activity, part of buying public favour while continuing ‘business as usual’, albeit with greater market freedoms in pursuit of maximum profit. Greater corporate community involvement would be essentially benign as long as it did not substitute for the state’s responsibility in ensuring social cohesion and driving social provision. These new aspects of corporations’ behaviour would not signal a redefinition of the role and responsibilities of the corporation to embrace more social and moral considerations.

It would seem therefore that irrespective of the ideological reading of globalisation, no one disagrees that transnational companies are growing in size, becoming more powerful and increasingly operating beyond the controls of national governments and local communities. Some aspects of globalisation seem to act against social cohesion at the community level. Many argue that this in itself presents a moral argument for business to transform its social character to balance responsibilities with increasing power (McIntosh 1998; Tichy 1997; Wood 1991). There is also persuasive evidence that the features of the knowledge economy or new economy are redefining business value and the sources of organisational wealth (Post et al 2002a and that adds considerable economic motivation to attend to those intangible assets on which the knowledge economy is building. Whether networks, alliances and loose coalitions will become the dominant mechanisms of the marketplace and social and political organisation – the new architecture of relationships – is contested but, irrespective, that language is already entrenched in business and
increasingly attractive for public policy across the political spectrum. In economic terms, globalisation widens the horizons of enterprises but, as the companies evaluated in this thesis are finding, it also draws attention to the local level where people and values interact.

**Business and government: mutual dependency reconfigured**

Radical or sceptic, all agree that globalisation is also altering the traditional functions of government and business is not indifferent to these changes. Government matters to business. Government establishes the framework of the market economy and regulates many aspects of enterprises’ commercial and social activity. Government also establishes a framework for social provision – education, health, and the social safety net and many other aspects of the social infrastructure of the community. Business not only depends on the economic infrastructure but also on the social infrastructure that ensures social cohesion and stability.

As a consequence, change in the status and functions of government, particularly in Australia, is felt by business. As the experience of business presented in this thesis shows, a shift in the changing functions of government influences the community and employees’ expectations of the business role. The scope of business commercial activity in Australia has widened. Business in Australia is now taking part in major areas of activity that were previously in the public domain such as transport and utilities and reaping major commercial benefits. As well, many government owned enterprises have become detached from the traditional control by government departments and conduct their activities according to conventional commercial roles and responsibilities. In the social domain, business is grappling with challenges to expand the scope of its social responsibilities and accountabilities in the global and domestic context and it is also being specifically invited by government to consider issues that were previously the sole province of the public domain. Australian companies are therefore being thrust into a new level of public visibility and accountability beyond their conventional commercial profile (Duncan 2000) and the changing configuration of government and its relation to business is an important contributing factor.
Economic and social activity in a market economy has always involved a high level of activity by the state. As explained by Polanyi (1957, cited by Bell and Wanna 1992:19) and others, this is far from the state minimalist or ‘laissez faire’ assumptions where business enacts its economic role as a separate and self-contained entity separate from government. Lindblom (1977) argued that business and government interact through a complex set of conditions where government adopts a role of fulfilling those economic functions that business does not perform. And, for the purpose of the argument here, this could be expanded to include those social functions that business does not perform. Lindblom (1977:170) argued that the role of business in relation to government is ‘different from what it is usually perceived to be; it is not …merely an interest group role’ where it pressures government for supportive policies. In the market economy, he pointed to a complex balance of interests between business and government, rather than a simple model that sees business only interacting with government when it was attempting to pressure or influence government for commercial advantage or, alternatively, government leaving business to conduct its economic role.

In a private enterprise system, the government in effect hands over a large proportion of economic decisions, to business in its pursuit of profit. Government’s role in these areas becomes one where government provides ‘inducements in the form of market and political benefits’ and where ‘market demands are nurtured by governments’ (Lindblom 1977:173). Only through regulatory control can government command business to perform economic (or social) functions and, while the scope of regulations is a changing variable, by far most business activity is voluntary and government relies on business cooperation. Government is therefore watchful and cautious in its relationship to business and vice versa.

Bell and Wanna (1992:19) call this a ‘high level of mutual dependency’ between business and government where government cannot direct business in the most important areas of economic activity but they can manage the environment for business development and indeed are expected to do so. Following Heilbroner (1986, cited by Bell and Wanna 1992:104), they argue that ‘mutual dependency’ in a modern market economy means that government not only designs a supporting
framework for business, leaving that sector to perform the economic role it is best able to do, but that the role of the public sector becomes that which business does not or cannot do.

It is arguable that social activity as well as economic activity by government is emerging as a part of this equation and that the business responsibilities in the social domain are caught in the pattern of ‘mutual dependency’. Globalisation is, however, transforming business and government relations and the balance of the ‘mutual dependency’ is shifting. Again, however, the globalisation scenarios differ in the extent of change they foresee in the status and functions of governments.

At the more extreme end of views, Ohmae (1995:5) argues that the major impact of globalisation is felt through the change in the status of nation states and their governments. Flows of capital investment, global industry development, global business operations facilitated by information technology and consumers who are more globally oriented are the central factors in the growing obsolescence of the ‘middle man’ role of nation states. For Ohmae, nation states have forfeited their economic rule to regional economies.

Pierre Pettigrew, the Canadian Trade Minister, in an address in Australia identified the challenge to the nation state as the distinguishing difference between internationalism and globalisation (Edgar 2001:10). While the older international order was rule based, globalisation is neither codified nor predictable; where internationalism respected the nation state in political and economic matters globalisation disregards borders and gives status to (non-accountable) transnational organisations and individuals. As well, non-government organisations such as Greenpeace, Amnesty international and Oxfam have become new and important institutional beneficiaries of globalisation, adopting a watch-dog role over large business, and leaving national governments limited in the scope of their influence.

Others, who do not adopt the strong or radical version of globalisation, nevertheless, recognise significant changes to the status of the sovereign state, and see the state becoming more international in its functions and responsibilities rather than being diminished in all respects:
States will come to function less as sovereign entities and more as the components of an international polity...among the central functions of the nation state will be those of providing legitimacy for and ensuring the accountability of supra and sub-national governance mechanisms (Hirst and Thompson 1995:409).

Whether nation states are becoming redundant in the face of global capital or just more internationally oriented, it would appear the community’s expectations of national governments on the domestic front is not lessening. As governments pursue open markets, support the concentration of capital through mergers and acquisitions, and are witness to workforce reduction through global competitive pressures, at the same time, they are forced into a domestic political response to compensate for the social dislocation that flows from industry sectors increasingly exposed to global forces (Rodik 1997). While integration into world economies generally reduces the tax revenue from companies and individuals who conduct business globally and a country’s capacity to pursue generous social welfare programs (Frankel 2001), the political realities are that governments are increasingly required to pay attention to the social and domestic consequences of globalisation. With governments and decision makers forced to pay attention to ‘so called non-economic social relations and institutions’ they are finding that they do not have the capability to respond effectively (Frankel 2001:21).

As governments are being called on to serve as the mediators between individuals and the global market, to alleviate inequities, there has been the privatisation of public agencies and the reduction in the welfare state – the ‘hollowed out’ state that has transferred many economic and social service responsibilities to other domains (Jessop 1995). While the welfare state of Keynesian economic management is undergoing a transition to the ‘social investment state’ of Blair and previously Clinton (Frankel 2001:22), there is also a perceived loss of capability for significant social intervention by government. Business social responsibilities are assuming a heightened domestic profile in the search for a new form of social response in the public domain.

As an example, the McClure Report, a major Federal Government review into Welfare reform in Australia (Reference Group on Welfare Reform 2000:2) signalled the need for ‘fundamental reform’ to the social welfare...
support system so as to respond to the ‘profound economic and social transformation being experienced in Australia’. These reforms proposed a re-writing of the additional responsibilities to be exercised by ‘the whole community – social obligations that apply to everyone’ (Reference Group on Welfare Reform 2000:4). This extends the responsibilities from government to corporate entities – business enterprises, trade unions – and to the not-for-profit sector to encourage ‘capacity building’ in disadvantaged communities rather than perpetuate ‘passive’ receipt of welfare which is seen as a consequence of the long period of government led social provision.

These shifts in recasting government responsibilities in relation to business and community responsibilities have been interpreted in a number of ways. Yeatman, (1998) argues that governments across the OECD have increasingly adopted public policies that primarily support the views of the global companies and replace government management by market processes:

[They adopt the] transnational corporate view …facilitate the activity of transnationals and constrain them as little as possible…and lower the expectations of what government – as distinct from the market should provide. (Yeatman, 1998:144).

Yeatman (1998:138) laments the demise of responsible government that defends its citizens against ‘the harmful effects of private market activities’. Instead, she sees that the drive to meet the needs of corporations has reduced the capacity of government to respond to citizens and they are now seeking their own mechanisms through citizen movements.

Alford (1998:128) is more optimistic and sees the possibilities for new forms of provision in the public domain arising from these fundamental changes. He argues that the major public management reforms in Anglo-American governments from the 1980s (new private sector derived management tools, contracting out services to the private sector and a focus on customer service processes) tended to be a one size fits all approach and had many limitations. While most changes in the public sector have been driven by ‘marketisation’, he sees there are alternative possibilities for ‘co-producers of public services’ to be established. This might involve citizens, volunteers and clients in ‘producing as well as
consuming’ public services, calling for a new level of co-operation and shared responsibilities. While he does not specifically mention the potential for business as ‘co-producers’, in the social domain this is not inconsistent with his argument.

In a different way, Castells (1996:476) also forecasts a dramatic transformation of governments’ role in governance and the generation of new forms of public organisation. What was a contest between capital and labour in the industrial era has become a more abstract tension between the ‘logic of capital flows and the cultural values of human existence’ raising questions about the viability of existing social and economic structures to sustain living arrangements as we know them. He forecasts the rise of a different form of civil society in developed countries that reflects the core characteristics of the new global networked age. Institutions of the industrial age will be superseded by new social movements and individuals who will assume a ‘networked, decentred form of intervention’ (Castells 1997:362). A world of networks is the answer for some who are seeking to define the nature of global governance that can ameliorate the consequences of economic globalisation in areas such as human rights, financial systems and employment practices but without powerful domestic or global government.

Rather than Castell’s post-modern marketplace with individuals loosely attached through information technologies, Friedman sees the need for a new ‘social compact’ that embraces free markets but also manages them so they are beneficial for all – ‘stabilise globalisation by democratising it’. (Friedman 2000:444). He challenges companies and governments to think creatively and exploit the opportunities of the information revolution – ‘be shapers rather than adapters’ (2000:201). He envisages global governance in the form of a network of individuals, companies, activists ‘all with the capacity to be shapers’ of a bottom up regulation of companies, not top down; ‘you empower the bottom, instead of waiting for the top’ (2000: 206). Paul Guilding, a previous leader of Greenpeace, argues that many activists against globalisation are caught up in the old world – raising outrage and calling for government intervention whereas those that make biggest impact on companies are those that harness the
economic self – interest of companies and assist reshape their sense of social responsibility – irrespective of government (Friedman 2000:208).

Whether governments are losing their domestic relevance as power shifts from governments to markets (Ohmae 1995.), or becoming part of an international polity (Hirst and Thompson 1995), or whether their reduced resources are transforming provision in the ‘hollowed out state’ (Jessop 1994), business is being drawn into different roles in the public domain. As the boundaries and capacities of Australian governments become less certain, business is increasingly pushed into the foreground of economic and social responsibility in the domestic environment. In Australia, business as an institution has started to gain greater visibility- started ‘to matter’ – in ways that were not evident in the post-war mixed economy when government ‘provided’ and ‘protected’ (Duncan 2001:13).

In the face of the changes to the parameters of governance and the shift in responsibility and accountability for enterprises, business is faced with the choice of either being a partner in the transformation of their social role and responsibilities, or the enemy and the object of an imposed reform and regulation (Bell 1997; Friedman 2000). A softer and more compassionate form of capitalism (Emy 1993; Handy 1997; Hutton 1996) – ‘capitalism with out class power’ (Block 1995, cited by Bell 1997:278) or ‘a mindful market economy’ (Korten 2000) would change the nature of the business power elite and open the way for the partnership option with government and the community. This approach, favoured in the European environment, calls for a different form of corporate governance where business becomes responsive to a wider group of stakeholders (Hutton 1996).

Impacts of the growth of the globalised knowledge economy are felt well beyond the economics of industry. New institutions and relationships are developed to operate in this new environment. Globalisation has significant impacts on political states and the economic and social issues they are required to manage. It has an impact on the nature of work but more particularly on the nature of the relationships between people, as they do their work, and capital.
From global to local: changing community expectations of business

Changes in the expectations and values of the community are core elements of the shift that is occurring in the historic relationship between business and society. The underlying causes of the change in community expectations of business are not easy to understand. There is the view that past business behaviour on a number of fronts has been unacceptable — environmental disasters, corporate failures and high salaries for executives to name a few — and that greater responsibility for meeting community needs or putting back into the community and being less greedy, is the main way for business to redress this. Those who argue in this vein typically claim a universal crisis of confidence exists in business as an institution due to its size, power and behaviour (Wheeler and Sillanpaa 1997; Schwartz and Gibb 1999). Whereas two or three decades ago business success was inextricably linked to community benefit, that nexus is now fractured and business success is not regarded as synonymous with well-being for all (Mackay 1985, 1990, 2001). Indeed, business success is frequently charged with causing harm and social dislocation and something to be challenged and modified but there are also deeper causes of the changing expectations of business.

Distrust of business is part of a larger distrust of major social and economic institutions, and a renewed concern with self and community. Community attitudes have shifted to embrace a wider search for personal meaning, safety and involvement and a range of other ‘post materialist values.’ An integral part of this shift is the declining trust in the collective institutions of our economic and social life – such as governments, the legal system, churches and major corporations. Contrasted with this is the rise of respect and interest in non–formal institutional structures such as interest groups and voluntary welfare organisations that, in Australia in particular, are ranked in trustworthiness well above business.

Two theoretical explanations are offered for the changing community values and preferences with respect to business. First, economic restructuring and the reshaping of the global workforce has created many more marginal and insecure jobs while at the same time generating a new stratum of global elite jobs. Workforce restructuring on this scale has
irrevocably altered the social landscape and how people perceive economic success or failure and therefore business (Rifkin 2000).

Second, changing social values and a reduced connectedness between people has reduced the social capital necessary for a dynamic civil society where all institutions are robust and accountable to the cultural milieu that has created them (Fukuyama 1995; Putnam 2000). With declining trust between institutions and individuals, people withdraw from larger social concerns to those that are more personal and manageable but with less capacity for contributing to the growth of a healthy society and economy. In this scenario, major corporations, become unhinged from social controls and are perceived as unaccountable and untrustworthy.

**Changing attitudes to business: breaking the nexus between business success and community well-being**

The scope of the community’s distrust of business is extensive. It appears the more business responds to the pressures of economic globalisation and pursues international competitiveness, the stronger are the parallel demands for enterprises to attend to their local context. The Australian community is particularly adamant in its negative attitudes to business and increasingly expects a greater social contribution from business than is currently provided. For Australians, business success no longer automatically translates to community benefits.

The Clemenger Report, (Clemenger 1998) asked small (rather than institutional) shareholders in Australia about their social and economic expectations of business. They found business was seen as aggressively focussed on profit to the neglect of other important objectives:

…business is largely seen as a self serving entity, driven by short-term interests and quick gains for the privileged few (Clemenger 1998:3).

This report found that many small shareholders of companies would like to see their companies not only pursue profit. In addition to paying dividends, they would like companies to be ‘good corporate citizens’, looking after all their stakeholders, employees, suppliers, shareholders and the community in which they operate. They would like to see them investing in research and development, caring for the environment and being more charitable (Clemenger 1998:10).
The Morgan polls (Morgan 1998) over the past twenty years show that Australian business leaders are only trusted by 20 per cent of the population and are rated sixteen out of thirty occupational categories. Interestingly, this level of support has not varied during this period. Those occupations that are respected and trusted are concerned with personal and local services such as doctors, accountants and the like where the connections made with people are direct and immediate.

The Conference Board in the United States and the Prince of Wales Leaders Business Leaders Forum in the United Kingdom (1999), both business organisations, found that public opinion in Australia was the strongest out of twenty three countries in wanting companies to go well beyond the traditional business role to embrace social concerns. Respondents were asked to chose among three positions that define a company’s role: a concentration on making a profit, paying taxes and obeying all laws; or setting high ethical standards and building a better society; or a position in the middle of these two. In Australia, 8 per cent chose the first category, 43 per cent the middle category and 45 per cent the category requiring the highest ethical standards. The numbers in Australia were the lowest in the first category and highest in the third category of any other country, ahead of Canada, USA and Great Britain. While one in three form an impression of a company on its commercial performance, six in ten people look for factors related to a company’s broader social role such as labour practices, business ethics or environmental impact. Just contributing money to good causes was not adequate in satisfying peoples’ expectations for socially responsible behaviour. Business behaviour and attitudes were talked about by citizens in all countries with one in five in the total survey reporting they discussed many times the behaviour of business.

The conclusions drawn from the poll were that business in the 21st century will be expected to demonstrate deep commitment to society’s values, insulate society from the negative impacts of business performance, share the benefits of wealth with stakeholders and demonstrate the virtuous circle that business can ‘do well by doing good’. The message for Australian business is that regaining community endorsement requires, as a minimum, observable engagement with the core concerns of the community and a tangible contribution to building a
better society. Moreover, many other surveys convey similar findings concerning the more demanding attitudes of Australians to business as an institution, its performance, particularly environmental, and its products (Resnik and KPMG Consulting 2000; Environics 2001; State Chamber of Commerce NSW 2001).

The strength of community rejection of many aspects of business practices in the face of growing profits in many sectors leads to the proposition that the nexus between business profits and success and an automatic flow on to community benefit has been broken. Where business success was once regarded as associated with taken-for-granted benefits for the community, there has been a break in that pattern with many aspects of business success now challenged and companies called on to take additional steps to ensure that tangible benefits flow to the community.

This change in community attitudes to business is illustrated through contrasting Australian attitudes about business in the early 1980s and early 2000s. The Mackay Report 1985 read the community pulse as respectful of business success:

Business is not only vital to the economic health of the community, but it also makes a significant contribution to the psychological health of the community. Union interference and slack employees are the main problems facing big business (Mackay 1985).

In a similar vein, The Mackay report 1990 concluded that while attitudes were increasingly critical of business there was a level of tolerance about business practices:

Because they perceive profits as being central to the destiny of business, consumers are inclined to accept that when somebody works hard, then shortcomings in ethical practice may be overlooked (Mackay 1990).

By 2001, business has few friends in the public sphere – media, governments and representative groups frequently see business as a convenient whipping boy. Mackay tells business that his reading of community attitudes is that acceptable commercial success is about not only meeting commercial objectives but personal and moral objectives as well:
[A successful company] balances the desire for profit with ways of satisfying consumer needs. Being profitable is a positive sign of success but big profits rub salt into the wounds...most people temper their materialism with faith in the value of personal relationships (Mackay 2001).

Many commentators see that business has well and truly lost its voice as a trusted institution and a new grouping of special interest groups and media commentators have taken the prime position in being respected in public opinion. Australia and Europe lead the world in having communities that have more favourable attitudes towards the authority and role of non-government organisations than business (Edelman 2000). In Australia in 2000, Amnesty International, Greenpeace, Australian Conservation Foundation and the World Wide Fund for Nature were ranked as the most favourable organisations above Microsoft – the most favourable of the corporations (not listed in Australia). Interestingly, by contrast, corporations in America retain the position as more favourable in the community’s eye than non-government organisations. Sixteen per cent of Australians and seventeen per cent of Europeans trusted Esso compared with thirty per cent in the United States; and, eighty per cent in Australia and seventy per cent in Europe trusted Amnesty International compared to thirty six per cent in the United States.

While the shape of civil society, comprised of non-government organisations and the range of other voluntary associations, has changed in Australia with a reduction in the number of volunteers engaged in community activities there has been rise in the number of social movements and interest groups (Lyons 2001). Internationally, the authority of non-government organisations has experienced a dramatic rise and they have become a major voice in government decision-making, as in the United Nations, alongside or counter to the business voice and at a local level:

Civil society has matured into the role of mainstream player in policy debates and in controlling business excesses (Dunphy et al 2000:42).

Despite the fact that that interest groups have been found to play only a minor role in the politics of government in Australia (Considine et al 1995 cited in Lyons 2001:206), there is clearly a new and less formal avenue of influence for the non-government sector in the populist anti-
corporate and anti-globalisation movements. Naomi Klein (2000) argues that social movements opposed to corporations have intensified since around 1995. The opposition to the expansion strategies, labour market practices and branding of global corporations such as Nike, Starbucks coffee shops, toy makers and clothing manufacturers has, according to Klein, captured the attention of a younger generation of activists – ‘enraged’ by the action of those companies and by governments’ inaction. The non-government organisations are perceived to have filled the ‘empty civic space’ space vacated by governments as they have withdrawn from ‘norm setting activity’ for controlling global business (Schwartz and Gibb 1999: 23).

Mainstream community attitudes to business have therefore moved from linking community well-being with business success to suspicion of the means pursued by business to attain success. Community attitudes also register opposition to many business practices and values, with Australians noticeable in the strength of their views. Respect for and credibility of non-government organisations have grown; the argument advanced is that they are filling the gap left by business and government as strong social and political institutions.

**Changing community attitudes: distrust of established institutions**

Not only is business routinely rated as untrustworthy and business leadership as one of the least respected roles in the community, but also the reputation and respect given to political parties, religious organisations, and other institutional structures are increasingly fragile. Business may be rejected because of its commercial behaviour and neglect of social responsibilities but there is also a case for seeing the changing community expectations of business as derived from a more fundamental cultural change rather than just intolerance of bad business practices.

Mackay (1999) concluded that Australians want security and predictability in the face of what they see as increasing isolation and confusion in understanding how modern living can continue to support employment and personal well-being. In a CSIRO survey, Ekersley (1998) found that 52 per cent of those responding saw that life was ‘getting worse’ and half said that it was ‘much worse’. Social and political commentator Paul
Kelly describes the community mindset as uncertain even when comparative economic progress in Australia has been achieved:

…the community’s demand for security and safety in a mesmerising world, is palpable, and ironically, this attitude prevails in spite of the recent comparative economic success for Australia (Kelly 1999:7).

Many commentators, along with Paul Kelly, have now concluded that there is a pervading sense that economic growth, long associated with improving well-being is not necessarily ‘a predictor of the good life’ to come (Benveniste 2000:105). Benveniste quoted Richard Eckersley as also arguing for the importance of personal and social factors, rather than economic, in shaping attitudes:

The belief that material progress equates with a better life is so ingrained in our culture that most commentators tend to overlook the importance of other factors – in particular the personal, social and spiritual relationships that give our life a moral texture and sense of meaning – of self worth, belonging, identity, purpose and hope.

Headey and Wearing (1992) endorsed this notion in their research into what makes people happy. They found that ‘meaning and purpose’ were key ingredients associated with life satisfaction.

In Australia, Newspoll regularly tests community attitudes for commercial purposes and like. Lebovic (2001) explains the mood in the late 1990s as a ‘trough of disappointment’ driven by four factors: job insecurity, divisions between the rich and the poor, inadequate national leadership and a values gap. He characterises the latter as ‘I want to simplify my life but it seems to become more complicated’. He observes, however, that by the end of the 1990s this attitude was softening to one of ‘a sense of disengagement’:

The mood has swung from a concern with national issues to a concern with tending our own patch- more focussed on a personal agenda that they can control (Lebovic 2001).

He argues that Australians have a heightened sense of job insecurity compared with a decade ago; a sense that the division in wealth is becoming wider with eighty three per cent agreeing that ‘the rich are getting richer and the poor are getting poorer’; and that there is more
stress in people’s personal life that ten years ago. Overall, they conclude that the ‘quality of life of Australians is getting worse’.

In terms of attitudes to social institutions, Lebovic (2001) notes there is marked dissatisfaction with the political process with voters tending to vote against a political party rather than choosing the party they prefer. People are becoming disengaged from national issues and more focussed on a personal agenda.

Nye et al (1997) used similar poll data in the United States to show that while three quarters of Americans surveyed in 1964 trusted their government ‘to do the right thing’ that figure was down to twenty five per cent in 1997. He also found similar decline in trust for universities, the police the medical profession and the armed services, as well as large corporations.

In the Australian context, Papadakis (1999) found similar declining trust in Australian institutions between 1983 and 1995. The decline in trust was most marked for the Federal Government, the legal system, press, major corporations, church and the public service. This is in contrast to the deep and ‘unique attachment to the state’ that Australians have manifested in the past. Three decades of protest movements around environmental issues and economic development, more recently characterised as sustainable development, has sharpened a focus on ‘post-materialist values’, the questioning of authority and distrust and cynicism about major companies.

A study in the United Kingdom of Basildon, a post-war town in outer London also demonstrated the drawing back of people from support for collective institutions to focus attention on individual needs and family (Hayes and Hudson 2001). As people’s involvement with community institutions such as trade unions, churches and clubs has faded, family life has gained their interest, repositioning the balance of their lives between public and private concerns. The authors saw this as evidence of a poignant expression of the dislocation between individual identity and the sense of social possibility – ‘the inability to connect an individual project or set of hopes and aspirations with collective fortunes and endeavours’. Henderson (2001:14) links these findings with aspects of Australian society where disengagement from traditional institutions, distrust of
elected representatives and the feeling of having to go it alone are also evident.

A study in 1996 of social values in Liverpool, Sydney similarly found hand-to-mouth living standards and a disengagement from collective institutions (Latham 1998:283). A local councillor labelled this as a message of ‘do not disturb’ for those young families who were distanced from civil society and had few opportunities for social engagement other than through close friends and families.

Qualifying the image of an isolated and disenchanted population, Mackay (2000) argues that people might be narrow in their social engagement but they do want to engage more and use their ‘voice’. They are ‘showing a new willingness to become involved; to insist that things should be done differently and better’. The drive for ‘involvement’ that Mackay has identified is one, however, that is about peoples’ immediate domestic environment not broader national or abstract community concerns. He sees that, in the future, people will desire to take practical steps to build a new relevance in one’s own life:

> Above all [in the future] we will devote more energy to the creation of community facilities and activities… that will help restore our communal sense and to provide opportunities for us to re-establish contact with each other (Mackay 2000:6).

These findings are supported by extensive studies by Ronald Inglehart (1977, 1995), beginning in the 1970s, which have shown the shift in personal values:

> The values of western publics have been shifting from an overwhelming emphasis on material well-being and physical security towards greater emphasis on quality of life issues (Inglehart 1977:3).

These quality of life issues have included ‘post materialist’ values and include the desire for more freedom, a stronger sense of community, more say in government and generally more voice in controlling those matters that affect daily life.
Explaining distrust and disengagement

Two compelling theoretical explanations for the social phenomena of distrust and disengagement from economic and political institutions are the changing labour market and the loss of social connectedness or social capital. These have a significant impact on attitudes to business and further delineate the context in which expectations of business are changing and the challenges business faces to redress community opposition.

Robert Reich, Secretary of State in the United States in the early years of the Clinton administration, highlighted the growing dissonance in social life that springs from economic dislocation when he asked the question:

What do we owe one another as members of the same society when we no longer inhabit the same economy (Quoted Rifkin 2000:180).

The trust that a unified community would be expected to exhibit is being fractured by economic divisions. Similarly, the Australian commentator Paul Kelly argues that the elite may well identify significant economic progress but many in the community are not experiencing the same level of security:

…there is a divide in Australia today between the elite who rightly applaud the Australian economic miracle of the late 1990s and the bulk of the community who rightly ask what miracle (Paul Kelly 2000:8).

Economic restructuring and the reshaping of the global workforce has created many more marginal and insecure jobs while at the same time generating a new stratum of global elite jobs. Workforce restructuring on this scale has irrevocably altered the social landscape and how people perceive economic success or failure and therefore the business sector (Latham 1998; Rifkin 2000). While economic restructuring cannot be reversed, ensuring social stability requires effective public and private sector intervention to ameliorate the negative social ramifications.

Reich (1991) characterised the workforce as three modes of labour: the ‘symbolic analysts’ or knowledge workers whose skills are globally traded and which increasingly add the most value to the production system; the ‘in-person service providers’ represented by the low paid personal and domestic functions, restaurants and tourism and the like.
These skills are the fastest growing in the Australian economy with the proportion of the workforce growing from 54 per cent in 1966 to 72 per cent in 1996 – ‘there are more Australians employed by McDonalds than in the steel industry’ (Latham 1998: 82). Then there are the remainder of the ‘routine production workers’, who include not only those in remaining industrial production but also those in newer forms of business systems, such as data processing, that use similar modes of work organisation.

A variant of this has identified a ‘30/40/30 society’ in Australia (ABS 1997). An affluent 30 per cent of the population have globally competitive skills, high productivity and growing incomes; 40 per cent are employed but do not have security and certainty; and the third group are those who are excluded from the production process in the unemployed, aged or ill. For Latham (1998:86) this framework sets aside the conventional labour – capital division of the workforce in the analysis of the industrial era. The 30/40/30 analysis calls for a reordering of the values and assumptions that are held regarding the way the society functions and the responsibilities of all its constituent parts.

Fukuyama (1995:6) perceives the economy in a modern society ‘as one of the most fundamental and dynamic areas of human sociability’. If a large proportion of the population is disengaged from a full and satisfying connectedness to the economy they are similarly disengaged from a critical part of social life. The major task for post-industrial economies in the regeneration of healthy societies, is not through social engineering of big government programs but through building a healthy and dynamic civil society. Fukuyama identifies trust as the single most important ‘pervasive cultural characteristic’ inherent in a healthy society where attitudes are positive and supportive of the institutions created by that culture. Where there is low trust, social and economic life are weakened and, central to Fukuyama’s argument, economies lose their competitive edge.

This concerns the quality of social life and the connectedness people have to each other and to social institutions. James Coleman, in his early use of the concept of social capital, saw it as a set of norms and sense of reciprocity that unify groups and enable them to build cooperative arrangements that hold social life together (Fukuyama 1995:10). In the popular account of social capital in the United States, Putnam (2000)
shows evidence of declining interest in the United States in the established avenues for consolidating a vibrant social milieu in the community. He tracked a decline in political engagement, attendance at local public meetings and forums such as school boards, a reduction in serving on local committees. His evidence included declining attachment to institutionalised religion and labour unions and in volunteering for civic activity.

With declining trust between institutions and individuals, people withdraw from larger social concerns to those that are more personal and manageable – engaging in ‘bonding’ relationships rather than the socially robust ‘bridging’ relationships – but with less capacity for contributing to the growth of a healthy society and economy (Putnam 2000). In this scenario, major corporations are seen as becoming unhinged from domestic and local social controls and perceived as unaccountable and untrustworthy.

For business to respond to the changing values in the community is clearly a complex process that calls for an understanding than lies outside ‘amoral’ market theory. As business gains from the open economy it must also extend its responsibilities and earn the trust of the community to regain a valued position in the community (Latham 1998).

**Pursuing value from intangible assets: reputation and organisational culture**

The role of intangible assets in driving enterprises to pursue a social role was an important finding of this study. Corporate reputation, improved relations with community and government, employee commitment and support for corporate cultural change were the most significant business benefits that companies anticipated flowing from their increased efforts in community involvement activities – all non-financial and non-physical attributes that are seen as factors in business success.

The growth in the importance of intangible attributes – like brand, reputation, human capital, and employee commitment – and the relative decline in the importance of tangible fixed assets has paralleled the evolution of the corporation (Guthrie et al 1999). Today these assets can contribute a high proportion of the value of an enterprise in the globalised
knowledge economy (Edvison and Malone 1997; Prusak 1997; Reich 2001; Stewart 1997; Sveiby 1997). A resource based view of the firm (Barney 1991; Barry 1991, Prahalad and Hamel 1990) points to the contribution to competitiveness made by the unique characteristics and competencies embedded in an enterprise’s intangible assets. This is not to claim that estimating the contribution of these assets is easily measurable and verifiable (Fombrun 1990; Hall 1993). Accounting practices lag the understanding that investors now have regarding the value of a good reputation (Muller 2001). Indeed, this study found that measurement technologies in Australian business for the new social attributes were not well developed.

Growth in the value of reputation and brand is tied to the moral as well as the market, legal and political standing of corporations in the community. Reputational assets have always been identified with the competitive advantage of firms (Hall 1992) and the earlier view of reputation was tightly linked with the marketing and the promotion of a brand (Dowling 1993). Now, understanding and responding to community needs, beyond conventional market considerations – filling an emotional need – has become an important component in how companies are viewed and how organisational wealth is generated (Fombrun 1997).

Ironically, this feature of the new competitiveness of enterprises is developing at the same time that the relations or contract between enterprises, employees and the community is significantly altering. Examining the relational assets of enterprises is a way to highlight the value generating capacity of the relationships among individuals, the enterprise and all other internal and external stakeholders (Post et al 2002). In the past, employees’ attachment to a company and their social needs were mostly embraced through the core economic role of the company in employing labour in a secure environment, contributing to superannuation and so on. This has dramatically changed from the 1980s with virtually every aspect of the ‘implicit contact’ underlying companies’ relationships with employees (and hence their families and community) being affected through ‘re-engineering,’ outsourcing and the like (Whitman 1999:33). Finding alternative ways to harness employee loyalty and rebuild community confidence now involves meeting employees’ (and the community’s) social needs in new ways.
The ‘social architecture’ of enterprises is therefore an increasingly important factor in business success (Wheeler and Sillanpaa 1997:7). Understanding why the personal and social needs and views of employees are increasingly linked with corporate social behaviour goes to the heart of ‘people centred’ approaches to building high performance workplaces. There are several strands to this reasoning that might explain the motives of the companies in this research that so enthusiastically support community initiatives involving employees.

A strong body of management theory argues that ‘high performance workplaces’ are derived from systematically building human capability and intellectual capital. A major Australian study of organisational performance by Turner and Crawford (1998) identified, through over 200 case studies, that successful firms not only were able to produce goods and services through operational effectiveness but also had the capability to engage and develop the commitment and creativity of the people that make up the organisation. Human resource practices and the attention to human capital have become a key characteristic of globally sustainable firms (Dunphy 2000; Edgar 2001).

The dramatic structural change seen in workplaces in the 1990s, along with the work environments of the new service and information industries and the virtual businesses, have placed a greater emphasis on the new ‘professional’ rather than ‘task’ workers (Hammer 1996:44) or the group of employees captured in Reich’s (1991) idea of the symbolic analysts. The new professional employee is responsible for achieving a result rather than performing a task. The world view of the professional is ‘customer, result and process,’ compared with the perspective of the task worker being, ‘boss, activity and task.’ The professional or intellectual employee ‘frames a problematic situation… does not separate thinking from doing’ (Schon 1983:68), and ‘tries to learn the meaning of his action for the client …to reflect on his own tacit understandings.’ (Schon 1983:297). Hence, the professional claim to authority and competence is tied to the capacity to reflect, interact with clients and the external context and be autonomous.

Similarly, Kanter (1989:365) saw the essence of this type of employee as having ‘a belief in self’ rather than the power conferred by the position, the capacity to collaborate, a commitment to the intrinsic excitement of
achievement and a willingness to keep learning. Henckscher (1995) suggests that to promote and sustain this style of work an enterprise needs to ensure that its vision reflects this view, employees are encouraged and supported to learn, and employees work in teams and have freedom to design tasks. Importantly, he also proposes that companies should develop flexible approaches to the personal needs of employees, understanding their personal aspirations and generally establishing a framework that reflects the mutual obligations that should characterise the relationship between employer and employee in the new workplace. This is the redesign of the implicit contract of the workplace.

One study in the United States that has contributed to reconsidering the value of employee commitment in the sustainability of the firm, found that the firms that are ‘built to last’ place the highest value on their people and the strength of their internal culture (Collins and Porras 1994). The six-year project examined how the best or most visionary and enduring companies in a range of sectors differed from successful but average companies. The eighteen visionary companies in the study (such as Ford, American Express, Hewlett-Packard, Johnson and Johnson and Merck & Co.) have done more than generate long-term financial returns — ‘they have woven themselves into the very fabric of society’ (Collins and Porras 1994:4). They have core values and an ‘ideology’ about their purpose that are nurtured through the company’s culture and that become their internal strength. They do not see a conflict among profit maximisation, building an internal vision and an external reputation. Most importantly for this discussion, they elevate people considerations and believe in the value of ‘a consistent set of signals’ aligning the long term and consistent vision with actions.

Management systems thinking also underscores the importance of seeing the interconnectedness between an enterprise, its people and its community (Senge 1990). The qualities of leadership and learning in an organisation are strengthened through programs that link these ‘systems’ and establish processes to consolidate an organisation composed of people with complex personal and social needs in a more integrated way. The ‘learning organisation’ is one that values the full range of capacities and ideas of its people – it does not shut out the personal and social needs of employees and the community.
With the growth of the knowledge economy and the importance of sustaining intellectual capital and maximising the contribution of people who make up a business, positive employee attitudes and commitment are seen as a source of competitive advantage. Employees have become another important separate constituency for business. Development of the human capital of the firm is now a central component in global competitiveness. Along with other organisational development strategies, the behaviour of enterprises is oriented in new ways to broader external social factors.

**Shaping a social role for business: why now in Australia?**

The prior sections posited that the contemporary role of business is being redefined by the significant structural changes occurring in the historical relationship between business, the community and government. These larger forces at play in the environment for business are broadening the social role that business is to play and setting new global and local parameters for determining business success. While these pressures are more or less common throughout the international business community, there are also particular national characteristics that give additional impetus to (or retard) development.

Before looking more closely in the following chapters at the practices emerging in Australian companies it is important to highlight any particular aspects of the Australian environment that give direction to the transformation of the business role. A brief cross cultural analysis reveals that the way governments and other sources in the community identify social problems and influence business action is a significant influence of the social agenda that enterprises assume (Antal 1985; Marinetto 1998; Moon, 1991,1995; Moore and Richardson 1988; Vogel 1986). For example, American companies have been actively debating their social activity for over thirty years but not so in Australia. So, while the forces of globalisation are undeniably reshaping corporate identity and responsibilities, there are background cultural features of companies’ social and political relationships that also play a role in shaping their social identity.
In the United Kingdom, the oil crisis of 1973 initiated serious economic decline and destabilised the political consensus that had upheld the social democratic state (Marinetto 1998). In response to urging from both Conservative and Labour Parties for a wider sense of community responsibility in the business sector and to counter the industrial relations strategy proposed by the opposition Labour Party, the Confederation of British Industry (CBI) issued a publication on The Responsibilities of the British Public Company (CBI 1973). It indicated that business was prepared to build consensual relationships with government, unions and the community but without direct intervention by government in the affairs of business.

From the 1970s and accelerating into the 1980s American companies operating in Britain such as IBM, followed by British and European companies such as Shell, the Midland Bank, and the British Petroleum Company, initiated social programs, ‘many of which responded to the social problems of the day’ (Marinetto 1998:52). Beesley and Evans (1978) concluded that, at this time, business was noticeably active in the community:

[There was] the perception of a relative shift from government to companies as the source of social improvement and the means to promote specific items of social welfare (Beesley and Evans 1978:13).

This social and political environment helped create the institutional and political conditions for the type of corporate social activities that had been prevalent in the United States since the 1950s (Marinetto 1998). Indeed, the Conservative government (1979-97) explicitly called for a more active role for business in community programs and in assisting in public policy (Kelly 1991). Moon and Richardson (1984, cited by Moon 1995:3) found there was evidence of significant direct and indirect ‘not-for-profit social provision by market actors’. Fogarty and Christie (1990, cited by Encel 1999:40) identified a steady growth in community involvement through the Thatcher era and subsequently encouraged by public policy. The government depended on the social activity a range of private business and voluntary sector actors.

The Blair Labour government did not retreat from expecting a contribution by business to the social sphere. This construct is very much part of the vision of the ‘third way’ or New Labour approach to the role
and management of government and a redefinition of markets (Blair 1998; Giddens 1998). The concept of the stakeholder society, advanced by Blair in 1996, was far from the British Labour corporatism of the 1970’s. Although many on the left initially saw it as ‘Thatcherism in drag’ (Hutton 1999:79), it rewrote the scope of private and public responsibilities:

[It is an] explicit statement of the values and principles …to build a just society and moral community that is congruent with private property, the pursuit of the profit motive and decentralised decision making in markets…ownership re-enters the political debate; not in the old public/private typology – but by insisting that private ownership has responsibilities (Hutton 1999:74-75).

Alongside major infrastructure developments that combine public and private capital in formally constructed partnerships, there is a more loosely defined concept of public and private sector partnerships that is of particular interest to this thesis. The British Government ties corporate community involvement to specific public policy objectives – housing, education and health – with a Minister for Corporate Social Responsibility appointed in 2000 to coordinate the wide range of corporate social responsibilities and public-private partnerships being requested by different portfolios (see Chapter Seven).

American business, on the other hand, has a long tradition of independent and direct intervention in communities that both government and the community see as an accepted part of business operations (Post et al 2002a). The combined effort of private individuals and businesses means there are more philanthropic foundations and greater volunteerism by individuals in the United States than any other country (Porter and Kramer 1999). The Foundations established by the industrialists Ford, Rockefeller and Carnegie before 1940 can mobilise assets of over $US15 billion (1990 prices) and the hostility to the Federal Government by the early industrialists introduced ‘a culture of private support for public works that has persisted today’ (Cannon 1992:18). Education was the heart of the early initiatives in extensive public giving by business leaders with the elite educational institutions such as Harvard, Yale, Cornell and Princeton gaining immense resources from links with business leaders and their enterprises.
The American experience can therefore be characterised by two core features: the long history of business and wealthy individuals’ philanthropy and the underpinning Lockean ideology of individualism and resistance to augmenting the role of government. Unlike British or European business, American corporations have traditionally been far more prepared to involve themselves directly in community affairs and politics, often to keep government in as less an interventionist role as possible (Harvey et al 1984). Lipset (1997:276) argued that central to this national ideology is the importance of ‘civil society and voluntary associations’ – freely chosen personal involvement in churches, sporting, community and cultural activities that often involves activities that support wider social needs in the community. As well, in marked contrast to Australia, business leaders have always had a high public profile stemming from the respective development of American industrialisation and American State formation:

…businessmen were already established in their high status when the United States emerged as a nation in 1789…the United States could have been described as a nation of businessmen ruled by businessmen (Lipset 1973:18).

Similarly, Vogel (1978) explained that a key factor in the distrust of government by American business involves the core notion that business preceded the formal structures of the state:

…the American bourgeoisie regards state officials with a sort of contempt; they are the newcomers to American institutional life (Vogel 1978:59).

As early as 1951 the Harvard Business Review had an article examining the charity and stewardship principles underpinning corporate social responsibilities (Post et al 1996:43). In 1965 a Business Week article canvassed options for the respective roles of government and business in relation to the social problems in the American society at that time. American business was engaged in a debate as to whether to engage with government in ‘war against poverty’, the advancement of science and technology and the like or whether this closer relationship would damage their autonomy and capacity to make profits (Bearden 1969:460).

The debate and activity around corporate social responsibilities in Australia has historically been far weaker. Government has been the
dominant contributor to economic activity through government business enterprise, regulation and high levels of protection. Consequently, business has been relatively invisible in driving economic activity and, arguably, irrelevant to social activity. As Encel explained:

…into any analysis of economic institutions in Australia there must be inserted consideration of the role of governments before any approximation of the true balance of forces governing economic behaviour can be reached (Encel 1970:327).

Business well-being was deeply enmeshed in the orientation of public policy and directed its voice mostly to those matters. A consequence of the mixed economy of industry protection, centralised wage fixation and publicly owned utilities and infrastructure has been that business as an institution has been in the background, subject to government dictate (Duncan 2000). Moreover, Australian governments in the past have made very few sustained overtures to business of the kind seen in the United States and Britain – aside from some employment and training initiatives for the unemployed in the late 1980s and 1990s (Commonwealth of Australia 1994; Moon 1995). However, the most powerful reason for inaction in the wider social arena lies with the traditionally active role of the state in social provision in Australia and hence the seeming irrelevance of wider social concerns by business beyond those about employee wellbeing, and those legislated matters such as product safety (Encel 1999).

Accordingly, there is no evidence of significant efforts by the business sector itself to consider wider social responsibilities. Even in the 1980s when discussion of the social role of business was flourishing in the United States, Byrt (1985) concluded that Australian business was unaware of these debates:

…while there is a consensus emerging about the (social) role of the corporation in Australian society, it is a consensus that the corporate sector is the last to join (Byrt 1985: 26).

In addressing this question, Geoff Allen, the first Executive Director of the Business Council of Australia, in 1978 examined business ideology with regard to the respective roles of business and government (Byrt 1985). Allen had identified two competing ideologies: one was based on
individualism, rights of private property, open competition and limited
government interference; the other saw the individual as an inseparable
part of the community in which rights and duties were determined by the
needs of the common good. Property rights were less important than the
rights derived from membership of a community. The results showed that
the large majority of business preferred ‘ideology one’ and saw that this
dominated business approach to social questions and to government
relations. A large proportion also saw that the business environment
would push the views of business over the next decade to embrace more
elements of ‘ideology two’.

Another survey at this time examined the perspectives of public servants,
politicians and business leaders on the role of business in relation to
social and political objectives (Byrt 1985:29). There was low-level
business endorsement of the statement that ‘business has a responsibility
for the broad welfare of its workforce and for the quality of life of the
community and for using company resources to improve the physical and
social environment’. Australian business, close to government, unlike in
the United States, did not see that it had distinct responsibilities for the
public good in the social domain.

By contrast, the more progressive elements in today’s business
community reason that public profile of business has altered through the
microeconomic reform 1990s and the increased public exposure that
flows from economic autonomy from government (Uren 2000). Tim
Duncan (2000), an executive with Rio Tinto in Australia argues that
business in the past was never sufficiently autonomous in its status with
government to be publicly visible as a separate and relevant institution in
our society:

Business has not been important enough culturally to warrant general
scrutiny about the ways it goes about things. That was the preserve of
government and government was the main object of controversy (Duncan
2000:13).

He sees that for most of the contemporary industrial era, Australian
business has been ‘invisible’ in the public culture of Australia primarily
due to the ‘mixed economy’ of tariff regimes, centralised wage fixation
and a vast state owned sector of banks and airlines. The power and
visibility of business has waxed and waned in political and public life
(Stewart 1994). Duncan argues that the visibility and public expectations of business were not so much due to what business did rather, the profile was generated by what government did to regulate business and the economy.

In the ‘reformed Australia’, Duncan sees the main arena for economic and social decisions in public policy now involving independent decisions by business as well as the decisions of government. And, he makes the observation that Australian business is particularly uncomfortable with this exposure. Business won the conditions for the microeconomic reform it had been seeking but was unaware it would also be drawn into the task of adopting broader public responsibilities. Duncan sees this as an opportunity rather than a threat for business but he urges the business community to be active in delineating the directions that are acceptable rather than being passive in the emerging discourse around social responsibilities.

Overtures to business in its new autonomous status have been exemplified by the Australian Prime Minister in 1998 and 1999 making a number of important statements to business that there are now expectations of an increased social role to be performed in a number of non-market areas. There have been examples of requests from the Australian Federal Government for business (and wealthy individuals) to contribute financially to culture and the arts, as in the re-establishment of the Foundation on the Arts and the Humanities to channel business funds to arts bodies (Cave 1999) and to social welfare.

In a speech March 1999 the Prime Minister called on business to assist build a new ‘social coalition’:

I want to put in place more than a social safety net… I have in mind the creation of a new social coalition, strong enough to respond to entrenched problems, flexible enough to respond to new difficulties as they arise…one which draws upon the unique skills of individuals, business, government and the community. One which taps the volunteering sentiment of individuals and the willingness of business to engage with their communities… involving business more deeply in the community is the next step towards creating a stronger Australia’. (Howard 1999b).
While business leaders are perplexed about the implications of this request and would prefer it concerned private individuals rather than companies (Uren 2000), they are themselves propelled by the same forces that direct the government to propose this change of role.

**Conclusion**

This chapter identifies the dominant structural features that are motivating business to expand its social responsibilities. The chapter has proposed that the compelling forces of globalisation and the impact on the role of government, on community and employee attitudes are profoundly reshaping the parameters of business economic and social success. In that sense, the changes and pressures being experienced are not superficial and cannot be responded to in a cursory manner. Globalisation is not only causing economic turbulence for Australian companies as they strive to be internationally competitive and survive but long-standing social and political institutions are also being unsettled. The liberalised market economy that has replaced the state regulated mixed economy has exacerbated these international structural changes for the Australian community. Globalisation and the knowledge economy have dramatically widened economic and information horizons but powerful social changes are also drawing attention back to local community and enterprise dynamics – and that applies for most countries. For business, this is counter intuitive but the social – and local – is becoming a crucial aspect of business success alongside economic success.

Chapters Two and Three have established the theoretical and structural context from which to analyse the emerging social role of business and assess the adequacy the business response. The argument has also established the case for analysing the connections government has with business as it proceeds to widen the public sector response to social pressures. The following Chapters Four, Five and Six provide an account of community involvement by large Australian companies.
CHAPTER 4: CORPORATE COMMUNITY INVOLVEMENT IN AUSTRALIA: STATE OF PLAY

Introduction

Chapter two advances a model of social enterprise that widens the scope of corporate social responsibility beyond management characteristics to include the socio-political environment and the prerequisite public policy framework for partnerships and networks to flourish and deliver benefits. Chapter Three identifies the dominant structural features that are motivating business to expand its social responsibilities. It establishes the link between globalisation, which is transforming the economic boundaries of business, and the social role that, paradoxically, is increasingly demanded at the local level. Faced with these structural changes, there is strong motivation for business to demonstrate a more developed social character as both a contribution to organisational wealth and for the long-term legitimacy of business in the contemporary environment.

This Chapter presents the findings from surveys of Australian business chief executive officers and senior managers responsible for community involvement. The following Chapters Five and Six present findings from interviews and workshops on corporate community involvement. Together, these chapters provide evidence of the emergence of social enterprise in Australia. The data were collected from ninety-eight companies, four government owned corporations, eight industry associations, two company based charitable foundations and three non-government organisations. In total, there are inputs from 115 organisations engaged with corporate community involvement. The data demonstrate the extensive aspirations of Australian business to redefine its social character but also the limitations of current practice in attaining its full business and social potential.

Corporate community involvement is the aspect of social enterprise that is investigated in this study. Community involvement refers to the full spectrum of non-market community activities undertaken by enterprises from the conventional practices of community donations and philanthropy, to complex interactions with community based stakeholders.
and the formation of partnerships between the company, community groups, not-for-profit organisations or government for a range of social purposes and projects. Corporate community involvement is not a full representation of a company’s enhanced social role. Rather, it is one component in a set of corporate beliefs and practices – such as ethical decision-making, good governance, production practices that observe human rights, environmental and product responsibility and equal employment opportunities – that together, comprise the social dimension of companies’ responsibilities. Corporate community involvement provides a tangible insight into the bigger picture of the changing social role of business. It is also relatively amenable to empirical enquiry and does not depend to any great extent on the difficult task of interpreting values and ideology.

The objective of the empirical enquiry was to reveal the extent of social enterprise in Australia through investigating the dimensions, characteristics and relevance of community involvement by business. Consistent with the features of social enterprise established in earlier chapters, community involvement was examined to establish if business strategies included social as well as economic values and objectives; the extent of integration of social objectives into mainstream management practices; the activities conducted and the role for stakeholders in partnerships and networks; and the techniques and language for evaluating business and social outcomes. The survey and interviews had three main elements: the principles that underpin community involvement; the processes employed to conduct community involvement; and the outcomes and pressures that might drive future activity.

The survey (and the interviews in Chapters Five and Six) found that adopting a social role is a new and distinctive feature of the character of the majority of large Australian companies. They believe meeting community expectations for business to demonstrate greater social responsibilities is linked to achieving their long-term success, if not survival. This is particularly important for those sectors that operate in a tight regulatory framework. Only a minority appear to uphold the idea that they have responsibilities only to shareholders for profit maximisation. Moreover, most believe future activity will continue to
develop along these lines as a response to perceived pressure from the community and government for companies to be good corporate citizens and form partnerships in solving social and environmental problems. They feel the community expects greater local accountability from business and community involvement activities are a mechanism to demonstrate that commitment.

This change in attitude and support for community involvement is driven by the increasing value placed by companies on the intangible assets of a good reputation, improved relations with the community and, in particular, relations with employees. The anticipated benefits of social activity by business are sufficient to justify continued effort in this area; the most committed companies regard it as an investment rather than a cost to their business. The conventional benefits such as revenue growth, access to capital and market share are not the most significant benefits. Anticipated benefits do differ across industry sectors as an expression of the varying commercial, social and political contexts in which companies operate.

Business leaders therefore articulate a ‘business case’ for community involvement revolving around achieving intangible benefits from social activities. That is, community involvement is not supporting short-term competitiveness through revenue growth and the like. Rather, it is believed to contribute to longer-term business success by establishing a higher quality external business environment and enhanced social relations. Nevertheless, clear expression of the business rationale and benefits is inhibited because the language and the measurement approaches to understand this are underdeveloped and business acknowledges it is ‘not very accomplished’ in measuring these intangible benefits and social outcomes. Rather, the language of the ‘new economy’ – partnerships, networks, social capital and stakeholders (Castells 1996; 1997; Waltzer 1993) – is the most readily, but loosely applied language.

Most business resources are provided to the community through sponsorships, which have tighter commercial or market links than the other vehicles. This is followed by, at similar levels of resources, donations (the more traditional form of contribution where business benefits are not sought), community participation projects (such as support for education and welfare activities) and partnerships or alliances
with the community. These latter categories, which are in the minority but growing in importance, are seen as having the greatest potential to give effect to the aspirations of social enterprise.

Community involvement is being institutionalised in company management. This is seen through the evidence that community activities in many companies are led by business strategy and are consistent with their core competencies. However, over half the companies do not demonstrate adequate integration of these activities into business strategy to maximise returns. This suggests that over half conduct community involvement relatively unrelated to core business concerns, despite the high levels of aspirations to do just that. Those that do not institutionalise and integrate social objectives and practices and modify conventional practices accordingly will not see the anticipated benefits.

A further limitation on the nature of outcomes is that companies do not routinely measure the external social or economic impact of these activities and their activities only marginally interact with public policy. The role of government in planning and implementation is minor and there is no public (or private) detailed collective knowledge of the activities of companies; community involvement is, in the main, a private matter and managed in the same way as any other business activity that is seen to provide a competitive advantage in the marketplace. Stakeholders are aware of the general nature of a company’s community activities but the dimensions, impact and results are mostly not known outside the company and participants. Therefore, the potential public impact and relevance in guiding future activity may be limited.

Moreover, the notion of partnerships, which promises a transformation in social relations, may not indicate anything more than a close transactional relationship between donor and receiver. As shown in Chapter Six, there are examples of powerful cross-sectoral relationships that share solutions to public problems but others appear to be narrower without any potential for significant public impact. Nevertheless, most of the companies surveyed are positive about the social transformation they are undergoing, expect community and government expectations to continue to grow and they are committed to increasing the emphasis on partnerships, local community relations and involving employees in the future.
The sections that follow in this chapter provide the findings of the survey in the following categories: management rationale, anticipated benefits, management and organisation, business and community outcomes and future developments.

**The research framework for corporate community involvement**

The conception of corporate community involvement in this study is broad in its inclusion of non-market activities. The scope ranges from conventional philanthropy and community donations, to complex interactions between the company and community stakeholders, to the formation of formal partnerships between the company, community groups, not-for-profit organisations or government for range of social purposes. The objective was to investigate the dimensions, characteristics and business and social relevance of corporate community involvement and establish if it signals a significant change in the social character of business and the extent of its current and potential value to business and the community. The principal finding was that a high proportion of business aspires to performing an enhanced social role for substantial intangible benefits but business and social outcomes for many are limited by inadequate integration of the social with the economic purposes of business.

The conceptual framework that guided the survey questions and interviews has three elements: the principles that managers believe underpin their activities; the processes employed to manage this area; and the outcomes for the business and the community and the pressures they anticipated would drive future activity. This framework is informed by the classification that Wood (1991a) developed for conceptualising corporate social performance and similar to other studies that have attempted to understand the rationale as well as the substance of voluntary areas of business activity (for example The Conference Board of Canada 1998; Kadushin and Richardson 1997).
Box 4.1: Framework for community involvement analysis

<table>
<thead>
<tr>
<th>Core components</th>
<th>Focus for Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principles and values.</td>
<td>The motives, anticipated benefits and the expression of this in company policies.</td>
</tr>
<tr>
<td>Management, activities and organisational processes.</td>
<td>Decision-making, size of commitment, focus and structures of the activities.</td>
</tr>
<tr>
<td>Outcomes for business and community and future developments.</td>
<td>Measurement and evaluation techniques being employed and how well the intentions for community involvement are met. It also includes future trends.</td>
</tr>
</tbody>
</table>

The survey was undertaken to investigate the activity by Australian business in community involvement. Chief Executive Officers (CEOs) were asked seven questions about intent, benefits and vision for the future. Senior managers responsible for program implementation were asked seventeen questions on planning and management and four on strategy that were the same as the CEO questions. The survey sought evidence of business beliefs, activity and benefits that flow to business. The results are interpreted as strongly indicative of behaviour, are taken at face value, and have not been subject to complex statistical analysis.

Through a mix of open-ended and multiple choice questions the survey for CEOs and managers covered the three components listed in Box 4.1. For CEOs, the principles that underpin the activities were investigated through their attitude to the social role of business and rationale for community involvement and the business motives and anticipated benefits. Management and organisational processes were examined through identifying the leadership for community involvement and the expectations of management. The vision for successful management and content of community involvement was evaluated through assessing the gap between CEOs’ view of ideal activities, current emphasis in Australian business and company performance. Future expectations for community involvement were examined through investigating the degree of change in the past five years and the perception of likely pressures in the future and anticipated developments.
For senior managers, the principles that underpin the activities were investigated through their attitude to the social role of business and rationale for community involvement, the business motives and anticipated benefits and the preferred stakeholder audience for recognition for these activities. Management and organisational processes were investigated through the characteristics of the activities, in terms of type and structure of activity, proportion of activity by theme and estimate of revenue allocated; and through the policy development and planning procedures. Outcomes and expected future developments of community involvement were examined through the evaluation techniques employed, the outcomes selected to be measured, the degree of change in the past five years and the perception of likely pressures in the future and anticipated developments. The survey instruments are provided in Appendix 1.

The survey responses from seventy-six companies that are discussed in this chapter are the result of two surveys sent to 200 large companies (the ninety-eight members the Business Council of Australia plus and additional 112 from the Business Review Weekly ‘Top 500’ public companies at both CEO and senior manager levels. Responses were received from fifty-five CEOs and forty-one managers. In twenty companies both CEO and manager responded. Four questions were identical and for the purposes of the tables that present data from both CEOs and managers, CEOs’ responses only are included for the twenty companies where both responded. The numbers of companies responding to survey questions provided as tables is in Appendix 2.

A reference group of CEO members of the Business Council of Australia and a working group of company managers advised and piloted the survey design and reviewed the findings. The names of the reference group and working groups are in Appendix 3.
Management rationale for corporate community involvement

A primary objective was to investigate the understanding that company management has of the social role of business as seen through their attitude to community involvement. It was assumed that the majority, if not all companies contributed money or other resources to philanthropic and community causes. With that assumption as the basis, the intent was to enquire into their attitude to corporate community involvement as it relates to their conception of the role of the enterprise in meeting social expectations and responsibilities. Respondents’ statements have been grouped into categories that represent their conceptual and philosophical approach to the social role of business. Responses have been grouped into three broad categories that can be seen as points on a continuum: a commercial and shareholder focus consistent with neoclassical economics, a sense of enlightened self-interest where the exercise of social responsibility provides a business benefit, and a moral obligation to the community without expectation of a business benefit.

At one end, exclusively meeting the needs of shareholders is the predominant means for the company to meet social obligations and community involvement expectations. This is consistent with neoclassical economists such as Friedman (1962) and other more contemporary views (Barry 1999; Johns 2000; Henderson 2001) as discussed in Chapter Two. Management might financially support cultural or sporting sponsorships for product or brand marketing and these activities may also serve community need. But, they are essentially commercial activities and would be expected to yield a medium term result in improving market position and returns to the company. Other forms of community involvement are regarded as failing the fiduciary obligations to shareholders.

At the other end of this continuum are companies that define community involvement primarily as activities and resources that support the public good, such as through philanthropic donations to worthy causes and bodies. They do not expect a commercial return for their community involvement initiatives. Their altruistic philosophy, often defined in moral terms, means community involvement is not part of the commercial focus of the
business, although the level of contributions may well depend on sound returns.

This view is typified by the attitudes of the early industrialist philanthropists and those who see their business leadership also conferring on them a substantial degree of community leadership. Examples in the United States were those who lead the great philanthropic movement such as Rockefeller, Carnegie and Stanford many forming charitable foundations to continue their philanthropic endeavours (Luthens and Hodgetts 1976). In the United Kingdom, there were also the early philanthropic industrialists such as Tetly and Brotherton (Marinetto 1998). In Australia, far later, there were families such as Myer, the founder of Lend Lease Corporation Jack Dusseldorp, and the founder of the AMP Society Benjamin Short. Their motivation was ‘philanthropy driven from a sense of moral and social responsibility’ and most likely ‘detached from business activities’ (Elder and Meadows, 2000:8). Logan calls this view ‘promoting the common good’ where there is no tangible or immediate benefits accruing to the company (Logan et al 1997:21)

In between the two categories of commercial intent and moral obligation lies the view that community involvement is in the longer term self-interest of the business – what has been termed in the United States from the 1970s as enlightened self-interest (Miles1987; Sethi 1981). One explanation refers to enterprises that support their core economic objectives by meeting social expectations:

[companies are] socially aware without giving up their own economic self-interest…profits are the reward for the firm as it continues to provide true value to its customers, to help its employees to grow, and to behave responsibly as a corporate citizen (Post et al 1996:52).

Enlightened self-interest embodies the view that a business can only operate successfully over time where it has a community licence to operate. Community involvement is mostly directed at achieving a level of legitimacy where businesses have community and government respect and trust. This view was described in the approaches by Davis (1973) and Davis and Blomstrum (1975) and Preston and Post (1975) and adopted by Wood (1991a) in the principles of legitimacy and public responsibility in her model for corporate social performance:
Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it; and, businesses are responsible for outcomes related to their primary and secondary areas of involvement with society (Wartick and Wood 1998: 71-3).

Accordingly, understanding and meeting community expectations and attending to those externalities that derive from an enterprise’s particular field of activity (such as environmental or social externalities), are important in assuring the long-run return to shareholders.

A more recent variation of enlightened self-interest is held by some companies, particularly in the United Kingdom and Europe as well as Australia, such as Shell (2002), BP (2002), Unilever (2000), Rio Tinto (2001) and Westpac (2002). These companies expand their core business objectives to meet, in a more integrated way, the social, environmental and economic needs and expectations of their internal and external stakeholders. That is, they claim that economic and social objectives are parallel and that the social is not necessarily subordinate to the economic. An example of this is the triple bottom line approach, which involves planning and measuring the economic, environmental and social outcomes of a company’s performance (Elkington 1997; Suggett and Goodsr 2002).

The term stakeholders is frequently used in these companies to refer to the role that successful community involvement plays in facilitating social relations between the multiple expectations of business (Clarkson 1995; Post 2002). Although the original use of the term was in the 1980s by Freeman (1984), it has recently regained widespread use in academic as well as popular business writing to enable organisations to show awareness of the relevance of the pressures and expectations of external and internal audiences. It is a way of showing that a commercial organisation operates in a complex framework of considerations and relationships that it needs manage effectively for short and long-term successful business outcomes.

In this survey of large Australian companies, an open-ended question was asked of CEOs and the senior managers of corporate community involvement to investigate their rationale for community involvement and their interpretation of the social role of business. There was no
discernable difference in nature of the comments by CEOs and managers. Figure 4.1 presents some of the comments by CEOs [C1, M1].

**Figure 4.1: Attitudes to corporate community involvement**

Approximately 15 per cent were of the view that corporate community involvement is best expressed through their primary responsibility to satisfy customers and maximise returns to shareholders. This is an expression of an exclusively commercial intent with a secondary or marginal interest in social considerations. Anecdotal evidence from subsequent discussions with the reference group and working party suggests that this figure underestimates the reality in the Australian business community, as non-respondents are likely to include a greater proportion of those who do not see community involvement as a responsibility of business. A figure more like 20 or 25 per cent was suggested. A CEO from the financial sector expressed an example of the

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3 The survey question numbers for each Figure/Box appear in brackets: ’C’ refers to the survey of CEOs, ’M’ refers to the managers’ survey.

4 This is an estimate by workshop participants and was not validated.
view that maintains a strict adherence to commercial intent and responsibility to shareholders:

[Our] main responsibility is to maximise shareholder wealth and employee well-being while servicing key clients. Community well-being is important but secondary to the above if it is outside our main business thrust.

Approximately, 10 per cent of responses expressed the view that community involvement activity is largely about providing a public good and exercising a moral obligation or social responsibility without expecting a business return. A CEO in the retail sector commented:

We draw all of our total revenues from local communities and have a responsibility to make a contribution back to them.

The majority of respondents, around 75 per cent expressed the enlightened self-interest view that community involvement is crucial to a company’s future success. They included statements about community involvement as a crucial factor in a company’s future success. They also included the responsibility to meet shareholders’ needs but sought to balance that with the necessity to meet the expectations of the community. A CEO from the service sector commented:

Although a company’s main responsibility is to its shareholders, it operates within a community. If a community prospers, so does a company and vice versa.

A CEO in the resources sector expressed the view that profitability results from both financial success and investment in the community as well as business:

We should aim to be profitable. We should aim to reduce our environmental impacts. And we should aim to invest in our communities as well as in our businesses.

The term good or responsible corporate citizen was frequently used to demonstrate a concern for community well-being and the responsible role that business should play in the community. A CEO in the financial sector commented:

Companies must deliver for shareholders but must also be responsible corporate citizens.
The majority of companies that consider community involvement important to their sustainability, who use terms such as enlightened self-interest, are not homogeneous in their practices or their effectiveness. Within that group, there is considerable variation in how programs are generated and conducted. Some companies are relatively advanced in their conception of the role and the systems they have in place. One CEO in the resources sector commented on their charter of Good Corporate Citizenship to guide their practices:

The company’s clear objective is to maximise the return to shareholders however this must be achieved within the overriding charter of being a ‘good corporate citizen’. Under the charter of ‘Good Corporate Citizenship’, the company is required…(to meet) statutory aspects … and social aspects covering human resources, social welfare and support for charitable institutions and educational issues.

A CEO in the manufacturing sector referred to an integrated view of meeting community obligations rather than a simple concept of giving money to the community:

The pressure will grow to be a good corporate citizen: secure employment, a safe workplace, environmentally pristine, good employee and community relations. This should be more valuable than donations and sponsorships.

The differences in this group are better understood though later questions in the survey that investigated management practices for community involvement. While many companies use the same terminology to describe their programs, there is considerable variation in depth and relevance of management practices and business strategy and, hence, ultimate social and business outcomes and benefits. It is most likely that many of companies in the majority group are just starting to reflect more deeply on ways their programs can deliver greater business benefits without changing what they do. Nevertheless, when asked to express a view on the social role of business, they chose terms that probably reflect their aspirations as much as their current practice.

Birch (2001) reached a similar conclusion from a later Australian study of management perspectives on corporate citizenship. His results showed the high level of verbal commitment to principles concerned with adopting wider social responsibilities and corporate citizenship but lower levels of translation of these aspirations into management practices and actions and
identified uncertainty in how the expressed commitment related to business benefits.

**What companies hope to gain from community involvement**

CEOs and managers were asked to nominate the benefits to their business they anticipate from community involvement. For ease of presentation, the answers to these questions were aggregated to give a sense of the overall pattern of responses around the question of gains from community involvement. (Where both CEO and manager responded, the CEO’s view was included in this table).

A diverse range of motives and anticipated benefits were identified as driving community involvement activities in Australian companies. These are represented below in Figure 4.2, [C2, M2]. The four most important perceived benefits (in priority order) for the companies in the survey were reputation building, improved relationship with the community, increased employee morale; and, a symbol of cultural change in a company.

**Figure 4.2: Perceived benefits of corporate community involvement**

Reputation building ranked as the most important benefit derived from community involvement. As argued in Chapter Three, the growth in companies’ pursuit of a good reputation has expanded enormously due to the growing value of a range of intangible assets in the global and knowledge based economy and is reflected in the increasing gap between stockmarket value and ‘book’ value or assets and retained earnings. Even
though accounting standards fall far short in their ability to value intangibles such as reputation (Rindova and Fombrun 1997), heads of companies and boards, perhaps more so than operational managers, now include the topic of corporate reputation as an important element of corporate success: ‘reputation is a complex phenomenon but one that is valued and worth managing well’ (Davis and Miles 1998:16). Reputation is one of the main intangible assets a firm can have (Dowling 1993) and is regarded as a potential source of competitive advantage (Hall 1993).

However, the term reputation is not a precise reference to a set of defined characteristics and is probably seen as a catch all for a number of other attributes – it is a symbolic representation of the aggregate of all that the firm does (Weigelt and Camerer 1988). While the traditional view of a good corporate reputation is connected with market penetration and brand image or brand equity (Keller 1993), its links to community involvement are related to the growing relevance of business attributes beyond the more familiar commercial attributes such as product quality and financial soundness. The definition of reputation as ‘a collective representation of a firm’s past actions … and ability to deliver valued outcomes to multiple stakeholders’ (Fombrun and Rindova 1996, cited by Fombrun and Van Riel 1997:10) reflects the increased role of both commercial and non-commercial outcomes and audiences in achieving business success. In tying the social role of enterprises to reputation, the survey respondents are conveying that the more traditional understanding of reputation, derived exclusively from the commercial marketplace, is outmoded in the contemporary environment.

Improved relations with the community are also a significant benefit to be derived from corporate community involvement. Building relationships with local communities and the wider community is increasingly becoming part of companies’ strategic perspective. This is particularly well established for those companies with visible processing or manufacturing operations in a locality where there is the sense of a ‘fence line community’ (Burke 1999). These relationships provide benefits such as access to local political processes and advocacy and modification to local regulatory barriers imposed through community opposition. Sectors other than manufacturing or resources, such as banks, are also considering
how to improve community or stakeholder relationships to shore up their social contract or licence to operate (Sweeney et al 2001).

The third most important benefit nominated by companies is a set of internal and organisational gains represented by employee morale, teamwork and retention of employees. This concerns employees’ satisfaction with the enterprise’s community awareness and social activity but, as the interviews found (see Chapters Five and Six), it also refers to the benefits from involving employees directly in the community involvement programs. It was argued in Chapter Three that the increasing attention to employees’ sense of well-being and loyalty to a company is closely tied to improving the ‘social architecture’ of enterprises (Wheeler and Sillanpaa 1997) and establishing ‘high performances workplaces’ (Turner and Crawford 1998). This draws on the belief from human resource management that employee commitment is seen as delivering overriding benefit to the company in terms of increased productivity, buy-in to the corporate ethos and attraction of quality employees (Tuffrey 1995; Quirke 1998, cited by Lee 2001:82).

Consistent with the well-developed volunteer ethos in the United States (Lipset 1996), the case for involving employees in community activities for the benefit of the business is well established. One survey of US corporations found 82 per cent conduct a volunteer program and over a third make provision for this to be included as paid work (Coutsoukis and Carbone 2001 cited by Googins 2002:94). An American study for corporate foundations (Council on Foundations 1996) found that employees involved in their company’s community activities were 30 per cent more likely to want to continue working for that company and help it achieve success. Other American studies similarly identify the business benefits of corporate volunteering (Carroll 1996; The Conference Board 1993). Corporate volunteering in the United States is the fastest growing aspect of business and social activities. This is consistent with the finding in this survey, as shown in Figure 4.5, that Australian CEOs would like to see around a 60 per cent increase in employee involvement activities to reach their ‘ideal view’ of this area of activity.

Benefits associated with organisational cultural change were rated as the fourth most important perceived benefit of community involvement. Many companies report they are committed to closing the gap between
what they say they stand for and the reality of their actual performance. Such change becomes an important symbol to a diverse range of stakeholders (employees, investors and the community), and many companies believe it is the key to their future success (Collins and Porras 1994).

Other benefits of community involvement included (in order of importance) are: increased customer goodwill, employee personal development, licence to operate, improved business performance over the short to medium term, improved market access and attraction of investors.

Another way to demonstrate the motives for community involvement activities is to assess the importance that enterprises place on receiving recognition from particular audiences or stakeholders. This is shown in Figure 4.3, [M7].

**Figure 4.3: Recognition sought from stakeholders for community involvement**

Given the ranking of perceived benefits in Figure 4.2, it is not surprising that enterprises considered the local community (not the wider community) and employees to be the two most important audiences or stakeholders of community involvement. Customers do feature more significantly than suggested by the previous low ranking of market access as a benefit. However, the high ranking of customers is consistent with valuing customer goodwill, which focuses more on sustaining a high quality relationship than necessarily accessing new customers and
markets. Government features as moderately important ahead of commercial and wider community interests. Perhaps more surprising is that investor awareness is considered to be of low importance. However, this is consistent with the low rating given to attracting investors as a benefit of community involvement.

Together, Figures 4.2 and 4.3 show a difference between the conventional short to medium term benefits and those that are long-term. The shorter term and financially related business benefits such as market access, business performance and investor attraction rated lower than those that are long-term and built on the perceived value of relationships, loyalty and morale. These latter motivations are more concerned with the quality of the business environment and its social relations and values. Similarly, audiences or stakeholders that directly influence the financial position of the company – investors, competitors, business partners are less important that those who comprise the social or community context of an enterprise – local community, employees, government. Again, the high rating for customers and customer good will is consistent with the notion of building a relationship with existing customers (as in customer loyalty schemes).

This pattern of findings, however, differs from another Australian study conducted at roughly the same time. A study by Arthur Anderson (1999) for the Australian Foundation for Culture and the Humanities to identify benefits to business from funding the arts, concluded that the commercial and market related benefits featured highly – access to funds, direct sales, price premium and customer retention. The ‘softer’ business benefits such as corporate legitimacy seen through licence to operate and image together with organisational benefits such as productivity and retention of employees were also significant benefits but the study claims far greater status for traditional short-term commercial benefits than this study. An explanation might be that the study was explicitly conducted to establish evidence of business benefits from marketing related sponsorships and has subsequently been used to persuade business of the value of contributing money to the arts. The study did not rank the benefits. Also, the idea of the growing value of intangible assets as part of the increasingly knowledge based economy, as discussed in Chapter Three in this thesis, is not a feature of their analysis.
An earlier American study by The Conference Board (Alperson: 1995) found also image and brand enhancement, employee loyalty and improved customer ties were the main benefits. Again, these benefits are more related to conventional commercial business concerns of market access and productivity that the survey for this thesis found. Whereas this thesis anticipated the growing value of intangible assets, particularly the relatively recent focus in Australia on corporate reputation, and made provision to distinguish intangible assets from short-term financial and market benefits, these studies do not appear to have made this distinction.

Analysis of the different motives across industry sectors further reveals the nature and intent of the business motives in Australia (Box 4.2) [C6, M2]. A four-part breakdown was used – resources, manufacturing, retail and others services (such as finance and information technology).

**Box 4.2: Proportion of industry responses rating motives as important or very important (per cent)**

<table>
<thead>
<tr>
<th>Motive/perceived benefit</th>
<th>Industry Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Resource</td>
</tr>
<tr>
<td>Improve corporate reputation</td>
<td>95</td>
</tr>
<tr>
<td>Improve community relations</td>
<td>94</td>
</tr>
<tr>
<td>Improve employee morale, team work, retention</td>
<td>94</td>
</tr>
<tr>
<td>Broaden management perspective</td>
<td>63</td>
</tr>
<tr>
<td>Change culture to indicate long–term corporate direction</td>
<td>100</td>
</tr>
<tr>
<td>Improve customer goodwill</td>
<td>44</td>
</tr>
<tr>
<td>Improve business performance: short–medium term</td>
<td>44</td>
</tr>
<tr>
<td>Ensure licence to operate</td>
<td>75</td>
</tr>
<tr>
<td>Access market</td>
<td>25</td>
</tr>
<tr>
<td>Attract investors</td>
<td>31</td>
</tr>
</tbody>
</table>

All sectors rated reputation and improved community relations as important motives for community involvement activities. However, when broken down into the four broad industry sectors, their motives for
involvement in the community vary across industry sectors. For example, the resource sector considers licence to operate to be an important motive compared to the others. This is tied to the particular need in that sector to secure community consent and manage community opposition to bolster support for mining or similar operations. Conversely, the retail and service sectors view the enhancement of customer goodwill as an important motivating factor whereas this is not a priority for the resource sector as their customers are commercial businesses rather than individuals in the retail marketplace.

It would seem that many of the motivations for community involvement therefore vary according to the core characteristics of the commercial and operating environments of different sectors – further indication that the motivations for community involvement are located in business interests. However, it is the contention in this thesis that the business interests that motivate the increasing attention to community involvement are predominantly longer-term intangible assets that are important to business sustainability in contrast with short-term and more conventional competitive benefits.

Management and organisation of community involvement

The degree of institutionalisation of management practices for community involvement shows the its depth and influence (Ackerman 1973; Beesley and Evans 1975; Moon 1995) and points to the likelihood of achieving high quality social performance and outcomes (Miles 1987). Success or failure in this area of business activity essentially depends on the same factors that are present in any successful business operation: adequate resources, management strategy and leadership, accountability and evaluation (Post et al 1996).

The institutionalisation of community involvement programs was examined through two main dimensions. First, the emphasis and level of effort in enterprises’ community involvement activities was investigated. This included the size of the contribution to community activities, the perception of CEOs of the predominant activities of Australian business and their view of the ideal balance of activities, and the current themes or content of the activities being pursued by companies. Second, the management processes used to conduct the programs were examined.
through the policy direction of the company, management leadership for community involvement; management planning systems (such as performance appraisal), and processes for allocating resources to the community.

Australian companies are engaging the community in a number of ways. Sponsorships are where funds are provided to a body for its activities, usually with the company’s name attached to the activity and the company and the receiving body or activity have a loose but not necessarily close relationship. There is mostly a strong commercial intent and often a short term or immediate gain is anticipated as for a marketing initiative. Philanthropic donations, including charitable foundations, are funds allocated to a variety of causes or activities conventionally in an arms length mode and without the requirement of any reciprocal involvement and without expecting any form of business return. These two categories are the more traditional initiatives that have been operating for a number of decades.

Other initiatives, of particular interest to this thesis, include establishing closer and interactive relationships with those agencies or communities being funded or assisted. Companies use terms such as community or stakeholder dialogue, partnerships and community participation to refer to arrangements that specifically aim to build trust and interaction among the various parties. Employee involvement activities are where executives and managers are allocated to charities or the like to assist directly in their programs. As companies see community involvement linked to developing intangible assets and meeting the community’s expectations of business these newer modes of community interaction will expand in preference to the traditional sponsorships and donations.

Logan et al (1997:21) assemble a similar range of activities that represent ‘levels of corporate citizenship’ ranging from donations that support the common good where there is no tangible return to the business, to ‘expanded self-interest’ in the long-term, and commercial activities such as sponsorships that deliver benefits in a shorter time frame.
Size of corporate community involvement in Australia

Estimating the size or dollar value of corporate community involvement activities is a difficult task, complicated by factors such as associated administrative costs, in-kind support where goods and services are provided, definitional issues and information systems that do not take account of the multiple areas of a company where community activities may originate.

In particular, the cost of administering community involvement programs is often overlooked. Calculating administration costs is difficult but ignoring it necessarily underestimates a corporation’s total community involvement effort. In some circumstances, administration costs have been estimated to be almost as large as the dollar amount of actual contributions donated to the community. However, companies have difficulty quantifying this support partly because they do not have the required management and information systems to monitor these transactions and partly due to unclear definitions. The data collected on this issue in Australian companies estimated that corporate community involvement administrative costs averaged 79 per cent of the allocation – far higher for resource companies than for manufacturing and others. This figure is very high and most likely calculates the full cost of staff assigned to managing this function.

Also, as there is no universally consistent definition of community involvement, a clear picture of the business activities to be included is not easily established. Sponsorships, for example, may be defined as community involvement or product marketing and brand promotion and details of the amounts may not be aggregated at the corporate level. One company proposed that factors that determine what is defined as community involvement include the business division that manages the activity (if it is marketing it is not included as community involvement); and the role of signage (regarded as marketing if there are signs). A model developed in the United Kingdom (Logan and Tuffrey 1999) includes a wider set of activities than was captured in this survey. They propose calculating the cash and in-kind contribution to the community through commercial initiatives such as brand promotion; contributions to community investment that might include activities such as supplier
development, secondments as well as partnerships with community organisations; and donations to charity.

On advice from business managers, this survey sought to include sponsorships that were more oriented to corporate branding or reputation and the like than to specific product marketing. This was with the knowledge that including product related sponsorships may distort the data because the amount contributed to this area outweighs the contributions to other areas.

The distribution of resources to community involvement activities is shown in Figure 4.4, [M4].

**Figure 4.4: Community involvement expenditure categories (per cent of budget)**

The survey of large companies found that more corporate dollars are allocated to sponsorship than to any other community involvement initiative – approximately 30 per cent of the community involvement budget. Three other categories of initiatives attracted approximately 16 per cent each of the budget: community participation (such as education and community development), philanthropic donations (mostly arms length without reciprocal obligations), and partnerships with communities (negotiated relationships between the enterprise and a community or not-for-profit organisation). However, these estimates may be imprecise since many company sponsorships are managed from marketing departments and community involvement components may not have been isolated from other marketing activity. (A comment from Steering Committee
member Rod Eddington, then CEO Ansett Australia confirmed that many large multi-site companies are unable to provide a consolidated figure for their community involvement budget.)

A recent ABS survey ‘Generosity of Business Giving’ (ABS 2002) has now gone some way in specifying definitions and establishing benchmarks for future estimates of levels of giving by business\(^5\). ABS estimates the total value (money and services) of giving from all business (small, medium and large) to community organisations at around $1.5 billion for 2000–01. (Community sector organisations include those providing activities in arts and culture, community service and welfare, education and training, employment, environment, health and sport and recreation.) The money provided was almost $1 billion with services valued at $290 million and goods provided valued at $263 million.

ABS found that for the year 2000-01 for all business, 45 per cent was allocated to sponsorships of which around 70 per cent were for sporting and recreation events. Donations comprised 39 per cent of which around 40 per cent was allocated to community service and welfare organisations. Around 12 per cent was for business to community projects with around 27 per cent going to community service and welfare activities, 21 per cent to sport and recreation and 15 per cent to education. The breakdown for large business showed a greater emphasis on sponsorship at 57 per cent, donations at 27 per cent and business to community projects at 15 per cent.

Differences are therefore apparent in the higher proportions allocated to sponsorships and provided as an unconditional philanthropic donation with the consequence that the proportion going to the more innovative business to community projects is much lower than the survey for this thesis identified. However, the ABS survey and this survey do differ. The ABS survey’s definition of large business is more than 200 employees whereas the selection of companies in this survey was according to membership of the Business Council of Australia and the Business Review Weekly ‘Top 500’ public companies which have revenue hurdles as distinct from employee numbers. (An estimate of size reveals BCA...)

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\(^5\) The ABS survey was run in conjunction with the 2000-1 Economic Activity survey. It collected data from mail-out surveys. Approximately 9000 ‘management units’ were surveyed. Business size is classified into three categories.
members companies would mostly have well in excess of 400-500 employees.) Also, this survey does not assume that all community involvement activities involve money going to community organisations. Assistance can be provided directly to individuals as in Indigenous training programs or directly to the community via construction of a recreational facility or environmental enhancement.

A further explanation of the difference with respect to large business could be the inclusion of all business sponsorship in the ABS survey rather than attempting to exclude product promotion. Also, the ABS notes a possible distortion because it was the period of the Olympic Games where sponsorship of sporting activities was at a peak. As well, as indicated earlier in this Chapter, the steering committee and working group advised that respondents to this survey may have self-selected according to the level of understanding of the more complex ideas around community involvement and social responsibility with those not able to articulate their rationale and management practices simply not responding. The ABS survey did not require this detail.

Indeed commentators on the ABS survey agree with the proposition in this thesis that, while business is demonstrably more engaged with the community sector than in the past, the amount provided for the newer style of business and community activity, as opposed to donations, is lower than expected. The ABS figure is also counter to the experiences of many who have been active in reshaping enterprises social activities towards more innovative strategies (Wade 2002).

**Community involvement program activities**

In general, CEOs view the current balance of activity in their Australian business as ‘adequate’ with sponsorships and philanthropic donations currently the most important followed by community partnerships and employee involvement activities. However, the ‘ideal view’ of CEOs would see comparatively large increases in community involvement activity in the areas of: employee involvement (an increase of around 60 per cent); dialogue with the community (a desired increase of around 87 per cent); and community partnerships – long-term and reciprocal social relationships in the community (a desired increase of around 45 per cent).
On the other hand the desired increase in philanthropic donations was a small 6 per cent. Figure 4.5 [C4] illustrates this comparison.

**Figure 4.5: CEO’s Views on corporate community involvement activities**

Again, this points to the view that more sustained external relationships are desired where the company is able to be more familiar and talk with those who are its external audiences and also use community involvement to build relationships with employees. This suggests that companies will be more focussed on their external audiences or stakeholders than in the past and seek to expand their credibility with employees for being more conscious of external stakeholders.

As far as themes or areas of activity, as distinct from the modes of engagement, the survey shows that education is the largest beneficiary of Australian community involvement funds at approximately 19 per cent of the community involvement budget. The other areas receiving a large proportion of funds are cultural activities at 15 per cent, environment at 14 per cent, sport at 13 per cent and health at 12 per cent. This is shown in Figure 4.6, [M3].
Figure 4.6: Community involvement expenditure in areas of interest

This pattern of activity is complemented by an earlier survey in Australia (Moon and Sochaki 1996) where they found education as the most popular community involvement area from a list of seventeen themes. The American research by Kadushin and Richardson (1997), argue that this pattern reflects the unambiguous and uncontroversial public good nature of areas such as education, the arts and the environment.

The ABS (2002) data again differed in the interest areas it nominated, led by community welfare and services. ABS data shows that for all business sizes 27 per cent of the business to community projects was allocated to community services and welfare, 21 per cent to sport and 15 per cent to education. An explanation of the difference is most likely that the survey for this thesis did not list community services and welfare as a specific alternative because it was regarded as a generic rather than specific category.

Planning and directing corporate community involvement programs

A number of questions explored both CEO and managers’ use of commonly understood management processes that would be expected to be present as these activities become more professionalised, institutionalised and integrated into business planning (Ackerman 1973). As an area of business activity matures, the functions become more formally structured and consistent with the nature of the institutional
practices of the enterprise (DiMaggio and Powell 1983, cited by Saiia 2001:63). The level of commitment to social responsibility in an enterprise is reflected in the extent of professional standards and internalisation in business systems and this logically maximises the chances of success (Moon 1995). Relevant management practices include use of policies or mission statement to show the leadership direction in an organisation, business decision making processes, models for implementation, and establishing systems for manager and employee performance requirements. (Evaluation and measurement of outcomes is also a conventional management process and this is considered in the next section on measuring outcomes from community involvement.)

**Company policies for corporate citizenship**

Increasingly, both in Australia and internationally, companies are developing policies on corporate social responsibility or corporate citizenship. A corporate vision or policy statement is intended to demonstrate that a social commitment has become an integral part of business decision-making. Such statements provide insight into a company’s values, culture and often refer to strategies for achieving its aims. The vision of a company committed to corporate citizenship frequently refers to a purpose beyond ‘making a profit’ and specifies that it will seek to create value for a variety of stakeholders.

Over half (59 per cent) of the managers surveyed indicated their companies have policies or vision statements for community involvement, social responsibility or community relations; some are formally part of the company’s public commitment and some are informal and not public. This is a relatively recent development with policies for more than half of the companies developed after 1992, although one company reported developing its policy as early as 1932.

Several policy statements by companies that include a commitment to social responsibility and community well-being are provided below:

Ford Australia will run its business operations ethically, legally and profitably and will seek to enhance the well-being of the communities in which it operates by supporting education, community services and improving the environment (Ford Australia Corporate Citizenship Vision Statement);
we will be pro-active corporate citizens (Smorgon Steel Group Mission Statement);

We are successful when: our shareholders are realising a superior return on their investment; our customers are benefiting from the use of our products and services; the communities in which we operate value our citizenship; and every employee starts each day with a sense of purpose and ends each day with a sense of accomplishment. (BHP Charter: Moving into the 21st Century);

We aspire to be a leader in the economic, environmental and social aspects of everything we do; first choice for our shareholders, our customers, our employees, those with whom we do business, society and future generations (The Shell Report 2000: People, Planet and Profits)

We care about humanising the business community: We will continue to show that success and profits go hand in hand with ideals and values (The Body Shop Results 1999: The New Bottom Line)

The trend of Australian companies integrating community involvement into their corporate vision is in line with their counterparts elsewhere. A 1997 study conducted by the Boston College Centre for Corporate Community Relations found that 67 per cent of American companies include community relations in their strategic plan and 73 per cent companies have a written policy or mission statement for their community relations program (Centre for Corporate Community Relations 1997).

Glazebrook (2001:157) examined annual reports, CEO statements and company publications by 500 Australian companies from 1995-99 to identify evidence of formal commitments and processes in support of corporate citizenship. He found that 7 per cent publicly identified themselves as corporate citizens, with 14 per cent highlighting sponsorships, 5 per cent partnerships and 7 per cent stakeholders (among other characteristics). There was no evidence of formal mention of philanthropy. The lower proportion of companies demonstrating a socially related policy or commitment to the findings in this study would most likely be due to the sample size going well beyond large business to medium sized enterprises, where formal policies may not be as apparent. Also, Glazebrook examined publicly available information whereas this
survey included statements that are also internal to business and would not always appear in public documentation.

**Decision making for Community Involvement**

Companies are increasingly looking at their community involvement activities from a strategic perspective, defining themes that are aligned with core business objectives, taking advantage of core competencies, and, as Chapters Five and Six demonstrate, often tailoring areas of focus based on the expressed views of key audiences such as employees and local communities.

Many managers indicated that they now align community involvement activities more closely with their business objectives and capacity, 34 per cent of managers indicated most activities are related to business objectives and 44 per cent indicated some are related to business goals. The resulting choices therefore generally reflect the goals of the enterprise rather than the personal preferences of managers.

Companies now build community involvement activities into their planning process with 75 per cent of CEOs responding to the survey indicating that their company’s community involvement objectives are internalised in the business planning system. This result also aligns with similar overseas research that found 67 per cent of companies included community involvement in their strategic planning process (Centre for Corporate Community Relations 1997).

Planning processes for community involvement activities vary considerably across companies. Figure 4.7 [C3] shows the pattern of leadership for community involvement.
Senior management and the CEO mainly provide the leadership for community involvement. Sometimes the Board directs the corporate vision in this area. Other companies delegate the responsibility to a single senior officer. Given that management have the leadership of community involvement, respondents provided details on the techniques they use to make decisions in this area. Sometimes, senior managers consult key audiences before important decisions are made. Many companies are engaging their employees as partners in planning community involvement activities and anticipate this will expand. Some companies have formalised this through employee advisory committees. Others use regular employee surveys to determine which causes or organisations to support. The sense was conveyed that these techniques will expand.

Birch (2001:81), favouring a more democratically generated social role, similarly found that managing corporate citizenship in a company is predominantly led by management or ‘top down’ but he concluded there was ‘marginal perception that individuals within a company could drive the agenda’. As his focus on corporate citizenship was wider than community involvement, this could explain the conclusion that employees are not significantly involved in setting directions.
Planning systems

There are various approaches to allocating community involvement budgets and setting priorities. Some companies allocate fixed budgets to community involvement programs, others allocate a percentage of profits, and some have a more ad hoc ‘responding to requests’ approach.

Planning community involvement activities has historically been reactive in approach — companies indicate that, in the past, they responded to requests for donations or sponsorships rather than sought out opportunities. Surprisingly, responding to requests remains the dominant approach, with 63 per cent of companies ‘mostly’ or ‘always’ using this approach, compared to 17 per cent seeking new opportunities. Only a small proportion of companies seek any input from other parties in planning their community involvement activities – 39 per cent ‘sometimes’ or ‘most of the time’ seek input from government, 28 per cent seek input from community and non government organisations and 14 per cent from customers and suppliers. A small 20 per cent conduct community needs analysis as part of the planning process. However, companies are most likely to use a policy framework to guide decisions with a high 83 per cent of senior managers saying they have a policy framework to guide decisions most or all of the time. A small 21 per cent indicate that they check the fiduciary controls and governance of those not-for-profit organisations where they make donations.

For more complex community involvement programs, such as long-term partnerships with non-government organisations or other community bodies that require a thorough understanding of benefits, expectations and needs, some companies now hire community involvement experts and engage with fewer agencies. Among respondents to the surveys, about one in three stated that they outsource some management of community involvement.

Forming partnerships with fewer non-government or community agencies generally reflects the more strategic approach being adopted by companies that wish to focus their community involvement resources rather than spread them thinly over several competing priorities. Over 20 per cent of managers stated that they ‘always’ prefer to deal with fewer rather than more agencies.
**Employee Performance Requirements**

Some companies include in their managers’ performance reviews the ability to encourage community involvement among their subordinates. Meeting community involvement objectives is part of senior management performance requirements in 38 per cent of companies. The expectations of this small proportion of CEOs is represented in the following quotation from a CEO in the resource sector:

> As business leaders, we should all push very hard for our employees and our companies to realise the important linkages between community involvement and long-term business success. I expect all senior managers to implement this philosophy. I expect all employees to engage with and be involved with the communities in which we operate.

**Outcomes for the business and community and expectations for the future**

Using the technique of correspondence analysis to analyse survey responses, the relationship between initiatives and perceived benefits were mapped. Box 4.3 [M2, C6] shows a summary of the most prominent connections between the community involvement activity and anticipated outcomes. Community trust and reputation were outcomes linked to many activities, reinforcing yet again the strength of social relationships and social connectedness underpinning community involvement. Other more specific links are shown below.

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6 Correspondence analysis is a method of factoring categorical variables and mapping their association (in this case community involvement programs and perceived benefits). The technique defines a measure of distance between any two points, where points are the categories of the discrete variables. The closer the points the stronger the association (Garson 1995). The Correspondence map was prepared by data analysts NCS Australasia, Nunawading, Victoria.
### Box 4.3: Strong relationships between program and benefits

<table>
<thead>
<tr>
<th>Programs</th>
<th>Perceived Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee involvement</td>
<td>Employee morale</td>
</tr>
<tr>
<td></td>
<td>➢ Broadening of management perspective</td>
</tr>
<tr>
<td>Community sponsorship</td>
<td>➢ Market access</td>
</tr>
<tr>
<td>Dialogue with the community</td>
<td>➢ Avoid/replace regulation</td>
</tr>
<tr>
<td>Community partnerships</td>
<td>➢ Long-term sustainability</td>
</tr>
<tr>
<td>Philanthropic donations</td>
<td>➢ Provide a public good</td>
</tr>
</tbody>
</table>

There are some obvious connections between benefits and the community activities such as employee involvement initiatives being related to improving employee morale and broadening management perspectives. Others are not so obvious, such as community dialogue as an effective vehicle for avoiding or replacing regulation and partnerships as an effective way of ensuring long-term sustainability, but explained through theories of legitimacy (Lindblom 1981, cited by Gray et al 1996:), stakeholder engagement (Clarkson 1995; Freeman 1984; Post 2002) and networks and partnerships (Jessop 1995; Rhodes 1996; Thompson et al 1991; Zadek and Nelson 2000). Moon (1995:9) calls the relationship between social involvement and increased legitimacy the ‘social prerequisites of markets’. Donations, on the other hand, are linked to contributing to the public good and a business related outcome is not anticipated.

**Measurement of Outcomes**

Companies have developed a wide range of strategies for measuring the outcomes of corporate community involvement, from self-reporting on specific initiatives to conducting comprehensive audits that measure the full range of social and environmental impacts of a company’s entire operations and activities. Companies indicated they typically measure
community involvement initiatives for a number of reasons that include improving the strategic focus of programs, identifying their strengths and weaknesses, quantifying the non-financial benefits, identifying potential liabilities and responding to stakeholder requests for increased information. Figure 4.8 [M17] illustrates the measurement practices used for these purposes.

**Figure 4.8: Measurement techniques**

In general, measurement techniques used by large Australian companies are not related to financial or conventional commercial outcomes. The majority of companies (83 per cent) reported that their ability to evaluate programs is ‘moderately’ or ‘not very accomplished’. They are, however, aware of the importance of measurement and are beginning to devote resources to developing useful measures.

Figure 4.8 shows that three measurement tools were identified as the most commonly used by Australian firms. Companies use community or stakeholder attitudinal surveys (80 per cent), project specific feedback (76 per cent), and employee attitudinal surveys (73 per cent). Other measures are third party advocacy support, customer attitudinal surveys, and government attitudinal surveys. Some companies mentioned measuring reputation. Business metrics that typically drive business decisions such as market share, costs avoided or revenue generated are not commonly
applied to community involvement. This is consistent with the observation that short-term business gains are not the intent of community involvement and hence the measurement approaches concentrate on the attitudes and degree of support by those involved in the activities.

**Reporting Community Involvement**

Australian companies have developed a variety of strategies for communicating the outcomes of community involvement activities. Some use the information solely for internal use, while others choose to release reports more widely. The objectives for community involvement determine which stakeholders are the target audience for reporting. If employee morale or retention is a major objective, then communicating with employees will be important. CEOs indicated that 95 per cent of companies communicate about their business with employees, 85 per cent communicate with shareholders, and 71 per cent with other external stakeholders.

**Limitations on achieving desired outcomes**

One conclusion from the survey data is that companies’ capacity to achieve the anticipated outcomes and business benefits is probably limited by a lack of depth in management of these initiatives. A high proportion of large companies, around three quarters of survey respondents, view their community involvement activity as a strategic business activity as well meeting a social obligation. If business expects their reputation or employee relations to improve because of community involvement, or social investment as some refer to it, practices would be expected to be managed accordingly. It would be anticipated that community involvement would be embedded in company management practices rather than being marginal.

The community involvement management practices however appear to vary considerably among companies. Some are at the early stages of developing a comprehensive management system while others have embedded these approaches throughout their organisation. The study shows that around half the companies responding to the survey do not have a vision or policy statement concerning community involvement or social responsibility. Approximately 60 per cent are more reactive in allocating their support than pro-active in that they respond more to
requests for assistance than design a program for their business purposes. Around 30 per cent of companies seek input from their external stakeholders – particularly government and community, and conduct community needs analysis to inform their community activities. Almost 40 per cent of companies acknowledge their measurement approaches are ‘not very accomplished’ and around 60 per cent do not include community involvement objectives in senior management appraisals.

This would indicate that many large companies do not have management approaches that maximise the opportunity for the programs to deliver the anticipated benefits. Companies strongly express the view that they expect benefits to flow to the business and that they see a social role for business as important to their business success. They have firmly established their intentions and freely use the language of intangible assets and changed social relations but do not necessarily have the strategies in place to maximise benefits. Many companies have indicated that they expect significant change over the next few years. Birch (2001) also concluded that while enterprises are obviously keen to engage in activities in support of a wider social role, most of the social commitment is aspirational in that there is little evidence that it is embedded in policy and management practices and corporate culture. This places many activities at risk because without an adequate level of integration, a social role is marginal and discretionary and could be curtailed during the lower points in the business cycle – although in the United Kingdom in the early 1980s unemployment and social unrest prompted business social activity (Moon 1995).

**Trends in development**

Figure 4.9 [M19] shows that more than 30 per cent of survey respondents stated that their guidelines and objectives for community involvement have become more clearly defined over the past five years. In some cases, this has resulted in fewer activities, but with a clearer focus.
A manager in the financial services sector commented that a more efficient administration has been a feature of recent changes:

[Community involvement programs have become] more streamlined within more clearly defined guidelines, administration is more effective, objectives clearer and distributable funds greater.

A manager in the resource sector remarked that streamlining administration has also led to fewer resources being allocated:

[Community involvement programs] now have fewer resources, [with] more focus on fewer activities.

Although some companies have reduced community involvement resources, in line with their more strategic focus, over 20 per cent have increased their community involvement activity. Not only have companies increased their absolute contribution but they also tend to be delivering it differently by encouraging more employee involvement or establishing partnerships that provide mutual benefits to both parties:

[Compared to five years ago], community involvement programs have… more emphasis on partnerships; use of technology and expertise (Manager, services sector); and

[Compared to five years ago, we] have much higher employee involvement, employee awareness and employee interest in community involvement programs (Manager, resource sector).
It is interesting to note, however, that approximately 24 per cent stated that their community involvement activities have not changed over the past five years. This may be attributable to the substantial resources required to manage the process effectively. Several companies that have increased their community involvement effort commented on the substantial resources required to deliver the programs. A manager from the manufacturing sector commented on the requirement for additional staff:

We have become far more involved [in community involvement programs] and have appointed an employee who spends a large proportion of their time on these activities.

**Future pressures**

The survey identified through an open-ended question several specific imperatives that managers and CEOs of Australian companies believe will influence future developments of corporate community involvement. The results for CEOs are provided in Figure 4.10, [M21, C7]

**Figure 4.10: CEOs: Future pressures for community involvement**

Pressures in three main categories will direct future developments. Primarily, there is pressure from community and government for stronger business and community partnerships and demonstration of good corporate citizenship. There is pressure from external sources to broaden company objectives to include the idea of ‘profits with principles’ or the triple bottom line approach and expectations from government to
contribute resources in areas previously the province of government responsibility. Other ‘pressures’ arise from the forces that are redefining business success as outlined in Chapter Three.

Some examples of comments are provided below. A few express their views in terms of the fundamental change in relationship between business and society. CEOs from the service and manufacturing sectors commented in this way:

…power is shifting away from formal government to community-based organisations. Expectations of customers and communities will increase especially in areas of corporate behaviour – pressure for greater transparency and accountability for company’s actions and consequences of its products in the marketplace (CEO service sector); and

…rather considering the change as pressure we tend to take the view that corporates take a broader view of their position in society. To this end they will become more aware of their obligations (CEO manufacturing sector).

Many CEOs demonstrate a practical response to the inevitability of the change in community expectations of business. A CEO from the manufacturing sector commented that companies need to respond to the community with more information about a company’s impact on the community:

Communities have become more vocal and inquisitive and more effort needs to be made to inform communities of a firm’s activities, particularly those that impact directly on them.

A CEO from the manufacturing sector commented that a difficulty for business is making known the degree of its commitment to the community and a way to change this is to develop closer relations with community partners:

Much corporate community involvement in the community is not necessarily seen by the general community. Select and targeted partnerships are the way of the future.
Other CEOs focus on the potential cost shifting they see occurring between government and business and demonstrate a resistance to assuming the social responsibilities of government:

- government should not expect the corporate community to fill the gaps where government withdraws its support (CEO retail sector);
- the government will progressively shift their community responsibilities while anticipating increased corporate involvement. I have little doubt that those who waste this country’s taxpayer funds will have little conscience in obligating companies to fill the breach in reduced government expenditure (CEO service sector); and
- I think that there will be more expected of industry but that this is a positive trend. However, government should not try to abdicate its role of providing essential services (CEO resource sector).

While a considerable number of CEOs held the view that future pressure will arise for stronger business and community partnerships, they believe it will be difficult to move forward on this front until there is better understanding of the role of government and business and until there is more public awareness of current business contributions. Currently only a small 39 per cent of senior managers seek any input from government in planning their community involvement program. Although this is not directly about understanding pressures from government, it is an indication that this area of activity is probably not routinely discussed between business and government. A CEO from the service sector expressed the view that a better understanding by government of business motives and activities is needed before a greater proportion of companies engage in community involvement:

- …no doubt there will always be pressure from the community and government for business to become more involved, but until current support is acknowledged it will be difficult to encourage participation from a broader business base.

**Conclusion**

Corporate community involvement was selected as a window to reveal companies’ wider social responsibilities. Corporate community involvement comprises visible activities, involves external actions and internal organisational systems and is a relatively new aspect of company
behaviour in Australia. Importantly, it is ‘on the agenda’ of companies as witnessed by the ready support of the Business Council of Australia for this study.

The survey explored the intent and the internal dynamics of community involvement activities. It demonstrates that companies are experiencing a transition in their social role as expressed through their engagement with the community. The great majority support community involvement as part of an expanding social role that contributes to the health and growth of their business. Community involvement largely has an economic objective driven, in the main, by the need to add value to the business, but complemented by social intentions. Enterprises therefore demonstrated the existence of both economic and social objectives but they are tightly linked and primarily directed at business rather than social outcomes.

The priority benefits sought by companies are an enhanced reputation, improved community relationships and positive effects on employee morale – although there is variation among sectors, consistent with their primary external competitive concerns. Across all sectors, companies regard community involvement as an important symbol for the new socially oriented corporate ethos. While the benefits are those that add value to the business, they do this through enhancing intangible assets but they are difficult to measure and do not visibly impact on financial results. They have a medium to long-term effect rather than an effect on competitiveness in the short-term.

Australian companies are engaged in the community in a variety of ways with sponsorships of sporting and cultural activities absorbing the highest proportion of resources and other initiatives, more geared to relationship building and community interaction, anticipated to grow in popularity, particularly those that involve employees in a more active capacity. Support for education, cultural activity and the environment are the most popular themes.

Many companies indicated they now align community involvement more closely with their business objectives and capacity. The resulting choices of activity are generally more ‘strategic’, reflecting the goals and competencies of the business rather than the personal preferences of managers. Nevertheless, the aspirations to be more socially responsive
and ensure that community involvement delivers business benefits may not be fully realised, as the management processes seem to be deficient in many companies. There are many companies without the guidance of a vision or policy integrated into the core business strategy, most community activities are reactive to external requests rather than planned with external stakeholders’ input (such as government and community), and measurement of social and business outcomes is ‘not very accomplished.’ In these cases, the corporate culture and business practices do not appear to have changed.

The picture of the changing social role of business in Australia, as reflected in corporate community involvement activities, is therefore mixed. On the one hand, the intentions are to broaden considerably companies’ social considerations in the interests of business sustainability. But, most companies do not have the operational procedures to enable their intentions to be met. Companies do anticipate ongoing pressures from the government and from community and employees to meet broader social objectives, engage in non-market relationships to build networks and address social problems. As the past five years have seen many changes in social activity, companies anticipate the next five years will bring new social expectations, new indicators of business success and require new relationships and alliances.

The following two chapters draw on interviews with forty companies and two workshops. They discuss in more detail the community activities that companies are undertaking, providing further evidence of the emergence of social enterprise in Australia. These Chapters also demonstrate that many companies who aspire to a changed social character do not yet demonstrate the practices that will ultimately deliver the anticipated business benefits. Also, the vast majority of activities are conducted without an obvious sense of the wider public policy context of that area of social or economic provision. For most, the parallel role of government is not a real concern.
CHAPTER 5: MANAGING COMMUNITY INVOLVEMENT

Introduction

This chapter and the following Chapter Six analyse the content and management of community involvement activities undertaken by forty large Australian companies who are seen as leaders in this area of activity. The chapters identify the key characteristics of community involvement that signal a changed pattern of social relations between business and the community and the emergence of social enterprise.

As proposed in previous chapters, social enterprise extends the notion of corporate social responsibility and corporate citizenship. As a concept, social enterprise is intended to convey the blurred boundaries in governance that are now evident between business, community and government. Social enterprise is apparent when companies articulate both social and economic objectives and when they integrate the social dimension into their business strategy and management practices. Social enterprise calls for participation in cross sector social partnerships and a business language for evaluating the intangible benefits of social engagement and community outcomes. Also proposed is the prerequisite for a heightened level of institutional awareness of and connections with the external socio-political environment of business, especially public policy.

Through providing substantive detail of companies’ external social activity, this chapter and the following demonstrate the dimensions of the community involvement activities conducted by a number of leading companies in Australia. These chapters provide evidence that the impact of community involvement on the social character of enterprises varies and the anticipated benefits and social outcomes are only partly attained by many companies.

Chapter Four established the emergence of social enterprise in Australia and companies’ belief in the contribution community involvement makes to the increasingly valuable intangible assets of reputation, community relations and employee relations. However, one conclusion from the survey of companies is that management practices in many companies
may not deliver the anticipated business benefits because the activities remain unattached to the core company strategy and culture. This has the implication that continuing social engagement would, over time, be seen more as a discretionary cost than an investment and therefore is at risk of withdrawal with change of management or changed economic circumstances. This also raises the questions of whether all the community activities of business will have a lasting impact on social outcomes for the community or whether an expanded social role for business is, for some, a transitory activity rather than the beginning of the hoped for transformation in the boundaries of institutional responsibilities.

Similarly, this chapter and the following demonstrate that many activities, even in those companies that are judged or see themselves as conducting leading practice, appear discretionary and superficially constructed, in spite of the high level intentions for exercising social responsibilities. This has the consequence that the quality of business benefits and social outcomes for the community may suffer. Also, while the growth in partnerships between business and community is regarded as a distinctive feature, if not the dominant symbol, of the changing social character of business, evidence of partnerships, that genuinely pursue boundary crossing and flexible relationships (Jessop 1995; Rhodes 1997) in the community would seem to be present in only a few companies. A number of companies demonstrate the characteristics of social enterprise, but others appear to do so only superficially. In spite of this, as seen in Chapter Four, a high proportion of companies aspire to be socially engaged and they anticipate increasing activity in this area, particularly the formation of partnerships in the community, and improvements in performance would logically be expected to be part of this.

As a companion to the survey of companies discussed in Chapter Four, this chapter and the following Chapter Six draw on interviews conducted with forty large companies; two industry associations; two non-government associations (including Philanthropy Australia, the peak non-government group for philanthropic foundations and charities); and one company owned charitable foundation. The companies and associations were identified as those who were active and seeking to innovate in corporate community involvement. Thirty companies self-selected by
sending details with the survey and indicated a willingness to contribute further information as they believed they conducted activities worthy of further analysis. Ten additional companies were invited to be interviewed through direct contact made with them. They had featured in the first Prime Minister’s Community Business Partnerships Awards, March 1999, Business and Community Awards of the Australian Financial Review and press articles commenting on their initiatives (for example, Business Review Weekly).

The interviews were face-to-face for around two hours and sought to obtain insight into the rationale, planning and implementation of their community involvement activities. The structure for the interviews covered the following elements: the intent of their community involvement activity and its relationship to business objectives; the planning processes employed in the company; the structure and content of the community involvement activities, including the role for employees; and the social and business outcomes and impact of community involvement. Descriptive text of the initiatives was verified for accuracy by the contacts in the companies.

The chapters also draw on discussion in two workshops conducted in Sydney and Melbourne in February and March 2000 to discuss the survey findings. The workshops were attended by thirty nine companies, with many sending multiple attendees, (twelve companies attending had neither responded to the survey nor been interviewed); eight industry associations (six had not been interviewed); four government owned corporations; three non-government associations; and two company charitable foundations (one had not been interviewed). The invitations were sent to those who had been surveyed and a range of industry associations and a small number of non-government bodies. The intention was to gather predominantly a business audience to maximise frankness about their critical issues. The workshops reviewed the findings of the survey and the interviews to test the interpretation and raise implications and possible future developments. (See Appendix 3 for the list of companies interviewed and attending the workshops.)

While the survey responses were anonymous, the companies that were interviewed sought to put the best light on their activities and, while they are willing to raise the challenges they face, they do not readily admit
shortcomings, especially when they are regarded or regard themselves as exemplary. Also, some companies did not have a sufficiently distinctive contribution to make for each area posed in the interviews (for example, some do not conduct activities with employees, or measure benefits). Many companies made available written descriptions of their programs and evaluations.

To enable a critical assessment of the concepts enunciated in this thesis, the account of companies’ community involvement practices is structured according to the characteristics of the social enterprise, rather than as a discrete case study of each enterprise, and material from companies is used that most clearly demonstrates those characteristics. That is, not all forty companies are discussed in each category. The intent of the chapters is therefore not to give the ‘stocktake’ or overview of approaches, as this is the intent of Chapter Four. Rather, Chapters Five and Six provide a description and an analysis of the distinctive features of community involvement in large Australian companies. The sections that follow in this chapter cover the configuration of the business and social objectives pursued by companies and the selection of areas for community involvement activities. The following Chapter Six reviews the choice of vehicles for community involvement such as partnerships, the focus on involving employees, the measurement of outcomes and the relationships with the not-for-profit sector and government.

In summary, this chapter demonstrates that leading companies seek to align their non-market social activities with core business objectives and characteristics – they derive their social activity from an economic objective. The purpose varies across companies and industry sectors with different business objectives for increased marketing to customers, improving employee relations, political positioning and government relations and securing community support for business development. This is evidence of the pursuit of a business strategy though community involvement. This represents a change from past practices and points to potential for transformation of the connections between business and the community.

Companies also select social or political content that matches or complements business characteristics and needs. The alternative to this is what is referred to as the ‘Chairman’s wife’ syndrome where the choice
of social activity is motivated by personal interests and contacts rather than strategy. By contrast, in a strategic approach, the dominant pattern of community involvement, through vehicles such as partnerships, varies across industry sectors. The patterns that can be observed from the interviews are for example, resource companies pursue community dialogue, environmental activities and indigenous relations; the insurance sector takes up health related initiatives; and financial services adopt literacy and numeracy assistance for disadvantaged people. The inherent logic of these choices is consistent with the nature of competitive advantage in business where core competencies represent the company’s unique collective learning and are to be mobilised in creating long-term value (Porter 1990; Prahalad and Hamel 1990). Applying this logic to the choice of social activity is further evidence of a social role becoming part of business strategy and providing a response to the new social parameters of business success generated through globalisation and the knowledge economy.

The discussion that follows draws on the practices in forty large Australian companies according to the dimensions outlined above.

**Corporate community involvement as a business strategy**

‘Strategic’ was a core term used by companies throughout the interviews. It signals a change from an approach where donations were made for philanthropic reasons to a more deliberate application of business objectives to the area of social engagement. This means attention and resources are directed into those community or social areas that seek to maximise both business and social outcomes. The companies claim that the programs are planned, implemented and assessed in a way that is similar to the conduct of other business activities, directed by the same objectives and aimed at adding value to the business.

As the business environment becomes more competitive, areas of differentiation are keenly sought and companies seek to maximise the benefits from all areas of the business. There is an inherent logic in adopting an explicit relationship between the areas of social involvement and the core business (Carroll 1993; Dabson 1991; Drucker 1989; Preston and Post 1975; Smith 1994). In arguing for the strategic alignment of a company’s social activity with its primary area of commercial
involvement, Drucker (1989) uses the failure of a major government initiative in the United States in the 1960s, inviting business contribution to urban regeneration, to show the necessity to concentrate on social areas that relate to the economic functions of the business. These companies did not see the logic for their involvement and did not have the capability to deliver the desirable social outcomes and massive resources were wasted. By aligning the social role with the areas of primary involvement, not only will the company build value that is consistent with its business strategy but also it will be competent in conducting the activity and therefore contribute more productively to adding external social value.

Resource based theory (Barney 1991; Prahalad and Hamel 1990) also supports the view that companies that identify and leverage their core competencies can mobilise their competitive advantage. Core competencies are unique, represent the collective learning in an enterprise, are not easily replicated by others and are considered the root of long-term competitive advantage (Porter 1990). They enable a company to adapt to new opportunities and develop new products and services more quickly than competitors are capable of doing. Applying core competencies to social activity is a logical step when business is expecting an economic return.

Accordingly, when asked to nominate the purpose of the community involvement initiatives, companies isolate one or two business related objectives as well as the more general goal of being of assistance in an area of need. The nominated objectives of a number of companies are described below. They range from those that are close to conventional marketing objectives, to those that embody social concepts and the idea of a social contract with the community, to those that are more political and about business and government relations and linked to avoiding regulatory constraints and improving access to government. The first category discussed in detail concerns those that have an explicit commercial and marketing focus.
Commercial and marketing intent

Insurance Australia Group (IAG), previously NRMA Insurance, one of Australia’s largest general insurers and financial service providers, structurally locates community relations and associated community activities in the marketing division of the company, enabling a commercial focus for ‘being the service provider of choice’. Community involvement supports a business strategy directed by shorter-term marketing and promotional objectives as well as longer-term objectives concerned with better understanding community problems and responding effectively to community needs. The business objectives for community involvement are to support the company brand.

Procter and Gamble is a multinational conglomerate involved in manufacturing a broad variety of consumer packaged products, including food and beverages, health care, laundry and paper products. The company is not well known in Australia, but has a history of supporting community organisation such as the Salvation Army, Mission Australia, and Oasis Youth Network, mostly through donating product surpluses in food, cosmetics and hygiene. In 1999, they embarked on a commercially driven ‘cause related marketing initiative’. (Cause related marketing is an activity where a company supports a socially relevant cause for promotion and marketing [Andreasen 1996].) The multi million dollar Better Start program has the objective of raising awareness and enhancing the profile of Procter and Gamble as an organisation that not only ‘provides products of superior quality and value’ but also ‘gives back to the community in a socially responsible manner’.

The company explicitly targets the domestic retail market and this activity is seen as a ‘strategic positioning tool,’ geared to enhancing the company’s reputation by linking the company and its brand with a relevant charitable agency and socially beneficial cause. During a set period, all incremental profits from increased sales are donated to the Save the Children to aid agreed Better Start projects. Market research and the not-for-profit organisation identified the areas of greatest need as indigenous groups, urban poor and people in rural and remote areas:
Procter and Gamble's goals are to build and protect the company’s reputation, brand, business and shareholder value by positively influencing the attitudes of industry and community leaders and the general public (Senior Manager, Procter and Gamble).

With a less direct commercial objective but nevertheless driven by market considerations, Ford Motor Company globally and Ford Australia regard ‘corporate citizenship’ and their ‘consumer strategy’ as closely linked and dependent on each other. The company ethos is shifting from being a manufacturing business to a consumer oriented business (as demonstrated in the appointment in Australia of a Managing Director, Geoff Polities, from the retail side of the business rather than engineering or manufacturing). The company is seeking ‘to engage with all its stakeholders so as to understand and assist in finding solutions to the environmental, economic and social issues facing the world, particularly social responsibility’. The link between their social and commercial objectives were explained by the previous company President:

I was recently asked how corporate citizenship affects our price-earnings ratio and why it is the fiscally responsible thing to do. While I could devote an entire chapter to this question, I’d like to make a few brief points. Each of us should see our emerging corporate citizenship strategy as an extension of our consumer strategy. Just as we are developing a deep understanding of the consumer, our corporate citizenship strategy is aimed at developing a better understanding of what consumers expect in the way we run our business. This will allow us not only to focus on environment and social strategies that demonstrate our commitment to society, but also to identify significant new market opportunities (email to employees, J Nasser, President Ford Motor Company, January 1999).

A postscript to this is that Jacques Nassar has subsequently lost his position as President of Ford because of slowing earnings and challenges to his business strategy. Those who support an exclusive focus on shareholder returns could argue this demonstrates their case. Moreover, there has been on-going litigation about faulty products and accusations of socially irresponsible behaviour in the motor vehicle industry. However, it is difficult to conclude either way as community involvement is presented in this thesis as only one observable component of a broader concept of social responsibility or corporate citizenship and, inevitably, there will be many inconsistencies. The Ford community engagement
strategy has continued, not only because of the traditional philanthropic contributions of the Ford family, but also because of the strong commercial links established between understanding consumers’ social (including environmental) expectations, employees’ awareness and loyalty and sales and profitability. In making that conceptual change, social objectives, however enacted, have become a fixed aspect of these large manufacturing companies that are seeking to make the transition from the industrial to the post-industrial economy.

**Pursuing a social contract with the community**

Another group of companies employ more explicit social objectives than those embodied in a marketing strategy, and use social and political terminology rather than economic. While still linking the activities to business needs, they establish the idea of a social contract where the company is seeking to be explicit about their social agenda. The National Australia Bank (NAB), Australia’s largest financial institution, regards community involvement as primarily driven by issues of ‘social legitimacy’; being ‘a valued part of the community’; ‘improving the quality of life’ and seeking the ‘social licence to operate’. While they provide the more routine sponsorship funding to professional associations, athletes and medical research, they also conduct a National Community Link program as ‘a means of meeting what we believe to be our broad social responsibilities to Australian communities’. (The irony of these claims to enhance communities while closing bank branches is not lost on observers as in Murphy and Thomas [2000].)

The components of Community Link – partnerships with major community service and volunteer organisations; awards for local volunteer groups; a magazine of best practice and ideas; an employee outreach program; and regular community consultation with leading church and welfare organisations – meet objectives that are wider than addressing immediate social welfare concerns or simply ‘sharing the burden with government’. The company believes that, as a business leader, it also has wider social responsibilities, and the community has expectations, that it will support the community and help create valuable ‘social capital’. NAB specifically rejects a ‘cause related marketing’ approach to community involvement on the grounds that it would not
deliver the same quality outcomes to meet their objectives of ‘business legitimacy’.

Westpac Banking Corporation sees itself as ‘a social institution’ and uses community activities to express company values as much internally as externally. Westpac is one of Australia’s top ten listed companies by market capitalisation, operating throughout Australia and in New Zealand and the Pacific islands. It has around 30,000 employees in Australia and internationally. The company’s community involvement program is focussed on meeting employees’ intentions as well as serving a social purpose. Employee involvement is demonstrated through their role in environment projects:

If a project is important to staff and to local communities, and staff express this through their volunteering efforts, then Westpac supports this project financially or in kind (Community Relations Manager, Westpac).

Similarly, through Westpac’s matching gifts, the bank’s charitable giving program, the company contributes to over 260 charities supported by its staff, explaining the rationale as the need to engage the interest and commitment of staff in a labour intensive sector:

at Westpac our community involvement is driven by a belief that: we have a responsibility as a major corporation to be involved in local communities where their staff and customers live, work and give back to the communities that have made us a strong and prosperous company. Community involvement is a three way win — its good for staff, customers and the bank. Community involvement helps differentiate us from our competitors; and, community involvement is good for the brand health and reputation and therefore good for our business (Occasional Paper, Community Relations Manager, Westpac).

AMP is pursuing business legitimacy and market positioning as a ‘socially concerned organisation with modern values’. AMP is a large financial services company with a strong brand and extensive customer reach. It is an international company operating in Australia, United Kingdom and New Zealand. Since AMP’s sharemarket listing in 1998, the AMP foundation has been a separate entity with investments and income used for charitable purposes. The company sees the foundation as reflecting ‘the philosophy of philanthropy’ espoused by AMP’s founder
Benjamin Short, who was one of the founders of the Sydney City Mission:

The AMP foundation aims to present the human face of AMP … There is information in the community on AMP as a financial institution, the Foundation wants to make that live. AMP has a committed philosophy of making a difference in the community in which we live and work… its part of the company’s values and the foundation is an expression of that value statement (Director, AMP Foundation).

The Foundation provides financial assistance to recognised charitable and community organisations for specific and quantifiable projects designed to benefit those in the community in need. The contributions are in the order of $3 million a year in 2000. The target is about $7 million a year. The objective is a soft form of commercial or market positioning and a strategy to support employee commitment:

AMP wants to be recognised in two ways: it expects the general community to recognise that AMP is responsible and putting something back into society; and it wants employees to recognise that their employer is doing important things in the community that they can be proud of (Director, AMP Foundation).

The company claims it is not seeking recognition of the monetary donation itself. The company wants to be acknowledged for the results or improvements that the donation contributed to. Public understanding of this effort, and recognition for the activities is obviously important. The preference is for the profile to be achieved through ‘doing good’ and promotion is not imposed as a condition of support from grant recipients.

NAB, Westpac and AMP are examples of the approach by labour intensive sectors and those with an extensive customer interface, managed by relatively low qualified staff. Their employees, particularly in a period of structural change and job insecurity, have become a core part of their competitive strategy. Linking employee relations with developing a social role is consistent with the arguments in Chapters Two and Three of the enhanced value of employee loyalty as an intangible asset and the importance of the link between the personal satisfaction of managers and staff and profitability.
Political intent

Finally, there is a more political focus to the objectives of some companies aimed at legitimacy and building a base of external acceptance and advocacy. Rio Tinto’s community involvement initiatives are directed at building external relationships and networks of support. Rio Tinto is the world’s largest mining group involved in exploration, extraction and processing of mineral resources. The sector has experienced decades of opposition from environmentalists and supporters of the rights of Indigenous communities. Rio Tinto’s community involvement program is essentially geared to building extensive relationships with external stakeholders to further business ‘legitimacy’ with local communities, government and the environmental movement. They express the objectives in terms of meeting community expectations and the relationship of that to the ongoing conduct of business:

…today there are higher community expectations of the role of business in the community. There is a general assumption that companies should contribute broadly to the communities in which they operate … community support of local communities helps to create an environment in which a company can conduct its business successfully (Rio Tinto, Business with Communities Program, Partnering, p 2).

In focussing on relationship building – establishing opportunities for the company to relate over the medium to long term with a range of stakeholders, often in remote and regional communities – they believe they are building ‘mutual understanding, away from the gaze of publicity and controversy over particular issues such as indigenous land rights and environmental performance’. This is a deliberate approach to inform and relate to communities directly rather than leave their reputation to be formed though wider public opinion and the media.

Rio Tinto plans community involvement initiatives so that the mechanisms are contingent on the business purpose of the activity. These initiatives may target stakeholder audiences or locations crucial to business outcomes and may involve forming partnerships, alliances, committees or networks with local communities, community organisations, governments, other businesses and education institutions. Initiatives may operate at the national and corporate level or may be specific to a locality that is important to the business. They stress that
considering the ‘networks and relationships’ that are to be furthered is as important as choosing the substantive theme for the initiative.

As explained by General Manager, External Relations Rio Tinto, the range of community involvement structures and activities includes structures that have a different intent for the relationship that is formed. Formal partnerships are structured and managed relationships where the company negotiates the provision of resources and expertise to achieve mutually agreed outcomes that are to the benefit of both parties – such as with the World Wide Fund for Nature, Earthwatch, Australian Science Olympiads. There are a number of regional trusts that provide financial resources to be dispersed in a defined locality to meet community needs and, in particular, to involve the local company management in direct interaction with their community. Examples are the Coal & Allied Community Trust and the Tarong Coal Community Development Fund in NSW and Queensland. There are a number of government alliances that are initiatives involving resources and expertise from local, state or Federal Government combining with the company in an economic or social program. Again, these alliances provide the company with opportunities to relate to government on a mutually relevant endeavour.

There are also a number of business networks where the company joins with other business entities to initiate and support programs in the community that meet economic and social objectives such as the relationship between Gumala Enterprises and Hamersley Iron (an affiliate of Rio Tinto) and Rio Tinto and AFL in the joint support of Aboriginal football. Finally, there are social foundations and alliances where the company establishes a fund to support initiatives relevant to different communities and interest groups, such as The Rio Tinto Aboriginal Foundation.

In a less considered strategy than Rio Tinto, Esso Australia is also concerned with legitimacy and the benefits of political positioning from their community activities. For over thirty years, they have been the operator of one of Australia’s major oil and gas production areas in Bass Strait and are active in oil and gas exploration and production around Australia. Support by Government is a primary requirement of their continued presence and future exploration rights in the oil and gas business in Australia. The company’s community involvement approach
uses the profile from their cultural and community events to build political support to consolidate their commercial position. Their program primarily supports the arts and attempts to use that to open up channels of communication:

The objective is to enhance communication with government, business, media, and community contacts by inviting these audiences to sponsored events such as art exhibitions, Esso Concert in the Bowl and the Opera (Executive, Esso Australia).

The Esso rationale is more conventional than Rio Tinto’s strategy. Esso simply seeks to establish personal contacts among politicians, government decision makers and those who influence them; arguably a process for building support that has been used by business for generations. Esso’s approach is not equivalent to the depth of social and political intent of Rio Tinto and does not have the capacity to build enduring understanding of their business through reaching into the community to build alliances and local networks.

**Areas of activity aligned with sector characteristics and competencies**

As well as companies setting objectives for community programs that are consistent with business objectives, the substantive social or political focus of the activity is also tied to sectoral characteristics. For example, the resource sector concentrates on environmental and community based activities; insurance on health and safety; the finance sector focus includes activities to promote economic independence. Resource based theory (Porter 1990; Prahalad and Hamel 1990) suggests that the core competencies of these companies, that provide for their long-term competitiveness, are applied to social and political activity by business. Stakeholder theory (Clarkson 1998; Freeman 1984; Post et al 2002a) also helps explain the selection by industry sectors of particular areas of community involvement. Stakeholders are those individuals or constituencies that play a direct or indirect part in the wealth generation of enterprises and are either beneficiaries or bear a loss because of the corporate activity (Post et al 2002a); in other words, they have a stake in the outcomes and are of influence. The implication is that managing the interests and influence of stakeholders should be a part of corporate
strategy. It follows that the selection of areas for social activity can be closely related to the fields of activity of and enterprise’s stakeholder groupings.

Some community involvement areas that are aligned with particular sectors are listed in the following breakdown (Box 5.1).

**Box 5.1: Community involvement focus by industry sector**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Community involvement focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resources</td>
<td>• environmental projects, relations with Indigenous peoples, codes of practice and community dialogue (e.g. Rio Tinto, Shell, Alcoa)</td>
</tr>
<tr>
<td>E-commerce</td>
<td>• mathematics education, computer literacy</td>
</tr>
<tr>
<td></td>
<td>• employee volunteerism (e.g. IBM)</td>
</tr>
<tr>
<td>Insurance</td>
<td>• Health promotion and support services</td>
</tr>
<tr>
<td></td>
<td>• Safety education e.g. fire prevention (e.g. NRMA, AMP)</td>
</tr>
<tr>
<td>Manufacturing/Construction</td>
<td>• Local area economic development e.g. purchasing agreements with local business (e.g. Lend Lease)</td>
</tr>
<tr>
<td>Utilities</td>
<td>• Development of neighbourhood services e.g. building infrastructure for community (e.g. Eastern Energy)</td>
</tr>
<tr>
<td>Financial services</td>
<td>• Assisting economic independence for disadvantaged groups (e.g. Westpac, National Australia Bank, Macquarie Bank)</td>
</tr>
<tr>
<td>Retail</td>
<td>• Brand promotion through visible support for social causes targeted at specific demographic (e.g. Kelloggs and Procter and Gamble)</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>• Brand driven cause related marketing</td>
</tr>
<tr>
<td></td>
<td>• Consumer advisory panels and dialogue (e.g. Optus, Telstra)</td>
</tr>
</tbody>
</table>

While this pattern is not universal, it indicates the orientation of those companies that embrace a ‘strategic’ approach. The discussion that follows illustrates the business logic through the use of competencies and stakeholder interaction that a number of companies have employed in choosing a community involvement theme.
Lend lease Corporation, an international finance and real estate business, established a Foundation between themselves and the Australian Council of Trade Unions in 1981 initially to improve the standard of training for the building trades and then extending to most other trades. The Hornery Foundation (previously the ACTU-Lend Lease Foundation) was established with a charter to develop ‘real skills and real jobs’ for young Australians. The Foundation is fully funded from Lend Lease.

Expressing the commitment that the company has to ‘meeting its broad social obligations’, the activities have are derived from the central concerns of the business as a real estate development company. Availability of a highly skilled labour force was one driving concern. At the time the program was started, a significant social and economic problem was youth unemployment and Lend Lease adopted a role in training and support systems for these young people. Another concern was to ensure robust communities in, and around shopping centre developments.

The Foundation took advantage of the company’s competencies and infrastructure, and made use of staff expertise, suppliers and customers, buildings and resources. It has applied its project management and business development skills to community involvement. The programs it has generated have been innovative and are now embedded in community, government and business systems. Around 150 not-for-profit Group Training Centres have been established and have employed around 35,000 apprentices. These are now fully integrated into the national training system. As a developer of shopping centres Lend Lease established skill centres for training in retail. Another area involved the provision of public housing using out of work apprentices. These activities have also allowed for cooperative project activity with the trade union movement, thus providing space for mutually supportive activity with a major stakeholder of a construction company.

The Foundation has not pursued a public profile for its activities:

The value we have got out of our contribution and through being a ‘corporate citizen’, we would have got back any number of times over…its about corporate doing, not just corporate giving (Executive Director, The Hornery Foundation).
The Chairman of Lend Lease indicated that he had never been questioned about using shareholder money for a charitable foundation:

If anything the Foundation has helped to add value to the company. Our credo is do the right thing by everyone… initiatives are firmly based in the partnership ethos where the Foundation will provide assistance and others in the community need to be equal partners in the development and conduct of the initiative (Business Review Weekly 4th June, 1999).

IBM, a major global company in information technology, established in Australia in 1932, has around 10,000 employees in Australia. Globally, they direct their community involvement effort into one strategic area – education. Their focus has led to the ‘Reinventing Education’ global initiative, providing resources for what they see as the most pertinent community area for their business. Education is also the area where their technical expertise can make a ‘unique and meaningful difference in our schools’. The education sector is an important commercial stakeholder for IBM:

IBM’s economic strength and innovative spirit are inextricably linked to the success of our schools. We need schools that can prepare young people to fill demanding high skilled jobs, to make exciting advances in the field of information technology and to lead our corporation in new and bold directions’ (Reinventing Education Grant Program, IBM Corporate community Relations).

Alongside the financial allocations, the company has also adopted a role in facilitating ‘intellectual leadership and exchange’ in the area of education – they seek to be highly influential in public policy for education. In the United States, in 1999 an education summit hosted by CEO of IBM and the President of the United States was convened with governors of all states. One outcome was a national agreement to provide final year students with a portfolio to facilitate their application for employment. In Australia, it is anticipated that ‘intellectual leadership’ will also follow the grants activities in Australia. An example to date has been a partnership between IBM and the Victorian Department of Education Employment and Training, supporting the professional development of teachers. (Microsoft and Cisco Systems are now following a similar path to IBM in seeking a direct influence in education provision.)
Rio Tinto’s Hamersley Iron operates six iron ore mines in the Pilbara region of Western Australia. It seeks close ties with Aboriginal people as important ‘stakeholders’ with whom their future ‘licence to operate’ is inextricably linked. Their Aboriginal Foundation is one such example of the company involving local communities in deciding where and how the foundation distributes its several million dollars a year.

Established in 1996, the Rio Tinto Aboriginal Foundation distributes financial resources to local communities to improved education and health conditions, environmental projects, create sporting opportunities and cultural preservation for Australian Aboriginal and Torres Strait Islander people. The Board of Trustees, made up of three prominent Aboriginal people and three company representatives, examines proposals and allocates funding:

Rio Tinto has relationships with Indigenous people in many parts of the world. In Australia, it is working with Aboriginal communities along a sometimes uncertain path. There have been misunderstandings and setbacks, increasingly outweighed by positive actions, as each party has learned one another’s ways (Barry Cusack, Managing Director, Rio Tinto Australia, letter to stakeholders, 11th December 1998).

Also concerned with environmental and local community development, BHP Billiton is a major international resource company with activities in around fifty countries, covering oil and gas, steel and a range of minerals. The company has a considerable presence throughout regional Australia and seeing itself as a significant Australian company ‘we are cognisant of our relationship with government’.

To contribute to the Federal Government’s Rural and Regional Renewal initiative, the company took advantage of their presence in regional communities and the leadership role many of their employees play in those communities. The goal of the initiative was to develop an e-community based on the company’s regional operations. The initiative provided flexibility and connectivity for employees working in partnership with local communities:

By empowering our own people in this way, we can contribute to the communities where they live through computer literacy, while delivering benefits for our customers and shareholders through highly skilled and empowered employees (Press Release, BHP 23rd January 2000).
The AMP focus is social issues – support for health initiatives – such as support for the Leukaemia Foundation and support for disadvantaged young people. The Foundation believes it has a role as a catalyst for bringing people in the community together and providing financial assistance to the community organisations that are expert in the particular social problem. AMP does not want to be seen ‘jumping on the bandwagon of the newest cause’ – ‘the community respects a company where the fit seems natural’.

IAG, similarly, has chosen areas of social concern that relate to their insurance business – driver education and Crimesafe, a program addressing juvenile crime. Crimesafe comprises around a dozen initiatives to contribute to reducing crime and is conducted through partnerships with community organisations that are established in local communities and are working with young people.

Neither the validity of these choices for social involvement nor the quality of outcomes in the twelve companies was assessed but comments on their potential to deliver business and social value are warranted. Each of the companies presented here has ostensibly established a ‘strategic’ business focus with the primary expectation that benefits to the business would flow from community involvement as well as benefits to the community. The issue to consider is whether this intention is sufficient to deliver these outcomes.

Reference to resource-based theory assists in an assessment of the logic of strategic intent. O’Brien (2001) argues that Exxon-Mobil and Monsanto are examples of global companies where there is significant misalignment between the extensive social contribution of the companies and mainstream business activity. He asks the question why would a company use scarce resources in a way that provides minimal benefits to the business and reduces the potential of the value to the beneficiaries. From the perspective of stakeholder theory, Monsanto, in their attempted promotion of genetically modified primary production, appeared to make no effort to tap the insight that was available from community participants in their social activities. This was to their great detriment in not understanding the widespread opposition in Europe to genetically modified food. O’Brien (2001) argues that while part of the company was supporting community involvement and engaging in dialogue with
community activist groups, the marketing side of the company was aggressively seeking approval for marketing genetically modified seeds in Europe, Africa and Asia, which eventually failed to the great economic and reputation loss of the business.

Exxon-Mobil’s community involvement emphasis is an example of the failure to leverage a company’s considerable capability to improve the business and social outcomes in the exercise of their social role. Globally, they contribute over $US35 million per year. Education receives over 80 per cent, with the remainder going to environmental projects like the wildlife conservation initiative to preserve the tiger and its habitat. This direction is in contrast to activities that could be drawn from their considerable capability in oil and gas exploration and production:

If the company had strategically invested the $35 million in community-based programs that directly supported its business strategy and tied non-financial assets to these programs, the benefits to the company’s competitiveness, bottom-line and society would have been significantly greater (O’Brien 2001:4).

The interviews for this research point to similar observations. Westpac, for example, in responding to employees’ interests and supporting over 200 charities is unable to reflect on the community relevance of their choices except in terms of their responsiveness to employees concerns. Their core competencies in for example, risk management and use of electronic systems, are not called on to determine the direction or conduct of the community initiatives. Similarly, Esso Australia adopts a narrow set of objectives that are more defensive than strategic and makes almost no use of the core competencies of the business which would be more concerned with large scale project management, managing the environment and construction of capital infrastructure that with the arts. They do attempt to relate to stakeholders but not through activities that are central to the stakeholders themselves. AMP, through conducting their activities through a Foundation, is separating the social activity from business decision making activity and restricting the flow of information and insights from contact with stakeholders.

Rio Tinto, and Lend Lease, on the other hand, are examples of companies that channel their social contribution into areas that have business alignment and where their unique capabilities are used, giving them a far
greater chance of adding significant social value as well as value to the business. Rio assists Indigenous Australians run their own construction companies in remote locations, it supports community groups in environmental remediation and, importantly, establishes on going communication with recipients of their support that reportedly feeds back into business decisions. Lend lease draws on its competitive strength as a planner for retail centres and high quality construction to support improvement in the living environment of public housing and training for employment in the trades. IBM is one of the most interesting examples of a company using its core competencies in understanding the information needs for the future and innovation to maximise benefits to the business through supporting high level education policy, opening up business opportunities and, importantly, maximising the benefits to the community.

However, Westpac (who have reviewed and expanded their community involvement since the interviews were conducted for this chapter) would argue that their intention has been not to draw on their competencies but, primarily, to improve their reputation as a good corporate citizen and improve their image in the eyes of employees. This is relevant to the context for Australian banks where employees are vital to their productivity but where community opposition to restructuring bank services is felt by employees and reflected in low morale and lower productivity. Community involvement for Westpac has become a major tool for relations with the employees as key stakeholders.

**Conclusion**

This chapter analyses two distinctive features of the social enterprise: the configuration of the business and social objectives and the selection of the area or theme and its connection with business purposes. The idea of community involvement as business strategy was reinforced throughout this analysis. Companies’ business strategies directing their community involvement range from those that are very close to conventional commercial marketing objectives, to those that embody social concepts and the idea of a social contract, and to those that are more political and concerned with regulatory constraints and access to government.
In choosing the substantive areas for primary involvement, there is evidence of companies calling on their core competencies to select areas where they not only aspire to build value for the company but, importantly, where they will be competent in conducting the activity and therefore be more socially constructive. In these companies, the choice of activity is not a chance occurrence.

While this business logic seems sound, there are many critics in the community of a growing dependence by government and the not-for-profit sector on the increasing social activity of business (for example Cox 1998). The examples in this chapter of aligning community involvement to business strategy may confirm their worst suspicions that social provision by companies is merely neo-liberalism where the social dimension has become a commodity in the marketplace. This implies that when business advantage is not apparent from one activity the company withdraws its support to find another more profitable social arena.

The counter possibility to this scenario is that there are other forces of social relations at play in the widening scope of business activity. Enterprises may seek business advantages and use market processes to guide decisions but there may also be gains in terms of new social groupings and shared involvement that develop around the new community role. The following chapter continues the analysis of the interviews of companies and introduces the characteristics of the social partnerships that enterprises are forming in the community. Partnerships and networks can promote new forms of business and community relations, enhance the vision for business strategy and open up possibilities of a truly social as well as economic perspective in business.

The following chapter considers the vehicles that companies choose for community involvement, with partnerships as the most distinctive vehicle; the increasingly desirable objective to involve employees in companies’ social activities; and the importance of, but weakly executed, measurement of business and social outcomes.
CHAPTER 6: FORMING PARTNERSHIPS

Introduction

The previous Chapter Five established that the patterns of corporate community involvement can be tied to business strategy and business competencies. Community involvement need not be a set of unrelated social activities but is tangibly connected to the character of the business. Broad and long-run economic objectives are driving corporate social activity. This chapter continues the analysis of interviews with forty companies and considers the vehicles they select, in particular partnerships, to give effect to their objectives; the role of employees; the measurement of business and social outcomes; and the nature of the connections with the not-for-profit sector and government.

The chosen vehicles largely determine the impact of community involvement on corporate strategy and culture and the transformation of the social character of an enterprise. Forming partnerships has become the predominant symbol of social enterprise. A related vehicle involves community forums established for input on areas of need that might warrant corporate support. The political concepts of partnerships and networks not only refer to shared responsibilities and renegotiated institutional boundaries but they also refer to changed governance where the partners share in decision-making – a concept that is not strongly endorsed in the business use of the term partner. Companies believe the main opportunity that partnerships provide for business is ongoing dialogue with community members and building mutual trust – including with those who are traditional opponents such as environmental groups in partnership with minerals companies or consumer groups in partnership with finance sector companies.

The choice of vehicles that companies choose for their community involvement also brings into play the characteristics of industry sectors. For example, the phenomenon of cause related marketing combines community needs with marketing strategies and is therefore of considerable interest to retail and consumer good companies looking for innovative brand differentiation and market access. Community engagements are sought that align the brand or the company with particular characteristics of customers such as children’s welfare for
companies producing children’s products or utilities and telecommunication companies engage with local businesses and interest groups to assist in building local infrastructure. While the connection with business strategy is very strong, these brand driven strategies appear to exert only minor impact on the social character of the enterprise as a whole. Cause related marketing is directed at enhancing the external image and brand rather than the internal business culture.

At the other end of the spectrum, giving untied donations continues to constitute a large proportion of community involvement practice but is well removed from business decisions and enterprise culture. While some companies may not want to spend their time managing a partnership, they do wish to see their donations well applied and for this reason they are increasingly calling on the resources and expertise of intermediaries such as not-for-profit organisations. However, there would seem to be little potential for these activities to enhance the social character of an enterprise, as the transactions are mostly external to the business thinking and culture of the company.

Employer consent and encouragement for employee voluntarism to undertake community programs is just emerging in Australian companies unlike its long history in the United States. The rationale claimed for the involvement of employees in companies’ community activities is that employees are members of both the company and the community — for the company to be more integrated with the community, employees must play a key role. The importance of this trend is reflected in the practice of some companies integrating the relationship between employees and the community with their human resource strategies as in employee development and performance appraisal.

While there is an interest in most companies for the measurement of outcomes from community involvement, the survey found that most admit to not being very accomplished. Community involvement objectives (such as to improve employee morale or simply ‘to give back to the community’) determine, to some extent, the assessment techniques adopted and whether the results are reported widely or used for internal management purposes only. Three main approaches are adopted. Program evaluation (that employs techniques such as attitude surveys) is by far the most popular approach. A few have initiated the holistic triple
bottom line approach to measuring the impact of community involvement activities and a similarly small group employ new reputation measurement techniques and audits to assess the impact that community involvement activities have on corporate reputations. Overwhelmingly, though the primary focus concerns the nature of the outcomes for the companies – how community involvement has delivered a business benefit – with far less attention paid to assessing the social outcomes in their own right.

While enterprises’ interest in allocating resources to alleviate complex social problems is welcomed by the not-for-profit sector, developing management strategies and forming partnerships are not universally accepted as positive developments. These organisations fear there might be fewer funding opportunities available, more interference in their activities, less popular social themes would not be supported and they might risk their independence in advocacy as a trade off for support from the conservative corporate sector. On the other hand, those seeking to influence business behaviour tend to welcome the partnership for the access it provides to the governance of companies.

The connections between business and government in this area were also raised but the emphasis by companies is more on understanding the motives of government in calling for a ‘social coalition’ and what was expected of business. For most companies, the parallel role of government in social provision is not really of concern. A few, such as Rio Tinto, have included government in partnerships, for example, in connection with Indigenous communities, but most do not appear to be conscious of the public policy dimension of their areas of activity in the community. (Business and government connections are examined in more detail in Chapter Seven.)

**Vehicles to conduct business community programs**

The previous chapter focussed on the application of business objectives to determining purposes and themes for community involvement. Companies also continue that planning process through to the selection of the most appropriate vehicles to make connections with the community. The interviews demonstrated that practice among the leading companies appears to be consolidating around a number of vehicles or processes for
community engagement. It should be said that there are any number of variations on these vehicles and the categories outlined here are not exhaustive. From the data assembled for this study, it would seem the vehicles for community involvement that companies see as the most productive approaches are partnerships and alliances, cause related marketing vehicles, and the use of clearing houses or intermediaries in allocating donations. Another approach that was highlighted by some companies was the use of forums for community dialogue, which, among other things, provide access for the community to raise issues and causes which the company might then choose to support.

**Partnerships, alliances and networks**

In management theory, strategic alliances or partnerships in business have become a key commercial mechanism for purposes ranging from sharing information and research to joint ventures where partners are subcontracted to provide non-core services, local market access or new distribution channels (Porter 1980). Partnerships and alliances assist a company develop new competencies through mutually beneficial relationships (Prahalad and Hamel 1990). In network theory in political science, partnerships and alliances refer to boundary crossing and flexible arrangements that are now part of the changing pattern of relationships primarily between government and business but also with the not-for-profit sector or civil society (Jessop 1995; Rhodes 1997). Network theory and management theory on partnerships share the motive of achieving objectives in a more effective and efficient way but network theory, in addition, introduces the idea of self-organising networks across sectors, opening the way for the more radical idea of new processes of decision-making and governance.

Both the partnership and network concepts are helpful in understanding the motivation of the respective partners in business and community relations. Partnerships in management theory speak of the quality of a relationship going beyond short-term transactions to achieve outcomes that are more efficient; an idea that business is clearly very comfortable with as explained by an executive with BP in Australia:

(Our) journey of engagement… is to find the right partners who have ideas that we help with and convert into reality and real social progress and do it in a way that exploits our competencies and scale (Fliedner 2000: 25).
On the other hand, the notion of networks underpinning governance is a more subtle aspiration that the not-for-profit sector expresses in relation to their partnerships with business. The proceedings of a conference conducted by the Centre for Corporate Citizenship, Deakin University (Birch 2000:41-59) demonstrate the aspirations of this sector for closer relations with business. Many are clearly seeking to have a say in core business decisions. Three of the major not-for-profit organisations have expressed their views as revolving around gaining additional influence in business as well as gaining access to business resources. Influence in environmental decisions is a common goal:

…the end result for us is to use (our partnership) as a means of building confidence …and continue the journey to the point where Rio is ‘making bucks without muck’ (Rae 2000:145).

Jane Gilmore of the environmental body Earthwatch, expressed a similar view:

We are actually driving that process of change within companies from right inside the companies. I think this is one of the most outstanding things coming from these partnerships (Birch 2000: 34).

Concerned with the employment and community practices of large companies, Helen Maisano from the large non-government organisation World Vision, also expressed her intention to influence the core employment practices of large companies:

If our role is influencing, how do we influence this company to change their practices? As an example we have developed one pretty major MOU with a company, a transnational, which focuses on their operations overseas (Birch 2000:44).

However, evidence from the interviews for this thesis and the business views expressed in the previously mentioned national conference (Birch 2000) would suggest that sharing business governance with social partners is not so obviously embraced as an objective by most companies when they enter a partnership for community involvement. The stated objectives for business entering social partnerships are consistent with the survey findings in Chapter Four – reputation enhancement, community relations, employee relations and licence to operate – all expressed as contributions to business value and comprising the much sought after
business case for community engagement. While companies talk of using partnerships to open up dialogue and listening to stakeholders as the way to achieve their business objectives, the question to consider is whether this also refers to providing partners with access to the decision-making or governance of their company, arguably a transformational step in shaping the social character of business.

Forming partnerships, alliances or being part of networks has become a dominant aspect in the language of companies’ discussion of the exercise of their social responsibilities and their community involvement. Indeed the notion of a partnership between a company and a community group formally or informally constituted has become the main symbol of the new social role of business. This could be because business is now very familiar with the partnership concept and it has become a routine and efficient business process. However, there also appear to be companies that embrace the idea of partnerships as cross-sectoral networks, loosely or tightly arranged, and formed with a view to a new way of meeting increasingly complex social expectations – more the use made of the concept in political science than in management theory.

The companies profiled below demonstrate that partnerships are made directly between a company and a local or regional community, often through a committee or board structure, as well as with more formally constituted not-for-profit organisations. They are intended as long-term relationships rather than the traditional sponsorship that is based on a financial transaction and the terminology used by companies includes governance concepts such as, ‘mutual understanding’, ‘building trust’ and ‘opportunities for dialogue’. These same objectives feature prominently in most other accounts of business and community partnerships in Australia (for example Birch 2000; Buckingham 2000; Community Business Partnership 2001; Davis 2001a; Elder and Meadows 2000; Leat 2000; Lyons 1998) and in international accounts (Logan et al 1997; Nelson 1998; Tichy et al 1997; Zadek 2001a).

The Prime Minister’s Community Business Partnership (2001), a Federal Government body define these partnerships as long-term, cross-sectoral and socially beneficial collaborations formed to achieve goals that either partner would be unable to achieve in isolation. Encel (2001) frames business and community partnerships more narrowly as those addressing
business relationships with non–government bodies and private activity in the welfare sector. The partnerships discussed below go beyond the welfare sector and are not limited to business relationships with the not-for-profit organisations. All have featured in the submissions to the Prime Minister’s Awards for Community Business Partnerships launched in 1999 (Prime Minister’s Community Business Partnership www.partnership.zip.com.au)

A number of partnerships are intended as support for economic and social development in a locality with the objective of establishing local community support for the company. TXU distributes and retails electricity and gas in Victoria. TXU’s partnership with the government supported Victorian Eastern Development Association in East Gippsland financially supports economic development projects in East Gippsland, Victoria. The goal has been to establish a partnership to serve as a community sounding board for identifying emerging regional issues, particularly related to potential customers. TXU’s business strategy is to build a long-term company profile in East Gippsland through economic development activities conducted in partnership with the local community and business leaders, establishing a ‘visible citizenship role’ for the company in the area where it operates commercially. The relationship led, among other activities, to a commitment by the company to build a sub station to ensure reliability of power supply and a power station. A further activity concerned strategies to enhance tourism and bring people into the East Gippsland area. Senior company personnel are also available to contribute their expertise to the local area.

Rio Tinto’s Coal & Allied Community Trust in the Upper Hunter in New South Wales is another example of using a partnership in community development to build a support base in a local community. The management committee includes local business leaders and company management, providing a forum where the parties develop a greater degree of familiarity and have open exchange on important local community issues. Rio Tinto Coal surveyed 100 community leaders to determine the main needs in the region. The objectives that were developed include securing economic benefits for the community through attracting and developing sustainable businesses and services, promoting regional attributes and increasing access to education and training. Social
objectives include increasing recognition of the benefits of lifelong learning within the community and enhancing community recognition of excellence and leadership. The distribution of company funds is primarily to support joint ventures in the community that pursue initiatives according to the above objectives.

BHP Diamonds Ekati mine (in Northwest Territories, Canada) claims to have strong focus on both developing community relations and providing benefits to the Aboriginal communities. Throughout the development of the project, and during construction, BHP Diamonds met frequently with members of Aboriginal communities, conducted site visits for community residents, and encouraged discussions and information exchanges on land use, mine operations and potential employment. Agreements for community support with community groups covered employment, training, scholarships, community donations, business opportunities, environmental mitigation, cultural sensitivity and traditional knowledge studies.

Others who establish partnerships to build community support include the chemical industry in Kwinana, Western Australia where an ‘education compact’ with local schools has been formed that supports education, training and employment for the local young people. The Victorian Employers Chamber of Commerce and industry facilitates similar business and school initiatives around Victoria, in particular a year–long industry work placement for teachers. The privately owned consumer goods business The Body Shop established a community business, Speakout, with community groups that employs disadvantaged young people and manufactures clothing. IBM in Australia, consistent with its global focus on community involvement with education has extensive partnerships with education systems, proving equipment and training for teachers – to the extent that their provision is incorporated into state education planning and the relationship with IBM is very close.

Many other companies, predominantly in the resource sector, use their community partnerships specifically to encourage communication by the company with the local community. The partnership is structured expressly to be conducted by the managers and staff at the plant or local site level to build alliances with local community members. Shell Australia, WMC Resources, Normandy, Hamersley Iron are examples of
companies that use this mechanism. They expressed the view that community forums, structured around positive community actions, contribute enormously to changing the mindsets that the different groups may hold about each other. The significant benefit lies in the notion of retaining a licence to operate and the competitive advantage that this may yield. WMC Resources claimed that in bidding for a new project, especially internationally, competitive advantage could be gained if the proposal is accompanied by a corporate community involvement offer. A partnership with a local community group to deliver community support, be it training, education or environmental, can be an important determinant in the decision of the bid managers.

Other partnerships are formed directly with existing and prominent not-for-profit organisations to provide community services. Many of these are not concerned with social relations in a particular locality as such but with enhancing their profile in the wider community – as with financial services, professional services or consumer goods companies. Westpac has combined with the large charity The Smith Family in support of education opportunities for young people at risk of falling out of school. The legal firm Freehills has a partnership with the Sydney City Mission for the provision of legal advice to disadvantaged young people. The National Australia Bank and the Benevolent Society have an agreement to jointly provide the Sydney Leadership scheme that brings business leaders and the welfare sector together. The Body Shop has many long-term partnership agreements with not-for-profit organisations pursuing initiatives for environmental improvement and care for Indigenous peoples. Alcoa, along with many other companies, has a partnership for environmental improvement with Landcare that promotes support among farmers for land restoration. Visy Industries supports youth welfare services in outer metropolitan Melbourne. The amounts (cash and in kind) provided for this type of partnership with the not-for-profit sector range from around $50,000 to over $1 million a year.

A number of companies elevate the status of their social partnerships and the associated stakeholder engagement to a centre role in their reshaped social character. Global resource companies, interviewed in this study, such as Shell (2001) and BP (Glazebrook 2001), claim they have chosen to form partnerships and engage in dialogue with interest groups,
including in Australia, to fundamentally reorient their social understanding and therefore enhance their economic mission. Some private companies such as The Body Shop and Visy also claim to build their business purpose on a well-researched social platform and extensive social engagement. Both these companies identify a cultural alignment between their business and their community engagement.

In a less public way, Rio Tinto, AMP and Westpac are three other companies who claim to use the formation of partnerships with their community stakeholders to inform their core business purpose as well as directly serve external social purposes to build trust and reciprocal understanding. Barry Cusack, the previous Managing Director of Rio Tinto in Australia, uses the partnership concept to explain their close relationship with environmental and human rights groups as providing opportunities for deep involvement in the concerns of the community so as to provide business and social benefits (Taylor 1999). Leon Davis, the Chairman of Westpac similarly argues that partnerships are central to the banks objective to transform the negative attitude of the community to banks (Davis 2002)

Rio Tinto was one company that stood out in the interviews for this chapter in terms of their relatively detailed expression of the objectives and mechanisms for partnerships. Rio Tinto’s extensive range of projects concerned with Aboriginal health, education, culture, sport and industry development are driven by the imperative to sustain relationships with important stakeholders and assist local communities in the proximity of the company’s activities. As expressed in the interview, the idea of partnerships for Rio is that they ‘build mutual respect, are active relationships and represent a long term commitment’.

They identify their ‘critical success factors’ in forming business and community partnerships to include mechanisms for ensuring ‘mutual expectations are understood and met’—some of their partnerships have taken three to four years to establish due to the negotiation to arrive at mutually agreed purposes (Birch 2000:122). This involves establishing a structure for administration, agreeing on the decision–making processes and resource allocation, specifying the tangible benefits that each party will gain and so on. Rio Tinto explains this has required establishing ‘new
competencies’ to manage the community partnerships and enable the business benefits to be gained (Duncan 2000a).

Does the partnership concept in companies like Shell, Rio Tinto, BP and Westpac commit the company to opening up their governance structure to admit their social partners to company decision making or is the idea of a partnership restricted to the management ideal of sharing competencies? Evidence would suggest that while the formal governance structure of these companies is not modified because of enhanced social engagement, informally, they are increasingly open to the influence by partners. The political notion of a partnership in network theory refers to blurred institutional boundaries, shared responsibilities and decision making through negotiation (Considine 2001; Jessop 1995; Rhodes 1996). For example, Shell would appear to go some way towards this in formally acknowledging the role of those other than shareholders:

We affect – and are affected – by many different groups of people, our stakeholders. We aim to recognise their interest in our business and to listen and respond to them (Shell 2001:42).

Westpac, in producing its first social impact report is seeking input from community partners and citizens on their social performance and commits to listening and changing (Davis 2002)

Littlewood (2000:95) refers to this as movement from the ‘comfort zone’ of joint community projects into the ‘moral zone’ of leadership, openly debating ethical dilemmas with partners and taking the risk to reveal future critical decisions. Kristensen (2001) regards this as the establishment of a new ethical agenda for business and the beginning of the moralisation of community problems. On the other hand, the impression from interviews is that partnerships of TXU, National Australia Bank, Freehills, IAG and others is more in the ‘comfort zone’ of the strategic management of partnerships without opening their governance to their social partners and being prepared to face the considerable transformation in social character that many in the community are seeking.
Community dialogue forums

Many companies have established forums between company executives and community leaders. These are related in objectives to partnerships in that they allow for an exchange of views and can be the location for planning for joint activities. These forums provide access to executives so community leaders can raise issues or discuss how the company might better align its operations with community expectations. This frequently serves as input for companies’ community activity in a local area. Community dialogue forums allow companies to closely monitor the impact of the firm’s behaviour on the community and avoid potentially hostile situations.

While these forums are explained by stakeholder theory (Clarkson 1998; Freeman 1984) with awareness in companies of the need for open communication with those who have a stake or interest in the activities of the company, they also draw on behavioural theory for risk communication (Covello 1983). Risk communication theory focuses on the human intellectual processes in thinking about risk and how people make decisions. Covello and others (for example Chess et al 1992; Sandman 1987) approached community dialogue as a defensive strategy where a company adopted open communication to reduce ‘outrage’ in the community to ensure a company’s activity is more acceptable. The objective is to reduce the distance between hostile and distrustful communities and the companies that are the source of distrust. Establishing forums in the community has provided a focus for this objective.

The community panel, the Altona Neighbourhood Consultative Group, operating for over ten years in Altona Victoria for the Altona Petrochemical Complex (Esso Australia as a shareholder) is an example of a neighbourhood forum that has been the key focal point for communication between companies and the local community and neighbourhood projects such as environmental regeneration. This forum is the conduit for the community involvement activities of those firms – education, environmental and safety initiatives – but the existence of the forum has allowed the community members access to company decision making as well as access to company resources for local community development.
The National Australia Bank, Telstra and Optus are three other companies that have established forums to promote dialogue with community leaders to discuss the complications faced by people with disabilities when accessing their services. The forums propose action the companies should take in the community. Others such as Shell, Esso, energy utilities such as Powercor, insurance companies such as AXA and many industry associations such as minerals and chemicals have formed panels for community dialogue where their community impact is assessed, responsibilities debated and activities generated. The banks are recent entrants to this form of community involvement and Westpac and ANZ, for example, have initiated special banking provisions for targeted disadvantaged groups in response to expressed need.

*Cause related marketing*

While partnerships are the most commonly referred to vehicles for community involvement, more commercially oriented vehicles for engaging with the community are cause related marketing and sponsorships. Even though these are also referred to as partnerships, their distinctive feature is in linking a cause or an event with the brand of the company’s product – most commonly a consumer good or service. Cause related marketing refers to a commercial activity by which business and charities form a partnership with each other to market an image, product or service for mutual benefit. For example, ‘a program to promote breast health will position the corporate sponsors as organisations that care about women’ (Andreasen 1996:49). However, the view in this thesis is that this form of community interaction does not really have the potential to transform the social character of the enterprise; it is primarily an external branding activity that would be expected to yield positive short-term commercial results.

An Australian marketing study (Cavill and Di Marzio 1998) surveyed the community to ascertain the degree of influence that supporting a cause would have on consumers’ purchasing decisions. The report concluded that the majority of respondents (54 per cent) favoured support for local causes, followed by national causes (31 per cent) with international causes last (3 per cent). The causes thought most worthwhile were medical research, the homeless and poverty, care of the aged, child protection and the environment.
A common form is to use product sales to drive contributions, as for example, when a proportion of the price of a product is donated to the cause. Another form is for a community organisation or service to be advertised on a product. (McDonalds donates a dollar of each Big Mac to the Ronald McDonald House charities; and Sunraysia makes a donation to the Cancer Society for every bottle purchased of blackcurrant juice.)

The survey conducted for this study did not indicate that cause related marketing in Australia is as prevalent as in some other countries. However, subsequent discussion with companies, particularly in the retail and service sectors, has revealed cause related marketing and more conventional community involvement initiatives may be merging as companies seek innovative opportunities to gain greater exposure for their products and where conventional marketing is less favoured (Dowling 2001).

The motivation for companies using this vehicle is therefore the need to differentiate their product. Traditional marketing approaches may not differentiate products of similar characteristics, and customers are often swayed by the social involvement of the companies from which they purchase products. Cause related marketing focuses on raising the profile of causes that are top of mind in the community at the time, particularly those that are associated with the product. For businesses and community organisations, this approach can help access new markets or groups by leveraging off the other’s constituency. From the company’s point of view, this is a vehicle for which results must usually be shown, such as increased sales or increased brand awareness. Often used by marketing departments, cause related marketing is the most commercially oriented of the vehicles for community involvement.

Examples of cause related marketing include, Kellogg Australia’s support for Kids Helpline Australia and Surf Lifesaving Australia and New Zealand, Down to Earth Detergent’s support for marine research, and Procter and Gamble’s support for Save the Children. For one day a year McDonalds donates a dollar from each Big Mac purchased to support for the Royal Children’s Hospital and Ronald McDonald House. In all these cases, this community support prominently features in their product advertising.
Some of the high profile international examples of cause related marketing are Starbucks coffee outlets support of environmentally sound coffee cultivation, Wal-Mart’s branding that links to their extensive local community support initiatives and British Telecom’s donation to a children’s charity with every new connection.

These commercially oriented examples of cause related marketing, have their detractors as evidenced in input in workshops for this study. By tying donations or sponsorship dollars to sales, cause related marketing is contradictory to the perception of altruistic motivation and promotes the view that only high profile causes are likely to be supported – support for indigenous Australians and for the aged are two examples mentioned that are not popular causes. Many community organisations may face a choice between supporting products that they may not endorse, indeed actively oppose, or foregoing the funding that it would deliver. Some see it as a cynical exploitation of the need for interest groups to obtain additional money for their organisations. And, some see that not-for-profit organisations risk becoming dependent on corporate funds that in the long term may not endure when companies turn their attention to another high profile social cause. Cause related marketing may become a vehicle that provides more money to the community than others but it seems to have less potential to transform the social character of business. It is solely focused on the external image or brand rather than merging the idea of the external brand and reputation with business strategy and internal culture.

Donations and intermediaries for philanthropy

Providing donations to community, sporting or cultural groups continues to be a popular form of community involvement in Australian business. While many companies are reconsidering this approach and say they will cease to make donations in a reactive and unplanned way in the future, some medium sized companies simply find it a less complicated approach. Reasons for providing arms-length donations, in contrast to the partnership structure, range from a strategic intention to support local communities to the belief that companies should ‘give something back’ to the community in which they operate while not wishing to be involved in lengthy or detailed processes. In general, donations are more likely to be provided for philanthropic reasons, though there are cases where the choice of the recipient is based on an assessment of the commercial
advantages to the company of publicising the donation. In the main, this form of community involvement has little potential to transform the social character of the enterprise. While considerable resources may be available for worthwhile external social causes, the potential internal benefits for the enterprise are not pursued.

Some companies are choosing to donate funds specifically to selected community organisations operating in the companies’ ‘backyard’. The donation can be a tool used in a defensive way to gain support of oppositional organisations and where the company does not necessarily want to manage a more complex relationship, but wishes to make a contribution to an important group or activity. For example, a manufacturer may provide funding to a community group or project, which is in place in the locale of the company’s factory, such as Monsanto in Melbourne or Smorgon Steel. A company that may be exposed to environmental issues could provide donations to an environmental research organisation to conduct research into those issues such as Nufarm, an agricultural chemicals manufacturer.

Donations to community groups that operate across the whole community are generally driven by philanthropic motives and not limited to any business related objectives. Some companies in Australia provide a fixed percentage of pre-tax profits to charitable funds. Macquarie Bank is one such example and Tattersalls is mandated to provide a set percentage of pre-tax profits under its charter. It was not evident in this study that this process will expand in Australia, although it is extensive in North America and Europe.

Philanthropic in-kind donations are offers that are more than cash. Donations of products and services include airline offers of tickets or professional services firms that offer disused office equipment such as computers and furniture. Several companies have also been prepared to respond to requests for obsolete products, such as Holden’s offer to supply car engines and tyres for use in artistic ventures. News Corporation provides page space to some causes and appeals or editorialise an event, such as a local festival, or cause if it is perceived to have high editorial interest. Firms have routinely supplied used office equipment, especially computers, to their local schools. The American pharmaceutical company Merck & Co. runs one of the best-known
programs of in–kind donations. Well known for its social responsibility in the United States it donates medicines to treat river blindness in Africa. It is committed to make this contribution ‘for as long as it is required’.

Donations to intermediary organisations, such as foundations and non-government organisations are a variation of donating to the broader community. Sometimes an intermediary organisation fully determines how the funds are to be placed in the community rather than the company. Alternatively, the organisation may facilitate the placement of funds or merely advise. Often in these cases the company seeks no more than recognition of its status as a donor of funds, and is prepared to allow the fund managers themselves to allocate the funds as they see fit. The company therefore has no greater objective than to make donations to the broader community. This is particularly convenient for medium sized companies that do not have the resources to devote to complex business partnerships. An example is United Way, an American based organisation that has established operations in several Australian cities and is working with Ford Australia.

The Australia Foundation for Culture and the Humanities established by the Prime Minister in 1999 is a Commonwealth Government company, with a government appointed board. It provides a ‘matching service’ for arts and cultural organisations and business seeking to donate to that sector (Australian Business and Arts Foundation Awards 2002). It is seeking to ‘showcase business arts partnerships’ and runs an advisory service to enable information and contact points to be available both to companies seeking a relationship with cultural organisations and those organisations seeking business sponsorship. Its appeal to companies to contribute to the arts mostly focuses on gaining support from CEOs as ‘enlightened business leaders’ by calling on their personal commitment to the arts in the community. Ironically, this organisation prides itself on bypassing the business procedures for determining the focus on community involvement expenditure that are seen in this study as a prerequisite for the social transformation of business. Instead, the appeal is made directly to the CEO testimony to the strength of the managerialist’s claim that personal values of senior management direct a large part of the social character of business.
This section has reviewed the vehicles that companies select to conduct their community involvement programs, revealing the intentions and potential business and social impact. As the survey in Chapter Four discussed, partnerships, and community engagement are seen by CEOs as having the greatest potential for growth in the future. They are also the approaches that embrace the idea of business softening its internal and external boundaries to better understand emerging social expectations and design activities to make a significant social contribution as well as achieve value for the business. Companies talk of building trust, mutual respect and inclusivity through partnerships and dialogue.

On the other hand, cause related marketing and making donations are transactions that do not in themselves cross boundaries, build trust or promote dialogue where it might otherwise not take place. They can be short term and arms length to the company and unrelated to business strategy. Moreover, Kanter (1999) proposes that deeper partnerships, where competencies are shared and the relationships are long term, have the greatest potential for delivering the desired social outcomes and tackling the intransigent social problems of our time. The limitations on achieving the aspirations of corporate community involvement that flow from the choice of vehicle are therefore significant.

**Employee involvement valued by companies**

Along with partnerships, most companies report highly favourable outcomes from initiatives involving employees. Employee involvement is probably most familiar as an integral component of business and community programs in the United States but to date has not been a strong feature in Australian companies. Its popularity in business in the United States is rooted deeply in the American culture where a very high proportion of the population belongs to voluntary organisations and place a high value on doing unpaid work for good community and social causes (Lipset 1996), although recent debate about declining social capital (Putnam 2000) points to a reduction in this cultural feature.

There are many examples of employee involvement in community activities in Australia. It is an area that will expand significantly in the future as discussed in Chapter Four. According to the CEOs surveyed in this study, the trend for the future is for employee involvement to become
far more intensive as they regard it as a significant feature of the future ‘ideal’ community involvement strategy. While the broad social responsibility agenda in companies has traditionally focussed on the impact of reputation on external audiences, attention is now turning to include the internal audience.

The direction being adopted in Australian companies was portrayed in interviews as using employee involvement as a new tool to support employee relations and the increasingly difficult task of satisfying employees’ social needs and attracting high quality applicants in a period of insecurity in the workplace. Companies say it serves as a symbol of modernising the corporate ethos and it contributes to human resource development through providing new awareness and skills. A quality workforce in the global knowledge economy has become an important aspect of competitive advantage and part of the search for alternatives to easily reproduced physical assets (Pfeffer 1994; Ruggles 1998; Thurow 1997). This is a particular concern for those sectors that are labour intensive, such as financial services and retail, but also in capital intensive sectors where companies compete for highly skilled employees, such as in the oil and gas industry.

Many companies have instituted social and culturally directed programs for their workforces that were unknown a decade ago. Two examples are the recent introduction of meditation classes and a mediation room at the ANZ bank and cookery classes and a choir at BP – each conducted during regular hours. The employee voluntary community programs fit into this category of initiatives that seek to embrace the social interests and commitment of the workforce – irrespective of their seniority. The most common models for employee involvement include employees formulating community involvement programs and strategies (in some cases, part of greater employee say in the direction of the overall business); employee voluntarism (company sponsored events, and permitted days off work); donations (such as payroll deduction schemes and matching gifts schemes); and ‘donating’ the time and services of managers to assist community organisations to manage programs (popular in professional services firms). Involving employees in a company’s external social involvement draws a strong connection between an
external social role and the transformation of the internal business culture to embrace social dimensions.

Labour intensive firms with a direct retail customer interface such as Westpac and The Body Shop have extensive schemes. Employee voluntarism is seen as a team building and morale boosting activity linked to productivity improvement strategies in Ford Australia and community activities are managed from the human relations area of the company. These firms also purport to use the workforce as a conduit into the thinking and preferences of the wider community.

A more capital intensive or knowledge based firm such as BP Australia or Shell Australia employing a relatively small and well qualified workforce, may focus on the ‘employer of choice’ objective and concentrate on communicating corporate community initiatives to existing and potential employees. Or, using community programs to broaden the social experience and understanding of managers may be a priority in those businesses that seek to lead in consumer product and service innovation such as Freehills and Lend Lease. There is no fixed pattern to this. Rather there is evidence of a tendency in businesses to plan community involvement to meet organisational development or human resource goals as well as the more conventional reputation or external relations goals.

As part of the suite of programs for community involvement, Lend Lease Corporation, among a number of companies, has a component that aims to encourage employee involvement outside the workplace. The company has instituted a Community Day to encourage ‘a sense of the value of teams and provides opportunities for employees to break down barriers with those with whom they might never engage – such as the homeless’. They commit considerable resources to initiatives that enable executives and staff to better understand the dimensions of social problems and their possible solutions. This style of activity is followed by many companies.

Another strand of the concern with securing employee support through community involvement is ensuring that employees understand the company commitment and are integrated into the decision-making – the governance of the organisation. An example of connecting community involvement and corporate citizenship commitments with employee support comes from Ford Australia. Indeed, as explained in the interview
their rationale is for including employees is part of the Ford Motor Company’s global strategy to transform their company ‘from a leading global manufacturer to being a leading consumer company’. Taking seriously the employees’ personal interests, valuing open and honest communication are some of the commitments made globally to support the ‘employee stakeholder’.

Ford Australia considers its corporate citizenship strategy as part of building strategic competitive advantage through employee development. This is unlike most other companies where the area is seen more as part of an external relations program. Ford is aiming for employee attributes such as: personal growth, appreciation of ‘self’, awareness of customer diversity, support for broadening business opportunities and employees being the ‘voice’ of the company (Ford 2000).

For Lend Lease, the employee body is the largest shareholder with 14 per cent of issued capital in 1999, reinforcing the view expressed in the company’s values statement that employees are the ‘soul of the company…whose talents and dedication … have always been our competitive advantage.’ As well as employee involvement in community activities, the company particularly seeks employee contribution to strategic and operational thinking. They explain this through their Core Values and Beliefs that include a respect for ‘the needs and aspirations of all with whom we…have a relationship.’ The beliefs are connected to the notion of being ‘an employer of choice’ and the importance of ‘the rights and responsibilities of employees to contribute ideas through collaborative teamwork’ (Lend Lease Corporation 1999:16)

The Body Shop is a further example where employee understanding and support for the community involvement and social stance of the company is a core driver of programs. The Body Shop is a global retailer of personal care products and the Australian company is a privately owned affiliate employing about 1000 permanent staff as well as casual employees. The underlying motive behind their community involvement activities is the company mission of ‘profit with principles.’ This philosophy is expressed through aiming to secure the deep support and commitment of employees through ‘tirelessly working to narrow the gap between principle and profit, whilst making fun passion and care part of our daily lives.’
A major resource company, BP Australia, is also developing approaches to understand and meet employees’ social expectations. Initiatives to ‘tap into employees values’ and acknowledge that ‘employees are part of the community and help balance the complex web of relationships in which the company operates’. BP argues that a company’s reputation and sustainability depends to a large degree on how employees take their experience of the workplace ‘back into the community.

Sir John Browne, the BP Chief Executive Officer, views ‘internal expectations’ as a highly influential in shaping corporate social responsibility (Browne 2000). Firstly, companies compete for ‘some of the brightest and best minds in the world’ and these people can choose where they work. Companies need to recognise that, while people want opportunities and ‘good money’ they also want ‘to contribute to the progress of society.’ Secondly, understanding social values and expectations and using employee input as part of this process have become a core strategy for sustainability. The Managing director of BP Australia Greg Bourne explained in an interview his view of employees as part of the community rather than seeing employees as separate from community views. BP believes a prime social responsibility of an enterprise is to respond to the social and cultural expectations of employees:

Companies have become a form of quasi democracy in which the views of people within the company have a significant influence on the way we work and on what we do… and this is a radical change. It is shaping our view of citizenship.

Shell Australia is another example of a global company that is blending its focus on meeting community and social expectations with the expectations of their employees. The 1998 Shell Report, ‘Profits and Principles, Does There have to be a Choice?’ was a landmark corporate commitment to the triple bottom line – accountability to financial, environmental and social performance. Shell employees, alongside community and government stakeholders, are central stakeholders in this commitment and their voice is claimed to be an integral part of how the company moves forward to meet community expectations. As John Simpson, an executive in Shell Australia explained, employees want a say in the role their company plays in the community:
Employees are part of the solution; employees have said we want our own forums...if they are not provided we will do it ourselves.

Shell involves employees in ‘stakeholder forums’ as part of a program to promote awareness of these principles and engage directly with local communities and non-government organisations. In meeting employees’ desire for more direct involvement with stakeholders, Shell Australia has embarked on biannual formal stakeholder forums. These include around fifty participants, half of which is a cross section of Shell employees. The forum is held over two days and is structured to listen and engage with external stakeholders on their needs and impressions of the company.

Each of these examples establishes employee involvement as a core component of community involvement, consistent with the organisational imperatives confronting business in the global environment of the knowledge economy as discussed in Chapter Three. As the survey in Chapter Four demonstrated, this is an area of growing interest for companies and one where increased activity is expected. Indeed, some like Westpac, Shell and BP convey the idea that employee initiatives are the leading feature in building greater community acceptance of business. These companies express views that are typical of Littlewood’s (2000) ‘moral zone’ or Birch’s (2001) corporate citizenship where a transformation of social values is seen as a means to achieve new economic and social outcomes. By contrast, Rio Tinto, a leader in forming external social partnerships, does not feature employee involvement as a core aspect of their social character. They are concerned more with the social and political forces of regulation, community acceptance and securing their licence to operate.

Assessing benefits and outcomes

While the survey in Chapter Four reported that few large Australian companies are using accomplished measurement techniques for their social engagement, there is a broad interest in understanding and adopting appropriate measures. Companies such as Shell, Normandy, Westpac and Lend Lease attempt to express the gains they perceive in terms other than market economics – Westpac (2002) is the first Australian financial institution to produce a social impact report. They are seeking language that reflects the importance of reputation, good community relations or
good corporate citizenship and refer to trust, mutual gains and social capital. Nevertheless, many companies primarily seek to establish the direct market value of these activities – expressed as the conventional ‘business case’– and attempt to show that they ‘do well by doing good’. The immutable mode of operation of business remains one where those activities that add value in the short term are favoured. As discussed in Chapter Four, the answers companies are seeking to better measure the impact of their social role and to understand of how far their activities should extend, are not well developed and are mostly rely on faith in the inherent benefits of a good reputation and related features.

Of particular interest here is that very few companies specified the desire to identify the benefits flowing to the community; it is as though benefits to the community are taken for granted. A few companies have developed community impact assessment techniques. Lend Lease, with their partner the ACTU, is able to calculate the broader social and economic value that their joint skill development initiatives is contributing and the government is an interested audience for these outcomes. A BP methodology assesses ‘community value created’ and examines questions such as who was involved and what assessment do they make of the results. The Body Shop has employed a ‘social audit’ process involving attitude surveys of customers, suppliers, employees, relevant communities and interest groups. These are, frankly, very simple social assessment techniques which makes the absence of similar approaches in other companies all the more questionable.

An unusually frank and constructive assessment of community value gained from a job creation initiative is provided by The Body Shop (1998). This privately owned company in Australia conducts community involvement activities with explicit social and economic objectives. Their establishment of a paper mill was directed at job creation in Burnie Tasmania and establishing a sustainable base for an economically disadvantaged community. The project was started as an employment project designed to give jobs to long-term unemployed people. The project had initially been assessed as having good prospects of becoming a commercially independent business.
However, an assessment of the long-term community value revealed that
the success of the project was possibly short-term because a sustainable
business was not being developed. Concern was expressed about how the
continuing relationship with the Body Shop would work out. Some
workers were not clear about the roles of The Body Shop staff, or the
priorities of purchasing the mills products over competitors. The reactions
suggest that the value of The Body Shop in initiating the projects and
supporting them by purchasing their products is not clearly articulated,
and ongoing relationships may need to be clarified. Some confusion was
evident, possibly caused by the combination of commercial and
benevolent roles, which can be seen as contradictory by some people. The
project was seen as obviously worthwhile for the workers employed.
However, those involved were not clear about why the activity was being
undertaken and what the future role for The Body Shop was to be.

Other than the Body Shop, no other examples of a similarly frank
assessment of community value were identified. As previously indicated,
when combined with the powerful motivation to build corporate
reputation, it is an unusual company that is able to risk this level of
assessment. In outlining objectives for BP’s program ‘Global Social
Investment’, the company specifies the need for business outcomes
through corporate reputation and support of employees, but also says that
‘community investment’ must make a ‘meaningful contribution to
society’ (Glazebrook 2001:164). This is an unusually explicit externally
directed objective that is not as evident in other companies.

It is as though the effort to derive business benefits from community
involvement has overwhelmed the consideration of the external social
outcomes. Or, it may be that the company initiatives are so discrete and
unconnected to activities conducted by government or other companies
that to attribute findings to them is a false representation of their scope.
Companies acting alone are faced with the obvious dilemma of deciding
where to attribute a result and retreat to the more limited evaluation of
project outputs (dollars spent or events conducted) rather than social
outcomes where the impact on communities and people is assessed.

The idea of the triple bottom line impact – social, economic and
environmental – is present in only a few companies in respect to their
community involvement. A subsequent review of Australian business
assessment and reporting practices conducted with support of the BCA found that reporting of environmental impact is increasing in quality, but measurement of social and economic impact is present in only a handful of Australian companies (Suggett and Goodsir 2002). Descriptions of social and economic impact are overwhelmingly in terms of inputs or resources allocated rather than outcomes derived by the community.

The inadequate consideration of the social outcomes of community involvement is further confirmation that the prime focus of social activity by business is the business benefit itself with the social outcomes being a secondary effect. Combined with the similarly loose connection with public sector concerns or initiatives or, indeed, with other companies, the social impact of business community initiatives seem to run the risk of falling short of their potential.

**Implications as seen by non-government organisations and companies**

The workshops convened to review the findings of this study raised the consequences and possible implications of companies increasing their community involvement activities in the ways indicated in this study. Participants anticipated there would be unintended consequences for the not-for-profit or community sector from companies streamlining their community involvement focus to match business strategies. Some in the not-for-profit sector see business moving from the altruism of arms length donations and philanthropy to a more business focussed transaction (Lyons 1998) and in that sense the objectives of the community sector may be distorted as they are drawn into the commercial logic of corporate community involvement.

It is already evident that some social issues and some organisations will become more popular with companies. A convergence of views will most likely occur as companies analyse community and stakeholder attitudes to identify ‘top of mind’ concerns and listen to their views on where the companies should be socially active. Young people’s issues are of concern currently, particularly disadvantaged young people. Also, rural development and regional communities are important areas if a company wishes to impress governments. Community organisations dealing with these groups and issues may receive greater corporate support but this
may be at the expense of other target groups or lower profile social causes such as the elderly or HIV–AIDS, as explained by an executive in the finance sector:

Aboriginal programs are a no-no with us – there is no mileage in them. We have surveyed in the community and they have told us helping young people is the most valuable thing we could do.

As companies define their strategic purposes for social engagement, not-for-profit organisations believe they will be questioned more about their activities to assess their capability. The organisation Philanthropy Australia believes that many are not prepared for this level of scrutiny and accountability:

Large organisations will be able to cope with this but many small not for profits do not have the infrastructure to handle the needs of big companies and they will miss out.

Moreover, companies will want to have a say in shaping the activities, looking for the advantages they would gain from a close association. An executive from Rio Tinto foreshadowed a greater emphasis on the reciprocal nature of the business community relationships:

The days of simply writing a cheque for a few hundred thousand for medical research are over. They used to come around for the yearly handshake but we want more and they do not know how to do that for us.

Companies like to receive positive recognition for their community involvement contribution but a media profile may no longer be assured. Companies do not always seek public recognition as a priority but when they allocate large amounts to the community, most expect some public exposure for boosting their reputation as a ‘good corporate citizen’. The community groups receiving assistance will provide that recognition, but it would seem to be increasingly difficult for companies to receive the media profile they might prefer. As more companies are active in this area, the less novel is the news. This is especially the case when a social cause is receiving a lot of corporate attention and other corporate players are already in the field. The first mover in an area will have the media coverage they desire but followers may not.

Companies rarely act in concert in their community activities and very few industry associations are active in this area. (Two exceptions are the
Victorian Employers Chamber of Commerce and Industry and their support for education and the Australian Food and Grocery Council and their support for Foodbank, that supplies food to the disadvantaged). The dominant pattern however, is a company acting alone or with a not-for-profit organisation and sometimes in consultation with government. Companies believe that this pattern maximises the competitive benefits to be gained but could reduce the social impact of the activities.

Relations with government are not a significant aspect of the thinking in business in this area. At the time of the workshops in February and March 2000, a predominant concern was comprehending the expectations of government in terms of the implications for business. The Pratt Foundation is attached to Visy Industries, a private company, and both the Foundation and the company are very active in generating major activities for social and environmental improvement. As explained by the Director of the Pratt Foundation, they were nevertheless very concerned with the apparent transfer of responsibility from government to business that they detected in the Prime Minister’s idea of a ‘social coalition’:

Government cannot be allowed to walk away from its social responsibilities – although I fully support the expansion of business involvement in the community in a way that tackles real problems.

Others, such as Rio Tinto, Normandy or Woodside operating to secure the licence to operate, are conducting community activities in Indigenous relations that are also supported by government. These companies have a different perspective on cross sector relations concerned more with government recognition and support. As explained by a senior executive at Rio Tinto, they pursue a relationship with government on a number of fronts and see that the relationship is closely related to their business success

We are building the long-term value of the business and cooperation with government may be part of that. But essentially we know what we need to do and if there are resources to be gained from government we will also pursue that.

However, government seems irrelevant to the majority of companies as they focus on their discrete endeavours. While companies are increasingly skilled and active in relating to government for lobbying for amenable
economic policy they state that they are not at all familiar with the relevant social policy areas that may impact on their community involvement commitments. For example Procter and Gamble are not really interested in the related public policy social issues surrounding their area of involvement:

We will determine the area we are interested in and the partners we think can deliver to our standards and leave it to them to manage the program - we are not expected to be experts.

There are resource implications for business and for the not-for-profit sector. Companies that have redesigned their community involvement activities have invariably changed the organisational structure and staff roles in the part of the company that manages community involvement. The new style of community involvement requires a level of business understanding and management capability not necessarily required in the past when arms length sponsorships were the order of the day. The enhanced capability is not only needed for those managing community involvement; Boards and executive management also require greater understanding of the potential business benefits that flow from deeper engagement with the community. As a Westpac executive explained staff capability has changed as well as Board responsibilities:

My department has expanded and changed dramatically over the past five years to take account of the strategic requirements of our community activities. Our Board also has specific responsibilities aligned with our changed social directions.

In a similar way, the capabilities of community organisations are also changing. As the demands of closer involvement with business expand, not-for-profit organisations are saying they also should have the skills to meet business as equals if they are to benefit from these changes. (The Smith Family and Mission Australia are examples of not-for-profit organisations who have recently employed well-qualified staff to liaise with business.)

The public policy context in which the social role of business is conducted is the focus of the following chapter. While some companies have established connections with government, such as Rio Tinto, they do so essentially because of the dynamics of the regulatory environment and
their sense of strategy to preserve their licence to operate as the primary motivation. They do not appear to pursue a partnership with government because of the intrinsic worth in shared provision in solving social problems, or they do not show awareness of this possibility, perhaps due to its inherent complexity or that there is simply too little to gain in terms of business outcomes.

Relations with the not-for-profit sector is, on the other hand, an essential part of the delivery of corporate community involvement. The notion of a partnership is most often seen as one with a not-for-profit organisation as the intermediary between the company and the social activity. But here, the relationship is seen as potentially uneven and unpredictable where business has conventionally be seen as the source of the resources rather than as a partner in the delivery of a social initiative. However, the spirit of the cross sector partnership seems robust and there is enthusiasm for negotiating new relationships in this new arena.

Conclusion

The focus of this study is large business. Interviews with forty companies and workshops with business and the not-for-profit sector have provided tangible evidence of the intent and scope of corporate community involvement. These companies have identified the key characteristics of community involvement activities that signal a changed pattern of social relations between business and the community and the emergence of the social enterprise.

Forming partnerships has become the symbol of the new social character of business. The political concepts of partnerships and networks refer to shared responsibilities and cross-sectoral institutional boundaries and there is evidence business and the not-for-profit sectors are genuinely seeking to be successful in their new endeavours. The idea of networks also refers to changed governance where the partners share in decision-making – a concept that is not implied in the business use of the term partner but is nevertheless evident in the few companies that seek input from those community groups with whom they have established longer term relationships.
Overwhelmingly, business regards its social activity as a strategic contribution to business outcomes. While the language of this area has changed, with terms like trust, partners, mutuality, social capital, empowerment and mutual gain now commonly used, there remains a strong desire for the conventional language of economic value creation and competitive advantage to be applied to the social values and functions of business. Calculating the contribution to business earnings of the intangible assets of reputation, legitimacy and employee loyalty is, however, difficult and not attempted by many. The interviews therefore confirmed the findings of the survey as discussed in Chapter Four. The observation that the social outcomes for the community are of secondary concern, well behind business benefits, was also confirmed. Only recently, through the idea of the triple bottom line, are enterprises taking their broad impact on the community into consideration.

The following chapter discusses the public policy context of social enterprise. Throughout this thesis, there is the argument that the outcomes for the community from business changing its social role are not sufficiently taken into account. Understandably, the overwhelming focus in business is establishing the benefits for the enterprise. The benefits for the community, however, warrant additional consideration. Moreover, the private sector social activity is occurring parallel with public provision. Public policy is therefore another window through which to examine the community relevance of increased private sector social provision.
CHAPTER 7: A PUBLIC POLICY FRAMEWORK FOR SOCIAL ENTERPRISE

Introduction

The emergence of the social enterprise in Australia has brought to the forefront the role of public policy in facilitating public as well as private sector benefits arising from corporate community involvement. This chapter argues that a task for government is to recognise the new nexus between public and private social provision that is occurring in Australia and to establish a public policy framework to maximise the social outcomes.

As explained at the outset of the thesis, the discussion of the public policy framework to facilitate the development of social enterprise is a secondary focus of the thesis after the primary purpose to identify the changes occurring in the social role of business. While it is a far larger task than is possible in this final chapter to develop fully the characteristics of an alternative public policy framework, the chapter does highlight the main themes for attention in public policy, which in turn suggest directions for further research.

The growth of social enterprise puts government in the unusual position of not being able to control the new level of business social activity and indeed companies are not seeking government permission or intervention. Nevertheless, the activity by business is being conducted in the sphere of social provision that is traditionally the province of the public sector. Young people and their education, training for the unemployed, transfer payments to the disadvantaged, health assistance in remote communities are just some of the areas of corporate community involvement. For reasons of democratic accountability alone, it would seem incumbent on government, as a minimum requirement, to understand the magnitude of private sector social provision. However, rather than just observing companies’ social activity, the public benefit of private sector involvement could also be maximised through formulating public policy that takes account of the increasing private sector role.
A public policy framework that promotes the shared ownership of social problems and facilitates the contribution of social enterprise, as proposed in this thesis, is currently lacking in Australia and not seen as an essential component in furthering the transformation of the social responsibilities of business. While the stated purpose of the Australian Prime Minister’s social coalition and the mission of the Community Business Partnership are mutual benefits for business and the community through collaboration for long-term solutions to community problems, the public policy to facilitate this is limited to philanthropic donations and the conventional labour market subsidies in the social welfare system. A discourse around the responsibilities of business as a social institution and the intersection with government responsibilities is not seriously pursued. Where private sector social provision is already occurring alongside the public sector, as in support for Indigenous Australians, there is almost no attempt in public policy to take into account the private sector processes. The consequence is that the potential social outcomes for Indigenous Australians that could arise from private and public sector partnerships are not yet apparent.

Public policy in the United Kingdom does demonstrate the potential to manage the complex task of supporting voluntary business activity within a public policy framework. The British Government framework for corporate social responsibility facilitates the private sector in their voluntary activities though building consensus on priorities for action consistent with the broader government agenda in social policy. The policy takes account of the greater degree of subtlety required in government intervention of this kind to maximise the public benefits of voluntary business social responsibility.

Public policy for enabling corporate community involvement to expand does raise questions of how far this extends and if there are limits to public private sharing of solutions to public problems: does it mean there will be separate service structures? There are no simple answers at this stage but this thesis does argue that enterprises will significantly expand their social commitment, including community involvement, for strong business reasons. A conclusion reached in this thesis is that a significant expansion of private sector social activity necessarily requires changed public policy to enable governments to continue to exercise their responsibilities and be democratically accountable.
Achieving a transition in governance

The complex interconnections between business and government are one of the distinctive characteristics of the modern economy and contemporary governance (Bell and Wanna 1992; Moon 2002; Post et al 2002a; Stewart 1994). Governments establish the conditions or rules of the game for business to compete to generate profits. Government, through public policy, creates and enforces the laws that balance the relationship between business and society, distinguishing between private and public goods and ensuring public goods are distributed efficiently and fairly and that the pursuit of private benefits does not unduly infringe the public good. This process is necessarily highly dynamic, influenced by global and domestic economic cycles and socio-political expectations. What is of interest to this thesis is that the balance of public and private interests in the social domain is changing in the contemporary environment and along with that the nature of involvement by business with government and vice versa.

Chapter Two examined the application of the political concepts of partnerships and networks in contemporary theories of public policy design. For government, the partnership and network concepts refer to the giving way of a state centred analysis of public provision to a more flexible view of the role of government and political coordination or governance. ‘New governance’ encapsulates the themes of the changing roles and levels of responsibilities among government and other for-profit and not-for profit actors (Peters 1996, cited Moon 2002:385). A rigid public-private demarcation, with big business and big government and an amorphous community, which has dominated public policy in the post-war era, is now infused with notions of complexity, unpredictability, and flexibility. Accepting the limitations of the state, concepts of the state as facilitator, enabler or animator feature prominently in discussions of the reconceived balance between the market, civil society and the state (Botsman and Latham 2001; Dryzek 2000; Rose 2000).

The political theories of partnerships, networks and governance signal the possibility of a new interaction between the public and private domains. From the perspective of government and the community, these concepts propose coalitions for change, a focus on shared ownership of social
Chapter Three argued for enterprises being partners with government in the transformation of their social role and responsibilities. As well as advancing the public good, there are compelling structural imperatives arising from globalisation for business to adopt wider social responsibilities. This has variously been expressed as taking form in a softer and more compassionate form of capitalism (Emy 1993; Hutton 1996) – ‘capitalism without class power’ (Block 1995) or ‘a mindful market economy’ (Korten 2000) that would change the nature of the business power elite and open the way for the partnership option with government and the community. This approach, favoured in the European environment, calls for a different form of corporate governance where business becomes responsive to a wider group of ‘stakeholders’ (Block 1995; Hutton 1996; Korten 2000) and government does not exclusively depend on traditional economic and regulatory instruments to ensure widespread public goods flow from private sector activity.

To highlight the transition in governance and the changing role of business in relation to government and the not-for-profit sectors in the social arena, Moon (2002) distinguishes among the types of actors and modes of action. The traditional configuration has for-profit actors principally involved in market activities; not-for-profit actors operating through networks and depending on community trust; and government utilising hierarchical authority ‘premised on its constitutional, legislative, fiscal and organisational capacities’ (Moon 2002:389). As described in Chapter Three, a significant transition is now occurring in and among these three sectors. The shift in the balance of roles and responsibilities is generating a reduction in the scope of government intervention – as explained in Rhodes’ (1996) position on the ‘hollowing out’ of government. At the same time, not-for-profit organisations are increasing their market-based activity, supported by public funding, in the provision of social services previously performed by government and, as shown by this thesis, for-profit organisations are operating through networks as well as the market and serving a widening range of economic and social roles.

However, while Australian business is increasingly committed to involvement in the community and anticipates business benefits, to date
there has been a lack of clarity around the mechanisms for managing the connections between business objectives and the role of the government. A key question is does the new governance simply emerge as a result of the dynamics of change discussed throughout this thesis or are new public policy interventions needed to ensure the new governance achieves the hoped for outcomes; is the ‘social marketplace’ an ‘unregulated’ area of action or are there ‘market’ interventions warranted?

As argued in Chapter Three, business is experiencing pressure for greater social responsibility that arises well outside the confines of Australian public policy. Chapters Four, Five and Six have demonstrated that business has not directly sought government involvement in their community activities as they have been generated independently of government and between a company and its external stakeholders. This is proving to be perplexing for governments as they are also experiencing changes in their capacity in social policy. As Moon (1999) explained, for decades, the role of the Australian public service was easily defined and its position in economic and social life was relatively stable. The past two decades have seen this overturned with ‘dismantling of the neat association of legislative authority, regulatory power and fiscal capacity’ (Moon 1999:112). This has raised questions of the boundaries of government responsibility, nature of responsibilities that now overlap with other sectors and the mechanisms that would achieve the best public outcomes overall. As discussed in the next section, the Australian Government has chosen a minimalist approach to the public and business interface whereas this thesis argues for a more informed perspective on the policy formulation.

Moon (2002) summarises the attendant evaluative perspectives of the new role of business in the public domain to spell out areas for debate and further research. He nominates four themes: the compatibility of business motives with good governance and good public outcomes; the business role in relation to equality in the provision of public goods; the extent to which business can be depended on for consistency in provision; and ways to ensure democratic accountability for a new business role in the public domain. Each of these questions is raised in the earlier chapters that critically review the practices by Australian enterprises. Taking account of the issues raised by Moon (2002) and preserving the voluntary
and networked nature of the community involvement evident in social enterprise is a new challenge for public policy. There is the opportunity for domestic public policy to set the parameters for maximising the public benefits from the activities of the social enterprise as well as preserving the private benefits that flow to business.

Government already has multiple tools to influence business. The intersection of business activity and public policy has conventionally been characterised through the choice between ‘strong state or strong markets’ but tempting as this is, contemporary solutions will lie in more complex and mixed approaches (Stewart 1994). Along with macro-economic policy, microeconomic tools including the economic and social regulatory framework in which business operates are the main direct points of government intervention in business and the market economy. The regulatory framework judges the extent of the application of regulatory tools to correct market failure. This may be through redressing the negative impacts of externalities from the marketplace such as environmental pollution and occupational health and safety and correcting for unequal market power as in monopolies. (Viscusi et al 2000). Governments also intervene to correct for information asymmetries that result from misuse of market power where parties to a transaction may not share the same information – mandatory environmental reporting corrects for inadequate information in the public domain on a firm’s environmental performance and impact which may be of interest to investors and consumers.

Governments also intervene in markets to protect or expand and promote public goods. Offering incentives or subsidies for employers to train apprentices is a long-standing public policy labour market intervention that ensures a well-trained and mobile workforce is developed. Equivalent incentives have operated throughout later 20th century in many areas of public policy such as local economic development, regional investment and research and development.

Recent theories of government intervention in business through regulation propose extending these conventional tools to include a more responsive and interactive framework to transcend the strong state or strong market dichotomy. Of particular interest is an approach to responsive regulation. Ayers and Braithwaite (1992) propose a regulatory model for market...
governance that embraces community governance, peer scrutiny by an industry sector and a hierarchy of public sector intervention strategies. These tools combine to encourage business compliance with social expectations without a common blunt regulatory instrument that does not discriminate between responsible and irresponsible enterprises. While it is not being proposed that social enterprise is a field for the application of business regulation, the rationale and styles of regulatory intervention or facilitation of business activity do provide useful dimensions to consider in regard to the role of public policy and the social role of business.

The development of new regulatory theory or responsive regulation (Ayers and Braithwaite 1992; Galanter 1982; Gunningham 1991) is conceptually consistent with other theories mentioned earlier in this thesis that call for public policy to facilitate an enhanced local focus and mutual responsibilities. A ‘functional flexibility’ with extensive stakeholder input and decentralised decision making breaks down the traditional divide between sectors (Edgar 2001; Latham 2002) and maximises responsive and relevant policy. This suggests that an alternative public policy framework to facilitate social enterprise could draw on emerging policy approaches in regulatory theory that embrace citizen input and cross sectoral partnerships.

While this thesis argues for the need for an alternative public policy framework to facilitate the shared ownership of social conditions, it does not attempt to fully develop that framework as it is a more demanding task than can be attempted in one chapter. Rather, the following sections examine the minimalist approach currently employed in Australia and contrast this with the approach being developed in the United Kingdom as an indication of the elements that a more developed public policy framework for social enterprise might embody.

The conclusion of this thesis points to the significance for business of the emergence of social enterprise and argues for the potential benefits to be gained from incorporating the new governance (Moon 2002) into public policy. Hall (1993, cited Bell 1997:25) sees policy making occurring at three levels: changing policy settings such as tax and interest rates; changing policy instruments such as a shift from fiscal to monetary policy; and thirdly making a fundamental shift in the policy paradigm. The third order change in public policy most likely accompanies a
fundamental shift in policy goals. The proposition being made here is that the opportunity arguably exists to embrace a third order change in public policy to take account of the emergence of social enterprise. The new policy goals would be to advance the public outcomes from the new role being adopted by business without distorting the voluntary and responsive nature of the business activity. Many opportunities exist for innovative applications of the conventional and more innovative public policy tools that might play a role in the social domain where business is now an actor.

**The Prime Minister’s social coalition for Australia**

In November 1999, the Prime Minister John Howard and the Minister for Family and Community Services Jocelyn Newman convened the initial meeting of the Prime Minister’s Community Business Partnership – a ten-member committee formed to advance community and business collaboration throughout the Australian community. The members were drawn from the business and not-for-profit community sectors, including from financial sector enterprises such as Arthur Anderson, wealthy business individuals who are well-known philanthropists such as Richard Pratt, independent directors of public companies and representatives from the not–for–profit community welfare sector such as Patrick McClure of Mission Australia.

It was notable at the time that management from the many large companies conducting major community involvement initiatives – such as those profiled in this thesis like Lend Lease, Westpac, Rio Tinto and AMP – were conspicuously absent from the membership of this committee. The Australian Council of Social Service (2001:7) also objected to the presence of large charities and the exclusion of the smaller and more locally focussed community organisations. Some major companies expressed the view in interviews for this thesis that the composition of the business membership is consistent with the Prime Minister’s reluctant support for large business in contrast to the attention given to small business and his obvious emphasis on individuals rather than institutions:
There is nothing more worthwhile in life than starting your own business with absolutely nothing and making a go of it, and it is something I have believed in very strongly all my life (Howard 1998a:1).

The membership is also consistent with what has proven to be the ongoing focus of the Partnership activity – individual and business philanthropy. Both the presence of two tax experts and two recognised wealthy business philanthropists foreshadowed the major public policy initiatives pursued by the Prime Minister’s Community Business Partnership. Changes in taxation to encourage greater individual and business philanthropic donations to social welfare, the environment and the arts and investigations into the tax status of donations to charities (Howard 2001) are the major initiatives to date from this committee.

While increasing the money available for community services through philanthropy is an expressed objective of the Prime Minister – ‘my goal is to cultivate a greater philanthropic tradition in Australia’ (Howard 1998a:8) – by contrast the stated mission for the Prime Minister’s Community Business Partnership is expressed in terms of contemporary concepts of social organisation. It proposes an approach that encourages advocacy of corporate social responsibility, facilitation of cross-sectoral alliances and recognition of excellence in partnerships (Prime Minister’s Community Business Partnership 2001). The scope of the activity was widened in May 2001 to include a focus on triple bottom line reporting, encouraging local community and business networks and promoting employment opportunities for disadvantaged people such as those with disabilities and Indigenous people.

At the outset in 1998, the business community expressed disquiet with the implicit link between business community partnerships and social welfare, especially as the public expenditure on social provision in that system was being questioned (Maley 1998). The Partnership was located under the Minister for Family and Community Services whose portfolio is primarily concerned with the policies for the transfer payments to the disadvantaged through the social security system. The links between business and community partnerships and social welfare was reinforced a number of times by the Prime Minister and the subsequent Minister for Family and Community Services, Amanda Vanstone. The mission of the Prime Minister’s Community Business Partnership was linked with the
reform of welfare provision and the ideas of mutual obligation and self-reliance that underpinned the proposed changes to social welfare initially announced September 1999. In a speech to the business and community sectors on the occasion of the presentation of awards for excellence by the Community Business Partnership, the Prime Minister established a close relationship between his concept of a social coalition and the reform to the social welfare system:

The notion that every Australian should be encouraged and supported to participate in Australian society was central to recommendation of the (McClure) report … chaired by a Partnership member, and was a guiding principle of our welfare reform package (Howard 2001:2).

The core concepts of the McClure Report (Reference Group on Welfare Reform 2000) were expressed as reducing welfare dependency, increasing self-reliance in the working age population and building stronger communities to generate social and economic participation. The area where business was subsequently asked to engage was in the employment of disadvantaged people to build their ‘capacity’ (Department of Family and Community Services 2001). This was presented as an opportunity to exercise the idea of partnerships and ensure reciprocal support for the needy from those who gain from the community.

However, this approach does not appear to introduce new public policy mechanisms that would promote greater involvement by business nor does it embrace a dialogue with major business and their organisations on their expectations and capacity. Instead, it relies on the same model of incentive based payments that has traditionally been used for well over a decade to improve participation of the disadvantaged in employment. Although in 2001-2002, the budget is significantly smaller compared with a previous initiative outlined in Working Nation (Commonwealth of Australia 1994) that also specifically called on business support.

Nevertheless, the idea that business and community engagement is an important aspect of sharing the responsibility for reducing social exclusion was given significant profile in the McClure Report released in July 2000. An allocation is provided for business and community interaction and an employer forum on employing people with disabilities is also proposed. As well, the secretariat for the Prime Minister’s Community Business Partnership was disbanded in June 2002, and the
administration located in the Department of Family and Community Services. This draws further attention to the narrower focus of the Partnership activity as limited to the government agenda on welfare reform. This is at the expense of furthering a public policy framework for facilitating business and community interaction around the other notions of corporate community involvement already underway around Australia such as economic and community development and preventative strategies in health, education and environmental improvement.

Therefore, while the Prime Minister’s rhetoric concerning a social coalition signalled partnerships and a ‘web of relationships’ (Howard 1998b) as ‘an approach to tackling some of Australia’s challenges, particularly in the welfare area’ (Howard 2001), it is hard to see where the proposed action advances on past initiatives to engender social activity by business. Previous approaches, as in Working Nation (Commonwealth of Australia 1994), actually went further in calling for business investment in the training and employment of the unemployed. Government encouraged local initiatives and, in particular, established local infrastructure to elicit business engagement. The idea of a ‘Job Compact’ was the central concept promoted to business (Commonwealth of Australia 1994:10). Moreover, Working Nation was in an earlier era where there was only discretionary interest by companies in joining efforts with community groups or government rather than the current heightened interest in community involvement as demonstrated in this thesis.

In his frequent references to the idea of a social coalition, the Prime Minister has outlined his perceptions of the changes in the social policy concepts in conservative politics to build social cohesion in the community. He describes three historical phases of social provision: the welfare state of the post war era where large government dominated social provision; the 1980s where market forces and ‘unconstrained economic rationalism’ was believed to be the best mechanism to ensure social improvement; and, the present time where government is seen to have a ‘limited but none the less a very strategic role in our society’. He invokes loose ideas of ‘greater cooperation’ and a ‘role for everybody’ in arguing that a social coalition recognises that ‘governments have ongoing responsibilities (and) that also others in the community – the business
community – have responsibilities’. However, the framework for achieving this is limited to business willingness to ‘put something back’ and the exercise of generosity by ‘business men and women around Australia’. Collecting employee donations and donations by wealthy business philanthropists are provided as the main positive examples of business community involvement (Howard 2000:2).

An enabling public policy framework that promotes the shared ownership of social problems and facilitates the contribution of the social enterprise, as argued for in this thesis, is clearly lacking and not seen as an essential component in furthering the transformation of the social responsibilities of business. While the stated mission of the Community Business Partnership is centred on collaboration in the community, mutual benefits for business and the community and long-term solutions to community problems, the public policy designed to facilitate greater business engagement is limited to tax mechanisms to elicit philanthropic donations and the conventional labour market subsidies in the social welfare system. Growth in individual and corporate contributions in the United States has undoubtedly been facilitated by taxation incentives although it may not be as significant a stimulus as imagined. Taxation was only seen as influential in encouraging philanthropy in fewer than half the companies in a British study (Fogarty and Christie 1990, cited by Encel 1999:46). Similarly, the role of taxation was not highlighted as a threshold requirement in the open-ended questions in the survey or interviews for this thesis. Taxation incentives are, however, strongly supported by Philanthropy Australia in its mission to promote private and corporate philanthropy.

The Prime Minister also overly depends on his verbal encouragement for business to ‘strengthen communities’, on the assumption that they will respond through independent action (Howard 2001:4). As with the approach adopted for the Australian Business Arts Foundation, initially established as the Foundation for the Culture and the Humanities by the Prime Minister in 1999, the appeal to business to form partnerships is directed at business leaders as individuals. The Prime Minister’s approach centres on an appeal through letters and in person to individual business leaders rather than invoking the broader notion of corporate and community interaction and partnerships (Australian Business Arts
Foundation 2002). Although the words for partnerships and strengthening the community are used, appealing to individuals in business to give generously rather than appealing to business as responsible organisations who should invest in our social structure significantly limits the scope of the discourse between the public and private sectors and the boundary crossing potential of the responses.

The gap between the Prime Minister’s advocacy of the social coalition and his concept of community involvement by business is seen by Glazebrook (2001) as out of step with the increasing use of the concepts of good corporate citizenship elsewhere in the Parliament of Australia. He cites criticisms by politicians of companies failing to adequately observe their community responsibilities, such as fair labour practices and providing services throughout the community, and contrasts this with the limited view of The Prime Minister’s social coalition to be achieved through philanthropy. While some other areas of government are grappling with the contemporary interpretation of corporate social responsibilities, the Prime Minister’s rhetoric is unnecessarily narrow.

Two examples of other public policies to promote a wider social role by business demonstrate the potential to tie corporate community involvement to areas of public need while encouraging strategic business decision–making. The Department of Communications Information Technology and the Arts (2001) has proposed a policy to promote the social engagement of business in redressing inequalities in the community outside of their direct commercial activities. The massive outsourcing of information and communications technology and services from the Federal Government to the private sector embodies the idea of a supplier contact – a practice pursued throughout the business sector for establishing mutual expectations between supplier and client, who in this case is the Federal Government. Under the Strategic Industry Development Program, companies are required to pursue industry development initiatives in return for contracts with the government such as research and development and investment for industry growth. Consultations in the community to agree on the range of government outcomes expected for this initiative include a proposal to address the ‘digital divide’ issue in the community though a ‘corporate citizenship
Recognising the expansion in community interest for business to observe its social obligations, a requirement on companies according to the size of their sales to the government, would include reporting on their community activities to redress disadvantage related to lack of access to information technology. Desirable community involvement initiatives mentioned include assistance for those in rurally isolated areas, provision of infrastructure in schools and other facilities connected with public housing, provision of public facilities to access information technology in locations of economic and social need and providing information technology support for not–for–profit organisations. Reporting to the Department on these initiatives would ‘affirm a company’s social obligation credentials’ in contributing to the community, especially when the company derives a significant commercial benefit from a commercial market (Department of Communications Information Technology and the Arts 2001:14).

Recent amendments to the Australian Financial Services Reform Act are another feature of a more enabling public policy framework to advance social enterprise than is evident in the policies for the social coalition. The changes, following an amendment by the Democrats, increase the disclosure of the extent to which superannuation funds and investment managers incorporate environmental and social issues in their investment decisions. Under the Socially Responsible Investment disclosure requirements of the Financial Services Reform Act 2001, the Product Disclosure Statement for financial products that have an investment component will be required to state the extent to which labour standards, environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment. This is intended to produce a ripple effect not only in the investment community but also throughout listed companies as organisations classify and record their socially responsible activities. The intention is an increase in companies’ attention to the parameters of socially responsible performance (Suggett and Goodsir 2002).
Both these instances of public policies to encourage greater business engagement in a social role differ markedly from the Prime Minister’s mechanisms to promote a social coalition. The former examples aim to encourage management decisions on substantive business activities that would be conducted primarily in the interests of community well-being. By contrast, the Prime Minister’s approach is to request donations from business leaders to assist communities. He omits the central ideas of social enterprise where business establishes a strategic intent for the community contribution, draws on its resources and capabilities and develops strategies that give effect to the shared ownership of social problems. The task of social enterprise is to integrate social responsibilities with commercial decisions and to secure benefits for the business. The new task of public policy is to enable business decisions to reflect on the quality of the social engagement and achieve positive social outcomes as well as business benefits. The public good outcomes of private sector community involvement will be significantly enhanced if conducted in a supportive and enabling public policy framework.

Before examining what an enabling public policy framework might contain, a further example of the intersection between public policy and corporate community involvement is provided. The example of business involvement with Indigenous communities demonstrates the dimensions of the nexus between the public and the private sectors.

**Public policy and business involvement in Indigenous communities**

The public policy environment for collaborative activities between Australian business and Indigenous communities is a striking example of the need to alter the way that business involvement is facilitated through government policy. Government is by far the dominant presence in strategies to improve the circumstances of Indigenous communities but the business sector is increasingly active alongside government, particularly in remote and regional communities. In many cases, private sector activities are proving to be more successful in achieving positive outcomes for communities. (School education for Indigenous young people in the Pilbara through the initiative Gumula Mirnuwarni, a joint endeavour with the Polly Farmer Foundation, is an example.) It is
proposed here that a new task for public policy is to respond to the business sector presence in such a way that the social and economic outcomes from the combined activities of the public and private sector are maximised. Developing the parameters for sharing public responsibilities and addressing the questions of equality, continuity, reliability and accountability (Moon 2002) are key to advancing the quality of the public outcomes of social enterprise.

Many companies interviewed for this thesis such as Normandy, Hamersley Iron, Rio Tinto, BHP, Westpac, Lend Lease, The Body Shop, Western Mining Corporation, Woodside Energy and Telstra conduct community involvement activities directed at reducing the disadvantage experienced by Indigenous Australians. They plan their activities along the lines outlined in Chapters Four, Five and Six and form partnerships with community organisations working in these communities as well as contribute directly to communities and individuals. However, many express the view that their relationship with government is highly problematic. Some have operated outside government parameters and forgone subsidies and the like because of the inflexible nature of government requirements hindering their achievement of objectives (such as Hamersley Iron) whereas others express ongoing frustration with the constraints of government provision. Coles Myer (not interviewed for this thesis), specifically avoided establishing links with government in a training initiative for Indigenous owned retail outlets on the grounds that it wanted to ‘avoid politicisation of the relationship’ and be free to pursue the initiative in the best way for themselves and the participants (The Allen Consulting Group 2001:60). Others, such as Western Mining Corporation, are very concerned that they do not duplicate the work of government but are faced with a very complex task in establishing where their community contribution would be most effective (The Allen Consulting Group 2001:64).

Of course, business involvement in assisting Indigenous Australians needs to be kept in perspective with the business contribution being a tiny proportion of the public expenditure – as it is in all areas of social provision (Encel 1999). The recent history of solutions to the social and economic disadvantage for Indigenous Australians is inextricably connected with government programs – education and employment,
housing, health and business and community development but successful outcomes fall short of the need and there is a strong interest in securing corporate involvement to gain access to the ‘real economy’. The Business Council of Australia responded to this by initiating a study to investigate business involvement in supporting Indigenous communities (The Allen Consulting Group 2001).

Even though a strong consensus supports the conclusion that Australia’s Indigenous people are the most disadvantaged group in the Australian community, many government initiatives have been found wanting. This is despite that fact that public provision for Indigenous Australians by the Federal Government is at its highest recorded level (Department of Prime Minister and Cabinet 1999). The common findings over the past decades have been that poor outcomes from government programs have resulted from weak and uncoordinated program delivery and support that has been skewed to service provision at the expense of infrastructure and giving Indigenous Australians greater control over their economic futures (Council For Aboriginal Reconciliation 2000).

In a study of the public policy encouraging collaboration between business and Indigenous communities, Altman (2001) concludes that government programs rarely advise on Indigenous community and business involvement as a commercial proposition that is separated from socio-cultural objectives. That is, they wrongly mix socio-cultural objectives with commercial strategies. On the other hand, many companies prefer to conduct commercially based community involvement activities with Indigenous Australians that have very clear mutual expectations such as establishing an earth moving business with Rio Tinto, catering services for Western Mining, cultural awareness training for employees with Woodside or clothing manufacture for The Body Shop. Indeed, companies express the view that assisting indigenous communities attain economic independence is the desired outcome of their community involvement activities but Altman concluded government is unclear in its understanding of these commercial partnerships.

Also, government advice on whether the target for support should be individuals or communities has been uneven and the nature of assistance that business is best equipped to provide is not signalled. Training and
employment initiatives are the most common and, as stated before, the complex guidelines for employer subsidies for apprentices and trainees have led a number of companies to by-pass government assistance in the interest of the flexibility that is needed to succeed in this complex area. In other words, the underlying rationale for business involvement in Indigenous communities has not been incorporated into the government programs and there is a weak understanding of the capacity of business to assist, although business community involvement is increasingly seen as a key mechanism to advance Indigenous communities. As Western Mining Corporation said, deciding how to provide assistance to Indigenous Australians that also provided business benefit was like ‘walking into a fog’ with no-one providing guidance or sharing experiences (The Allen Consulting Group 2001:29).

For business to be able to conduct activities to advance Indigenous communities requires government to generate a role as a responsive partner in development rather than as purchaser of services that simply resources business to provide a community service in the place of government (Altman 2001). In other words, there is the opportunity for government to embrace features such as less centralised control, more opportunity for shared planning with business and the Indigenous communities and flexible guidelines for items such as time requirements for training. There is also the opportunity to learn from the outcomes of these initiatives and adopt a more holistic approach to designing assistance for communities rather than only supporting initiatives that are restricted to particular public sector portfolios.

One tentative attempt to apply this thinking is The Corporate Leaders for Indigenous Employment program, a joint initiative of The Department of Employment, Workplace Relations and Small Business, The Aboriginal and Torres Strait Islander Commission, Reconciliation Australia, Indigenous Business Australia and the Australian Chamber of Commerce and Industry. The initiative is regarded as an expression of ‘a new social coalition’ targeted to improve the employment prospects of Aboriginal and Torres Strait Islander people (The Allen Consulting Group 2001:141).
The Government regards it as a new approach to leveraging additional benefits from the business interest in community involvement. The government has recognised that, while success depends on the commitment and creativity of industry leaders in training and employing Indigenous people, it can help facilitate their approaches. Partnerships between government and companies may be formalised in a Memorandum of Understanding and companies can receive assistance and flexible funding for ‘creative approaches’ to improving employment opportunities for Indigenous Australians.

Companies report that this is a welcome change to the public policy setting for business involvement in Indigenous communities but that it is a narrower view of the assistance that is possible, in being restricted to the one employment portfolio. While it attempts to collect information on the activities of companies, it does not operate as a repository of best practice and is not transparent about its agreements with companies as they are regarded as commercial-in-confidence (as indicated in an interview with the government department). As of October 2001 there were sixty-two signatories.

The complexity of government facilitation of the social enterprise is typified by business and government involvement in assisting Indigenous Australians. In a practical sense, increased community involvement raises a number of questions concerned with the intersection between business and government responsibilities. While land access settlement has involved a substantial transfer of money, Rio Tinto, Woodside, Western Mining Corporation for example, have gone beyond those requirements to establish community involvement programs with Indigenous people around their mining operations in Western Australia, Queensland and New South Wales. Initiatives include school education, vocational training, employment assistance, community health initiatives and Indigenous business development.

In each of these instances, the relationship with government as the conventional source of support for social provision has been tenuous and has been more a matter of optional communication than negotiation of programs parameters. There is no apparent forum for cross-sectoral exchange and governments do not necessarily know of corporate activity and vice versa. Some companies do cooperate with each other in the
programs they offer, often through a not-for-profit organisation as an intermediary, but again there is no obligation or encouragement of companies to align their activities with other companies in the region. Without common understandings between business and government, there are few mechanisms to assure equity, consistency, reliability or accountability, which are important aspects of good governance (Moon 2002). These community involvement activities are, in the main, seen as a source of competitive advantage and not entirely open to scrutiny.

A task for public policy is to recognise the nature of the new nexus between public and private social provision that arises from the community involvement of Australian business and establish the framework to maximise the social outcomes. The following section examines the features of the private and public sector interaction in the United Kingdom and suggests their approach serves as an enabling public policy framework for social enterprise.

**United Kingdom and public policy for corporate social responsibility**

Recent developments in the United Kingdom to construct a public policy framework for companies’ social role demonstrate the potential to support voluntary business activity and advise on the priorities and mechanisms that would best align corporate activity with the broader government agenda in social policy. The objective for the government is to facilitate the private sector in their voluntary activities and to build consensus on priorities for action while recognising the greater degree of subtlety that is required in the style of government intervention to maximise the public benefits of voluntary business social responsibility.

British business has had a long tradition of philanthropy. Early industrialisation of Britain provided business owners with the wealth and status to undertake significant acts of charity consistent with the poverty relief and social care system of the time. As the reliance on private charity proved deficient from the late nineteenth century and public authorities assumed the dominant role in the provision of social services, the practice of generous philanthropy by business owners continued to the mid twentieth century (Marinetto 1998). The involvement of the post-war corporate sector was more problematic, due to constraints on the
expenditure of resources, other than in the interests of shareholders, and the strong role of the public sector in social provision. As the economic and political environment changed dramatically in 1970s and 1980s, a major shift occurred in the social role of business from the traditional concern with charitable donations to a focus on socio-economic endeavours directed at the social problems of mass unemployment and urban decay (Cannon 1992; Moon and Richardson 1985; Moore and Richardson 1988). To promote contributions to the community, the business community voluntarily established organisations such as Business in the Community. (To date no equivalent business funded organisation has been established in Australia, although Business in the Community did establish an Australian affiliate for a short period in the late 1980s, most active in Tasmania and Western Australia, and there are some unfunded voluntary networks).

The public policy to facilitate community involvement in British business has accelerated in the 1990s along with the expansion of business networks – such as the Prince of Wales Business Leaders Forum and the London Benchmarking Group – that provide not only the opportunity for sharing business experiences, but function as a avenue for government to promote their policies. Two major enquiries intended to be prominent in the public domain, conducted by prominent private and academic opinion leaders, considered the future of business prosperity and an analysis of the role of business in society and government to encourage business to take a role in the inclusive society and pursue stakeholder engagement and ‘far sightedness’ (Institute for Public Policy Research 1997; RSA 1995).

Like Australia, relations between modern British business and government has been relatively close with business far more open to social pressure by government and far less suspicious of government that their American counterparts (Vogel 1986). The Blair government has declared its role to be in facilitating the ongoing voluntary work of the private sector, without displacing the current business activity, through promoting an explicit corporate social responsibility framework. In stark contrast to the relatively undeveloped elements of the social coalition framework of the Australian Government, the British Government has formulated an approach that draws business into partnerships and networks with the community or government, consistent with the social
and economic vision of the government. The stance of the government is that public policy needs ‘to work with the grain of the market’ fostering and, where appropriate, taking part in partnerships with the private sector and non–government–organisations, with government acting as a broker to reflect the public policy interest (Department of Trade and Industry 2001:3). However, it is only realistic to expect that some government initiatives in this area will not succeed, especially those that are accompanied by political slogans.\(^7\)

While community activity by business is the component that is of most interest and presents particular challenges in its interaction with public policy, the corporate social responsibility framework in the United Kingdom is strategically located in a broader conceptualisation of the interaction between business and government. Tools for government intervention to correct failure in the market and mitigate the effect of negative externalities include regulation that sets minimum performance standards, codes of practice and agreements on behaviour and standards, and programs that encourage information flow and consensus building among business and its stakeholders. Each of these policy instruments, if constructed correctly, has considerable potential to facilitate a deeper awareness in business of the extent of their social responsibilities and to reward responsible behaviour (Ayers and Braithwaite 1992; Breyer 1981).

In the socially regulated environment in Europe, with stringent protection for the environment, employment and consumers, there is a debate on the extent of regulation versus voluntary standards in achieving socially beneficial outcomes from business performance (Commission of the European Communities 2002). However, in the United Kingdom, in recognition of the value and power of voluntary action, the choice has been made that public policy initiatives for promoting corporate social responsibility should explicitly avoid overlap with regulated areas of corporate performance. The objective is to encourage voluntary social activity precisely in those areas not already heavily regulated such as the exercise of social responsibilities in international development, social

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\(^7\) For example, an initiative called ‘2000 business supporters by 2000’ was reportedly unsuccessful and aspects of the extensive initiatives in education to gain business support, such as the City Academies, have not met all the expectations of the government.
investment for economic regeneration in deprived communities and basic literacy and numeracy skills (Department of Trade and Industry 2002:9).

The government believes that in recognising the value of voluntary social activity by business, the speed of innovation in designing social initiatives may be faster than is possible through conventional government programs. Indeed, one proposal is that government needs to find additional avenues to ‘encourage and incentivise high quality corporate social innovation’ so as to ensure public provision builds on the innovation in the private sector and spreads the learning throughout public and private sectors (Demos 2002:13). The Labor Party think tank Demos has called for a public policy agenda to maximise the public value of corporate community involvement through mechanisms such as a business social innovation tax credit, public programmes that replicate successful social innovation by business, and support for local brokerage of social innovation.

The United Kingdom government policy framework also takes into account the business motivation for community involvement, similar to that identified in this thesis, and the implications that has for the nature of the public and private interaction. Government understands that companies will be most receptive to approaches that closely relate to business drivers and the characteristics of business sectors – unlike the approach to business by the Australian government that depends on a personal appeal to business leaders to ‘put something back’. Government intervention is therefore concerned with blending business and social benefits and is ‘enabling’ rather than prescriptive through brokering partnerships, sharing good practice on a national basis, and monitoring standards and setting an overall market framework.

Private public partnerships are a favoured mechanism for facilitating social activity by business. Government frequently provides partial funding in enabling the establishment and operation of the partnerships. As in Australia, education is a popular area for partnerships and Education Action Zones, established in the most deprived areas, receive funding from government and raise additional support through partnerships with local business. Business and community partnerships for social investment by business are also facilitated and large and small business partnerships are encouraged. Similar activities are facilitated in
the environment, fostering social inclusion and the regeneration of communities, workforce relations and responsible behaviour in developing countries (Department of Trade and Industry 2002).

Because of the proliferation of policies and programs throughout government to encourage voluntary partnerships with business, community and government a Minister for Corporate Social Responsibility has been appointed to improve co-ordination of the initiatives across government. An audit in 2001 identified over sixty corporate social responsibility related government programs. The Minister also engages business on developments in the socio-political environment such as the role companies might play in conflict-prone countries and the new frontiers of ethical business practices (Department of Trade and Industry 2001).

Government has historically conducted a dialogue with business on the economic dimensions of their performance and economic and social regulation – this has been the core focus of business and government relations (Bell and Wanna 1992). However, the style of dialogue around the impact of business on society, as being conducted in the United Kingdom, is of a different order and is seeking different outcomes. It is not a conventional policy negotiation around prospective regulation or tax but concerned with the parameters of governance and decision making in these companies in recognition of their global reach and the changing capacity of government. As discussed in Chapter Three, the transition to public and private partnerships and the objective of shared strategies that is occurring in government is part of the changing architecture of public and private relationships in the global environment. As well as the community expecting socially responsible business, government is seeking business involvement in areas beyond the boundaries of the marketplace and often in areas where government initiatives have not been that successful.

The contrast between the public policy framework of the British and Australian governments is considerable. Where the Australian government has essentially structured its appeal to business to form partnerships with the community around philanthropy by individuals and companies, the British Government has articulated a policy framework for corporate social responsibility, drawing a distinction between the
heavily regulated areas of economic and social activity and those areas where voluntary business involvement would deliver public benefits. The Australian Government has nominated some areas for social contribution by business, such as employment of people with disabilities and Indigenous people. Some departments are pursuing their own initiatives but there is no apparent long-term perspective that signals an integrated public policy vision to business and no means to assemble an inventory of business activities to facilitate greater effectiveness. With the early Australian initiatives being located in the portfolio for social welfare, as opposed to an industry portfolio as in the United Kingdom, the possible scope of activity was limited from the outset. While the use of the terms partnerships, networks and governance are loosely applied in the Australian discourse, the British concepts are explained and the context provided for their application. On the other hand, the many speeches by the Prime Minister on this topic contain the objectives of the Australian Government rather than the objectives being embedded in conventional government policy or legislation that outlines a conceptual framework and policy parameters.

In a study of the business community’s involvement in social partnerships and public policy in Britain and Denmark, Martin (2001) concluded that companies join in public private partnerships, in this case to relieve unemployment, because they have the internal capability to reflect on the costs and benefits and because the state actively recruits them. Their involvement is contingent on state activism, especially at the local level. Where government is local and active and conducts an outreach to secure business support and guides their activity, involvement in partnerships increases. The study also found that the personal appeal to business leaders in the employee relations and employment area, particularly by the Prime Minister in Britain, is a further aspect of success in that it provides a political incentive to comply with government wishes. Danish and British political leaders have established networks among business leaders to actively involve them in their social policies. In both Britain and Denmark business organisations also facilitate the involvement of companies and the combined effect of an active state, business networks and willing and competent companies has significantly altered the level and outcomes of business involvement in the community.
Martin (2001:73) concluded that to assume businesses enter the most beneficial social partnerships on their own initiative fails to take account of the potential role for the public sector to ‘inspire, convince or pester companies to join the social effort’. She noted that while the historical relationships between business and government, patterns of social policy and the nature of business organisations influence business social activity, there are significant similarities across countries in the factors for success. Successful governments make strategic choices to engage business through facilitating local engagement and local control, ensure decentralised decision making and utilise existing business organisations to encourage a longer-term vision. (Although, engaging on employee relations and employment through business organisations is possibly more easily accomplished through the European corporatist organisations than the British pluralist business organisations.)

The United Kingdom provides an example of a structured policy framework to encourage greater business involvement in securing social outcomes that support government social policy. The idea of forming social partnerships among public and private sector actors, including the for profit and not-for-profit sectors, is spreading throughout government portfolios as business involvement is seen as adding to the policy mechanisms available to government in areas of intractable problems. The British corporate social responsibility framework attempts to recognise the commercial and social motives for business involvement but unlike the approach by the Australian Government, the British Government has gone well beyond verbal encouragement to the offer to facilitate business activity in nominated areas of social need. Promoting corporate community involvement has become a visible policy objective for government.

The questions that this approach raise are how far does this approach extend to solving social problems and what does it mean for the capacity of the state to manage public policy if it is increasingly dependent on voluntary partnerships rather than an interventionist and active public sector. It also raises the question of the acceptability to business of this level of government involvement. Australian companies may well resist such as activist state role. The next section considers some of the challenges to the proliferation of public private partnerships.
Challenges to public private partnerships

Although there is a remarkable level of political agreement on the value of private public sector partnerships, some political theorists along the political spectrum challenge the direction that is being taken. Those on the left argue that voluntary social activity by business should not substitute for regulation of the social impact of business and that admitting business to share governance of public policy is legitimising their negative impact and blurring the public responsibilities of government. Conservatives argue against partnerships in that they submit companies to a form of civil regulation that is a distraction from their commercial pursuits.

Responses to the Global Compact between public and private sectors established by the United Nations provide insight into the questioning of the viability and worth of public sector strategies that embrace the private sector in partnerships. In contrast to previous eras, in the past decade the association between business and UN agencies has been changing to one where there is now an ‘all out courting’ of the business sector (Cohen 2001:183). The United Nations Global Compact, inaugurated in July 2000, arguably alters the landscape for global governance of business. The major global corporations like Shell, Unilever, Ford, the major non-government and civil society organisations, labour organisations, senior international government representatives and the United Nations signed an agreement on pursuing public private partnerships to achieve social and environmental improvement. This was seen as formalising the already considerable partnerships with business that were operating at the international level: Ericsson supporting disaster relief, financial institutions involved in dialogue on sustainable development, pharmaceutical companies such as Merck and the distribution of drugs, Cisco involved in internet education with children in developing countries and many others. The Global compact is promoted as an opportunity to ‘humanise globalisation’ and to institute stakeholder partnerships on a global scale that is without precedent’ (Cohen 2001:197).

\[\text{While this thesis is essentially concerned with domestic rather than global expressions of social enterprise, the range of business and NGO reactions to the Global Compact is illustrative of the complexities of business and private partnerships and is discussed for this purpose.}\]
However, the apparent mutually advantageous partnership concept is not universally supported. In a letter to the Secretary General, a number of non-government organisations voiced their concern with the objective of the United Nations to form a partnership with global corporations purportedly in the interest of economic, social and environmental alignment. They argue that voluntary agreements by government with business are a poor alternative to conventional regulation and should not be used to offset legislation. In response to the signing of the Global Compact, non-government organisations challenged the implied inevitability of globalisation and the de facto endorsement of the global power of corporations. They also questioned if a voluntary agreement that does not constrain the market mechanism can be relied on for beneficial social and environmental outcomes. The formation of a partnership is therefore regarded as a strategy that masks real accountability and protects corporations from scrutiny of their performance standards:

We are well aware that many corporations would like nothing better than to wrap themselves in the flag of the UN in order to ‘bluewash’ their public image while at the same time avoiding significant change to their behaviour (Zadek 2001:94).

Non-government organisations argue instead for a parallel mechanism that monitors the performance of the global corporations. It would prohibit brand promotion on their association with the United Nations, ensure open and transparent decision-making and dialogue before major corporate decisions are made.

Opponents to the growing power of global corporations also challenge public private partnerships as representing a significant escalation in the part played by corporations more generally in ‘the rules of the game’ (Zadek 2001:99). Business has routinely engaged in negotiation with governments but formalising and legitimising arrangements though business partnerships with government elevates the status of business in global decision making beyond that which many in civil society organisations find acceptable. While public private partnerships are supported as mechanisms that tap business resources for non-market activities, an undesirable consequence is a further consolidation of their power and influence in public policy making.
In the Australian context, Cox (1999) argues that public private partnerships have the danger of obscuring government responsibilities and confusing accountability and visibility in serving the community in a democratic society:

If you don’t have a visible government that you can trust… you are probably less likely to be resilient in other areas…I think there is a real danger in the switching of roles between government and business…both will lose their particular functions in the social system and the tension between them will become slack and confused. (Cox 1999:101).

A strong and strategic government role ensures community services are publicly owned and managed and benefits are distributed fairly and equitably. The market is not seen as having a constructive role in this, neither in contributing resources nor in influencing government in management of social and economic conditions (Cass and Smyth 1998).

Political conservatives also challenge the involvement of business in social partnerships. Challenging the legitimacy of stakeholders as opposed to shareholders in business governance, Johns (2002:2) regards voluntary agreements with non-government organisations, as ‘civil society regulation in disguise’ or ‘civil socialism’. The regulation of business should be through price control or government law and not through the ‘strange new language of corporate social responsibility’ where the owners of capital become subservient to the interests of civil society organisations and where governments hand over their role to unelected organisations in the name of stakeholder management and partnerships. According to Johns (2002), the wrong response by business is to embrace the legitimacy of civil society stakeholders in governance and accept deviations from conventional public policy mechanisms. The correct response is to stay firmly within the limits of the commercial marketplace and the democratically determined regulatory environment and resist deviations that undermine formal democratic consensus.

Also adding caution to the optimism that surrounds the partnership mechanism in public policy, a study by the OECD (2001) concluded that although they are extensive throughout the OEDC countries, partnerships represent a ‘black box’ in terms of public policy in that there is no knowledge of how they operate or if they deliver superior outcomes. Moreover, they may contribute to enhanced social capital but is that is not
seen as an adequate justification in its own right. Both government and business increasingly rely on non-government organisations and community-based groups to be the intermediaries but this creates separate service structures that co-exist and further fragments a nationally consistent policy framework.

For similar reasons Marinetto (1998:179), in examining corporate social involvement in Britain and Italy concluded that ‘corporate engagement in wider society is problematic’ not because the activities are deficient but because the interface with the public sphere is not sufficiently clear. He argues that increased voluntary activity of this sort is inherently unstable because of financial constraints on business resources, there is a danger of undermining democratic institutions for decision making, there is a lack of corporate expertise in identifying social remedies and, realistically, the level of business support is insignificant in the face of the level of government involvement. An enterprise’s social responsibility ‘is ultimately bound to – and thereby limited by – profitability and maintaining its competitive edge’ (Kristensen 2001:33).

While these challenges to business and government raise questions of the long-term public viability of corporate community involvement at the domestic as well as global level, they also provide further evidence of the need for a realistic public policy framework rather than a minimalist policy or none at all. A task for government is surely to recognise the limitations of business social activity but to ensure the social outcomes are of maximum benefit to the community.

**Elements of a public policy framework**

In summary, a public policy framework to further social enterprise and maximise the public good outcomes would, above all, respect and acknowledge the complex motives of social enterprise as identified throughout this thesis – ‘work with the grain of business’, as explained in the United Kingdom. It would also build on the shifts in the balance of activity by for-profit, not-for-profit and government actors and their changed modes of activity in governance (Moon 2002). There are two general ideas that inform the proposed approach.
Firstly, the role of public policy in facilitating the effectiveness of the new ‘social marketplace’ in which social enterprise is being conducted should be informed by the lessons from the regulation of business over the past twenty years. In the modern capitalist market economy, regulatory theory proposes that government should only intervene to correct market failure (Viscusi et al 2000). Simply because government has strong objectives in relation to an issue does not imply that government intervention is warranted and would be effective. Ideally, modern governments in the ‘steering not rowing’ transformation, seek to ascertain the degree to which market processes will achieve desirable outcomes and design their interventions accordingly. There is of course constant debate in public policy and in the community on the nature of desirable outcomes. The working proposition here is that intervention in the social role of business should be designed to carefully target a specific ‘failure’ in achieving public outcomes and enhance voluntary responsiveness to public need – fill information gaps, clarify accountability for outcomes, facilitate autonomous networks and so on.

Secondly, an alternative public policy framework for social enterprise would have a foundation in the new governance, in particular cross sector collaborative networks and partnerships (Edgar 2001; Latham 2002; Dryzek 2000). This also accords with innovative approaches to market intervention that have foundations in participation, negotiation, local dialogue and consensus (Ayers and Braithwaite 1992).

An alternative framework would include the following characteristics.

- Indicate themes of public value. Government would periodically highlight areas of interest where government saw enterprise involvement would be most beneficial. While social enterprise will continue to seek direct relations with stakeholders and with local communities, it would also gain from advice on areas where private assistance would be most valued. This is not to redress a shortfall in public finances but government should have the capacity to signal areas where government is not succeeding and where business innovation may be more successful and potentially
serve as lessons for public sector application\(^9\) (Demos 2002; The Australian Collaboration 2001).

- Information provision: Information provision is a conventional tool to correct for ‘market failure’. Enterprises are relatively isolated from each other in their social practices. Government facilitation of information exchange among enterprises and between business and government would enhance decision-making and service provision.

- Foster cross-sectoral dialogue. Facilitation of dialogue, sharing of data and experience, identifying potential areas for collaboration would be an efficient use of public resources and enhance the effectiveness of social enterprise.

- Consolidate local governance. An objective should be to enhance autonomous community dialogue and networks and build in a sense of mutual responsibility. Valuing the role of enterprises in existing networks supported by government and facilitating wider public services engagement with enterprises would have a mutually educative effect and provide a forum for sharing resources.

- Foster accountability. Social reporting and stakeholder dialogue is increasingly encouraged in the United Kingdom and Europe (Commission of the European communities 2001; The Australian Collaboration 2001; Zadek 2001) as an integral component in advancing business social involvement through transparent reporting on objectives and outcomes. Many Australian companies such as BP Australia, Shell Australia and Westpac have incorporated triple bottom line reporting into their social role (Suggett and Goodsir 2002) to further their relations with the community and government and open their social activities to wider public visibility and scrutiny.

\(^9\) One example known to the author is the ANZ piloting of ‘matched savings grants’ where the bank allocates a dollar for dollar amount to the accounts of a group of disadvantaged customers in a location in Western Sydney. The ALP has subsequently identified this strategy for further development in their social welfare policy platform. Policy.
• Provision of incentives and services. Incentives such as tax credits and subsidies are conventional public policy tools but they do have the capacity to distort market decisions (Vicusi et al 2000). They have been a feature of past practices in labour market programs from the 1970s and continue to be advocated as a compelling strategy. Incentives have also been used to some extent other areas of social provision such as local development strategies (Moon and Willoughby 1990). However, a lesson from the area of public policy for Indigenous communities is that the successful use of incentives depends on the guidelines permitting a high level of flexibility, beyond that which has been common in the past (Altman 2001). There is a place for judicious use of incentives as in provision for brokerage services in a local community around particular areas of need identified through public analysis (OECD 2001). This is an example of use of incentives that has less capacity to distort decisions in the social marketplace.

• Modification of existing social policy tools. There are many areas, particularly in relation to employment and training, where there are existing incentives in support of policy objectives. As demonstrated in relation to programs for Indigenous communities, public procedures frequently constrains and limit the flexibility of business involvement and fail to grasp the complex business motives. Restructuring policy to encourage partnerships and mutual accountability should reduce the need for intrusive and inflexible instruments.

Conclusion

The emergence of the social enterprise in Australia is such that government policy has a responsibility to create the social and political conditions for the benefits to the public to be maximised. Government can remain remote and Australian business will continue its community involvement activity as long as the business motivation is strong and the benefits are apparent. Government also has the choice of nurturing the new level of corporate social activity. The experience of the British Government points to dimensions of government policy that are not evident in Australia. Where Australian public policy is a loose appeal to
wealthy business individuals and philanthropy and tied to social welfare, the British policy is a conceptual framework for public needs to be met through public private partnerships.

An alternative public policy framework would embrace the lessons from the regulation of business over the past twenty years and seek to work within the emerging changes in governance that see the respective roles and responsibilities of business, the not-for-profit sector and government undergoing a transformation and partnerships becoming an important element in governance. Elements of a framework would include a role for government in indicating themes of public value where social enterprise could significantly contribute to the public good. Information provision on others social enterprise activities would also facilitate decision-making accompanied by resources to foster cross-sectoral dialogue. Public policy tools should enhance autonomous community dialogue and networks and build in a sense of mutual responsibility to consolidate the essential features of local governance. A process to foster accountability to stakeholders would encourage enterprises to open their social activities to wider public visibility with the associated inbuilt improvement mechanisms. Existing social policy tools could be enhanced to promote autonomous partnerships along with the judicious provision of incentives and services.

Chapter Three argued that globalisation of capital flows and business operations has altered the balance of influence between corporations and governments. As Drucker (1989) concluded, our contemporary pluralist society has more centres of power than at any other time and accountability for pursuing the common good is widely dispersed so new social and political arrangements are needed to achieve agreement on economic and social responsibilities. ‘Functional flexibility’ in public policy (Edgar 2001; Latham 1998, 2002) would favour additional players adding to government provision for the public good. If government’s effectiveness has waned significantly, the future vision should ensure the communal needs of citizens are met in a way that parallels the diffuse and networked production process of the post-industrial economy. Boundaries of government will become blurred with the private sector and the not for profit sector. Moreover, ‘no-one will care because it is results that count not the process’ (Latham 1998:211).
The voluntary public private partnerships evident in the United Kingdom and the increased public social activity of Australian business are evidence of a significant change in the public role of business. Optimists in government will see this has the potential for leading a larger socio-political transformation in shared responsibilities.
CHAPTER 8: CONCLUSION

The aim of this thesis has been to identify and explain the changing social role of Australian business. The primary focus has been the recent emergence of social enterprise in Australia. Companies are conducting voluntary non-market activities in the community, tackling social problems and forming social partnerships in anticipation of new intangible business benefits in the dramatically altered economic and social environment for business activities. The secondary focus has been the increasingly blurred boundaries between the public and private sectors that are a consequence of a more socially involved business sector and the implications raised for public policy.

The central conclusion is that the majority of large Australian companies have widened their view of the social role of business. The post-industrial economy is redefining the nature of organisational value beyond that delivered by narrowly conceived commercial objectives and a new social and moral dimension has been introduced into the business model. The demands of the social role of business are likely to grow to a level of strategic importance and Australian business expects to accelerate their social involvement as a central part of their response to their changed social and economic environment.

However, realising the potential business and public benefit of this transformation is problematic on two fronts. Despite aspirations to meet the new social demands, companies will not fully succeed if they simply externalise their social response and fail to integrate their new social responsibilities and insights into their core business strategy. Although companies freely use the concepts of the new social relationships – stakeholders, partnerships, community and trust – and expect gains from their reputation and other intangible assets, the central concern of the majority of large business is still narrowly defined commercial value. Without a dedicated effort to integrate and evaluate the gains from the new social relations, the practices are likely to fail to deliver the hope for business outcomes. Also, the emergence of social enterprise has brought to the foreground the limitations of Australian public policy in responding to the changing nexus between public and private social provision. A public policy framework that promotes the shared ownership of social
problems and facilitates the voluntary public contribution of business is essential in furthering the social transformation of business and ensuring the benefits of this flow to the community as well as business.

Corporate community involvement was the aspect of social enterprise that was examined. The empirical research examined the rationale, activities and benefits of voluntary community involvement activities in ninety-eight large Australian companies. Admittedly, community involvement is only one component of the broadening social role of business and the intention is not to overstate its function or importance. Community involvement, along with other non-market features of performance such as environmental sustainability, good employee relations, observation of human rights, business ethics and governance, collectively redefine acceptable corporate performance. Corporate community involvement was examined because it has become a prominent and relatively concrete expression of the capacity of business to accept social responsibilities. It also provided insight into the anticipated business value and competitive advantage of socially directed practices and revealed the business and public dilemmas in the transformation of business priorities. The Business Council of Australia saw community involvement as a significant symbol of the changing expectations of the business sector in Australia.

The research found that many large companies, more than anticipated, believe they should go beyond their traditional functions and be more involved with the community as part of an expanding social role that is connected with the health and growth of their business. Around three quarters of the companies held this view. This was a relatively recent change in companies’ attitudes and they anticipated the community and government would expect an increased volume of corporate social activity in the future. At the other end of the spectrum of values, around fifteen per cent of companies, fewer than anticipated, had the neoclassical view of business responsibilities that maximising returns to shareholders is the only legitimate function of business and the most reliable means for corporate social obligations to be fulfilled. They strongly rejected the argument that business success is, in any way, being redefined by including a social dimension. These companies may well conduct discretionary philanthropic initiatives but they are seen as a cost to business rather than an investment in the social licence of business.
Another group of companies, around ten per cent, believed they have a significant obligation to ‘put back into the community’ and the exercise of this traditional philanthropic largesse is without the expectation that a business benefit would follow.

The majority that believed community involvement contributes to business results were the main area of interest for the thesis. These companies are grappling with the changing social status of business in contemporary Australia and it is a puzzling challenge for them. This is especially the case for companies that have delivered returns to shareholders and are ostensibly successful in financial terms. What more do they have to do they ask? Companies expressed their social intentions as both satisfying the rising expectations of the community for social outcomes from business and, at the same time, continuing to meet shareholders’ needs for financial returns. While, meeting community or stakeholders’ needs has been elevated in priority, the market signals for this area of business activity are not the same as for a shareholder focus and operate in a different time scale. Companies demonstrated they understand this phenomenon but not all have an adequate response.

Companies that put a business value on community involvement overwhelmingly do so for reasons of long-term business sustainability and competitive advantage rather than to boost short-term financial gain. The benefits from an improved social performance are more indirect and intangible than immediate and financial. Primarily, companies are seeking an enhanced reputation, improved community relationships, greater legitimacy with government and positive employee morale. These aspects now matter more to business than in the past – and that might be a recent as five years ago. Counter to the claims that are often made for this area of corporate activity, companies did not strongly link community involvement with the conventional outcomes such as improved investor choice, market access or improved financial performance. In a similar vein, while companies wanted the community and employees to recognise their community contribution, the least important were the conventional business audiences in competitors, investors and suppliers. Perceptions of benefits did vary among business sectors with motives related to sector characteristics, such as whether a sector is labour or capital intensive and market features such retail or traded goods. This was further confirmation...
that companies plan community involvement with business strategy and outcomes in mind.

Partnerships between a company and community were the distinctive feature of the social enterprise. Modern business is no stranger to strategic alliances or partnerships as a key commercial mechanism for sharing information and research and joint ventures. Management theory tells business that commercial partnerships and alliances develop new competencies in companies through mutually beneficial relationships. Business has easily transferred this idea to social partnerships that support education, environmental improvements, community development, redress of social disadvantage, health improvement and many other pressing social issues. The partnership concept is used to depict the mutually agreed objectives established between a company and a community, perhaps directly or through an intermediary not-for-profit organisation. The mutually beneficial relationships deliver to the company the intangible assets of greater social acceptance and reputation, opportunities for dialogue and employee support. For the community, partnerships provide access to resources and the people of influence.

Both business and its social partners have high expectations of the new social role of business. Success on the business side of the partnership is contingent on business continuing to deliver value for shareholders but also and equally well delivering a different form of value to society at large. While the commitment to the business case seemed sufficiently clear in the minds of companies, execution was less convincing in many companies, raising doubts about the potential to gain the anticipated benefits. Institutionalisation of social objectives in business strategy was not universally evident. Around half the companies surveyed had not developed a vision or company policy for their activities, most were merely reacting to community requests, many did not know how to measure the benefits to the company nor attempt to measure the outcomes for the community. The partnerships that are the symbol of the new social relations of business also varied in quality. Not all demonstrated a structured approach to operating within their competencies and, because successful partnerships potentially provide competitive advantage, they were mostly conducted in relative isolation from similar activities by other companies or government. That may be appropriate for a
commercially oriented partnership but many social partnerships require a collaborative approach with others participating in the same area of social concern.

The thesis highlighted the potential for public policy to play an important role in boosting the quality and relevance of the social contribution of enterprises. Unlike other eras where government may have sought the assistance of business in delivering social policy programs, this era is witnessing enterprises as autonomous social actors in the public domain. Alongside this public involvement are a number of attendant questions concerned with the capacity of business to make social decisions that consistently serve the public good, be reliable in the face of changing market fortunes and accountable. While the Australian government is approaching business for more financial resources and a caring attitude to those in need, the British Government has a public policy framework to facilitate, in a new way, the social involvement of business. This has highlighted the potential for an alternative public policy framework in Australia.

The claim in this thesis is that a prerequisite for corporate social responsibilities to be of significant benefit to the community is that public policy enables a new balance to be achieved between private and public responsibilities. Without that support, the business effort will be beneficial for a few where it should be maximised for many. Ironically, for a political system that historically had close relations between business and government, there is no significant cross-sectoral discourse around the implications for public policy of a socially engaged business sector. Dialogue with the not-for-profit sector flourishes on the part of both business and government but combining the interests of the three sectors into a new shared social vision is not occurring in Australia.

The ‘right’ public policy framework is worth pursuing as the business sector’s social activity is considerably more than a current fashion. Contrary to popular understanding, this thesis has argued that the origin of the new social expectations of business does not only lie in the community’s palpable frustration with unacceptable and irresponsible corporate behaviour, whether that is disregard for environmental standards, poor governance, curtailing community services or excessively high executive salaries. These serious breeches of either the law or
community standards certainly bring the expected social responsibilities of business into the public eye but the fundamental motivating factors are related to the larger changes to economic and social life.

An alternative public policy framework would seek to work within the changes in governance that see the respective roles and responsibilities of business, the not-for-profit sector and government undergoing a transformation and partnerships becoming an important element in governance. Public policy would also ‘work with the grain of business’ with a deep understanding of the complex business motives for social enterprise. Elements of a framework would include a role for government in indicating themes of public value where social enterprise could significantly contribute to the public good. Information provision on others social enterprise activities would also facilitate decision-making accompanied by resources to foster cross-sectoral dialogue. Public policy tools such as incentives like tax credits and subsidies should actively target autonomous community dialogue and networks and build in a sense of mutual responsibility to consolidate the essential features of local governance. A process to foster accountability to stakeholders would encourage enterprises to open their social activities to wider public visibility with the associated inbuilt improvement mechanisms. Existing social policy tools could be enhanced to promote autonomous partnerships and provide greater flexibility when incentives and services are provided.

A confluence of forces is pushing business into being accountable for a broader social role. The boundaries of business responsibilities are being fundamentally altered through globalisation and the growth of the knowledge economy, the changing capacity of government and the local community’s intense reaction to all of that. While the economic implications of globalisation are strongly felt by business, the social implications are only starting to be comprehended. Together they are setting the foundations for new sources of competitive advantage. For these reasons, changes to the social role of business are best seen as underpinning future business success rather than only a reaction to community disquiet or outrage. These pressures are redefining the relations between business and its external non-commercial environment and they challenge the definition of the purpose that business serves and
the validity of the activities it conducts. Business social responsibilities are assuming a heightened profile in the new social equation and they will continue to expand.

This thesis has advanced a model of social enterprise to capture the prerequisites for both business success and community benefit. While there is an existing lexicon, such as corporate social responsibility and corporate citizenship, these terms do not adequately take account of the business and community partnerships and cross sector networks that are central to the emerging practice. Also, they do not show the importance on the socio-political context of business and the public policy environment in which business social activities are taking place.

The model of social enterprise extends the conventional management analysis of the social responsibilities of business to include the socio-political dimension. It links visionary and holistic management strategies with a compatible public policy to ensure the socially responsible business contributes to the common good. The motivation for business to go beyond its economic functions is now considerable. Supportive public policy that encompasses notions of interdependency and networks in social organisation will nurture this growth for the benefit of both business and community.
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APPENDIX 1: SURVEY INSTRUMENTS

Survey for Chief Executive Officers for Corporate Community Involvement Activities

Q 1 How would you describe your view/attitude about corporate community involvement?

*Please provide a short explanation of your attitude for example: “A company’s main responsibility is maximising the return to shareholders” or “Business should share responsibility with government for improving quality of life in the community and social welfare”*

Q 2 Do you have any of the following business planning and reporting processes for corporate community involvement?

*(please tick one or more boxes)*

<table>
<thead>
<tr>
<th>Process</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate community involvement objectives are in the company business planning system.</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Corporate community involvement objectives are part of the senior management performance requirements.</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>The company communicates corporate community involvement activities to shareholders.</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>The company communicates corporate community involvement activities to the other external shareholders.</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>The company communicates corporate community involvement activities to employees.</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

Q 3 Who is leading your company’s attitude and approach to corporate community involvement? (for example: yourself, your board, your parent company, etc.)

*Please Describe:*

________________________________________________________________________

________________________________________________________________________
How important are the following activities to meeting your ideal view of corporate community involvement compared with the current activity of Australian business?

Please rate each of the following activities on a scale from 1 to 4 for both: your ideal view on corporate community involvement and the current emphasis of corporate community involvement in Australian business. (where 1= not important, 2= slightly important, 3= important, 4= very important)

<table>
<thead>
<tr>
<th>Corporate Community Involvement Activities</th>
<th>Your ideal view of corporate community involvement</th>
<th>Current emphasis in Australian business activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community participation – active in community development, community education activities etc in communities where it operates.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Dialogue with community – systems are in place for understanding and talking with the community so as to hear community expectations for corporate involvement.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Alleviation of social disadvantage – corporations make efforts to support disadvantage communities.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Philanthropic donations – a company makes donations to worthy causes without expecting a commercial return.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Sponsorship of community/ sporting/ cultural activities – contributing to organisations and events mainly (rather than product promotion) linked to corporate marketing or branding.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Employee involvement/partnerships – employees are encouraged to be involved in community involvement initiatives or work with the corporation to organise and deliver its programs.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Partnerships with the community – a company prefers to establish longer term relationships with recipients of assistance, rather than an arms-length arrangement.</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
<tr>
<td>Other aspects – Please describe</td>
<td>1 2 3 4</td>
<td>1 2 3 4</td>
</tr>
</tbody>
</table>

____________________
____________________
Q 5  To what extent is your company currently active in the following activities?

Please indicate by selecting one box for each activity.

<table>
<thead>
<tr>
<th>Corporate Community Involvement Activities</th>
<th>1 Not Active</th>
<th>2 Slightly Active</th>
<th>3 Active</th>
<th>4 Very Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community participation – active in community development, community education activities etc in communities where it operates.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Dialogue with community – systems are in place for understanding and talking with the community so as to hear community expectations for corporate involvement.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Alleviation of social disadvantage – corporations make efforts to support disadvantage communities.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Philanthropic donations – a company makes donations to worthy causes without expecting a commercial return.</td>
<td>□</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Sponsorship of community/ sporting/ cultural activities – contributing to organisations and events mainly (rather than product promotion) linked to corporate marketing or branding.</td>
<td>□</td>
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<tr>
<td>Employee involvement/partnerships – employees are encouraged to be involved in community involvement initiatives or work with the corporation to organise and deliver its programs.</td>
<td>□</td>
<td>□</td>
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<tr>
<td>Partnerships with the community – a company prefers to establish longer term relationships with recipients of assistance, rather than an arms-length arrangement.</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
<tr>
<td>Other aspects – Please describe</td>
<td>□</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>
In an overall sense, the anticipated benefits to your business of corporate community involvement would seem to be:

Please indicate by selecting one box for each benefit.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Improved corporate reputation / image</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Increased business performance over the short to medium term (1 to 3 years)</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Increased employee morale, team work, retention.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Employee and management personal development.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Cultural change / symbol for long-term corporate direction.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Improved market access.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Attraction of investors.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Increased customer good will.</td>
<td>☐</td>
<td>☐</td>
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<tr>
<td>Improved relationship with community.</td>
<td>☐</td>
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<td>☐</td>
<td>☐</td>
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<tr>
<td>Licence to operate / less government intervention or regulation.</td>
<td>☐</td>
<td>☐</td>
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</tbody>
</table>

Others, please specify:

What do you see are the future community or government expectations of business for corporate community involvement and what are your thoughts on this? For example, do you expect pressure for greater corporate community involvement?

Others, please specify:
Survey for Managers Responsible for Corporate Community Involvement Activities

Q 1 How would you describe your view/attitude about corporate community involvement?

*Please provide a short explanation of your attitude for example: “A company’s main responsibility is maximising the return to shareholders” or “Business should share responsibility with government for improving quality of life in the community and social welfare”*

Q 2 How would you describe your view/attitude about the benefits of corporate community involvement?

We are interested in understanding your general motives behind corporate community involvement programs/activities. Could you please indicate the relative importance of the anticipated benefits each program/activity by using the following rating scale: H – high, M – medium or L – low or N – nil.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Short-term financial return</th>
<th>Long-term sustainability of business</th>
<th>Employee morale</th>
<th>Reputation</th>
<th>Broadening of management</th>
<th>Market access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Participation</td>
<td></td>
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<tr>
<td>Dialogue with community</td>
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<td>Alleviation of social disadvantage</td>
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<tr>
<td>Philanthropic donations</td>
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<tr>
<td>Sponsorship of community/sporting/cultural activities</td>
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<tr>
<td>Employee involvement/partnerships</td>
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<tr>
<td>Partnerships with community</td>
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<tr>
<td>Other categories – please detail</td>
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<tr>
<td>Activity</td>
<td>Attract investors</td>
<td>Customer loyalty</td>
<td>Community trust/support</td>
<td>Government support</td>
<td>Avoid/replace regulation</td>
<td>Public common good</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
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<tr>
<td>Community Participation</td>
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<td>Dialogue with community</td>
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<td>Partnerships with community</td>
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<td>Other categories – please detail</td>
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</tr>
</tbody>
</table>

**Q 3** In a general sense, what is the proportion of your community involvement activity that is allocated to the following interest areas or fields?

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
</table>
| Education — any level                         | .......
| Employment training                          | .......
| Sport                                         | .......
| Cultural activity                             | .......
| Health                                        | .......
| Environment                                   | .......
| Local economic development                    | .......
| Wider economic development                    | .......
| Social development                            | .......
| Other                                         | .......

**Q 4** What is your best estimate of the proportion of company revenue spent annually on community involvement activities?

<table>
<thead>
<tr>
<th>Description</th>
<th>%</th>
</tr>
</thead>
</table>
| Percentage of annual revenue allocated to corporate community involvement | .......
| (including in–kind support)                                                |       |
| Corporate community involvement administration cost (as a percent of the annual allocation to corporate community involvement) | .......
|                                                                             | %     |
Q 5

Of your company’s total contribution to corporate community involvement what is your best estimate of the proportions devoted to the following categories of corporate community involvement?

Also, please provide a one-sentence description of an example of the activity you conduct

**Community Participation** – active in community development, community education activities etc in communities where it operates. Please provide an example.

**Dialogue with community** – systems are in place for understanding and talking with community so as to hear community expectations for corporate involvement. Please provide an example.

**Alleviation of social disadvantage** – corporations make efforts to support disadvantaged communities. Please provide an example.

**Philanthropic donations** – a company makes donations to worthy causes without expecting a commercial return. Please provide an example.

**Sponsorship of community/sporting/cultural activities** – contributing to organisations and events mainly (but not exclusively) because it is linked to marketing or branding. Please provide an example.

**Employee involvement/partnerships** – employees are encouraged to be involved in community involvement initiatives or work with corporation to organise and deliver its programs. Please provide an example.

**Partnerships with the community** – a company prefers to establish longer term relationships with recipients of company assistance, rather than be more hands-off. Please provide an example.

**Other categories** – please include details

………%

Total 100%

Q 6

Are your corporate community involvement activities related to your business sector or its interests? (eg. Mining industry with the environment and McDonalds with children)

Not at all □  Some are □  Most are □  All are □

If so, could you very briefly indicate why and / or how?

…………………………………………………………………………………………………………………
**Q 7** Which of the following stakeholders do you most want to recognise your corporate community involvement initiatives?

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Not important</th>
<th>Somewhat important</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local community</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Wider community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Competitors</td>
<td></td>
<td></td>
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<tr>
<td>Government</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Non government/community organisations</td>
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<td>Potential business alliance/partners</td>
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<tr>
<td>Investors</td>
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<tr>
<td>Other (please specify)</td>
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</table>

**Q 8** In your company statements (e.g., mission, vision, strategic plan) do you have a formal commitment of policy on being a good corporate citizen or the like?

If possible, please supply any copies of such documentation. Yes □ NO □
If NO, please go to Question 10

**Q 9** When was this commitment or policy?

First formulated ...................(year)
Last modified ...................(year)

**Q 10** Does your approach to corporate community involvement apply globally in your company?

Not applicable □ No □ Partly □ Yes □
Q 11 In planning and deciding community involvement activities, does your company?

<table>
<thead>
<tr>
<th>Have a policy framework to guide decisions</th>
<th>Never</th>
<th>Sometimes</th>
<th>Most of the time</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respond to requests</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Actively seek opportunities</td>
<td></td>
<td></td>
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</tbody>
</table>

(through advertising or consultation). If so, please indicate methods used:

- seek input from the government
- conduct community needs assessment
- seek input from suppliers or customers
- consult with community or non-government organisations
- consult with senior management employees
- consult with junior staff employees
- other (please specify)

Q 12 In conducting your corporate community involvement program, would company normally:

<table>
<thead>
<tr>
<th>Allocate the resources at arms length</th>
<th>Never</th>
<th>Sometimes</th>
<th>Most of the time</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sign a contract and/or negotiate a partnership</td>
<td></td>
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<tr>
<td>Prefer to deal with fewer agencies</td>
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<tr>
<td>Outsource management</td>
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<tr>
<td>Other (please specify)</td>
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Q 13 Does your company have a foundation structure in Australia for partial or total delivery of your corporate community involvement activities?

<table>
<thead>
<tr>
<th>No</th>
<th>Yes</th>
<th>Under Consideration</th>
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</table>
Q 14 How would you best characterise your company’s capability to measure and evaluate community involvement performance?

- Very accomplished □
- Moderately accomplished □
- Not very accomplished □

Q 13 How does your company evaluate community involvement programs?

*Please describe (for example, do you set and measure objectives and if so, how?)* …………………………………………………

Q 15 Do you evaluate the fiduciary controls, governance and efficacy of donations made to community organisations?

- No □
- Yes □
- Not relevant □

Q 17 Please indicate which of the following measures you apply to gauge the performance of community involvement activities

*(tick one or more boxes)*
- Revenue created □
- Costs avoided □
- Return on investment □
- Third party advocacy support □
- Market share □
- Employee attitudes □
- Internal customer satisfaction □
- Community stakeholder attitudes □
- Government attitudes □
- Feedback from projects □
- Benchmarking □
- Balanced scorecard (customer, financial, internal business, innovation, vision and strategy) □
- Other (please specify) …………………………………………………
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<tr>
<th>Q 18</th>
<th>Please describe your most significant/innovative corporate community involvement program</th>
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<tbody>
<tr>
<td>Comments</td>
<td>(please attach any relevant and/or useful information)</td>
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<table>
<thead>
<tr>
<th>Q 19</th>
<th>How do your current corporate community involvement programs compare to those conducted 5 years ago?</th>
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<td>Comments</td>
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<table>
<thead>
<tr>
<th>Q 20</th>
<th>What do you anticipate will be the future developments in your company’s corporate community involvement program/activities?</th>
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</table>

<table>
<thead>
<tr>
<th>Q 21</th>
<th>What do you anticipate future expectations or development might be for corporate community involvement activities in Australian companies in general?</th>
</tr>
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<td>Comments</td>
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\[274\]
## APPENDIX 2: NUMBER OF COMPANY RESPONSES TO SURVEY DATA

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<tr>
<th>Figure/Box</th>
<th>Company responses to the ‘Survey of Managers of Community Involvement Programs’</th>
<th>Company responses to the ‘Survey of Chief Executive Officers’</th>
<th>Total company responses</th>
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APPENDIX 3: COMPANIES INTERVIEWED AND WORKSHOP PARTICIPANTS

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APPENDIX 4: REFERENCE GROUP

Reference Group:

Mr Barry Cusack, Managing Director, Rio Tinto Australia Limited
Mr Greg Bourne, Managing Director, BP Australia Limited
Mr Rod Eddington, Executive Chairman, Ansett Australia
The Most Reverend Archbishop Peter Hollingworth, AO, OBE
Ms Linda Bardo Nicholls, Chairperson Australia Post
Mr Robert Sutton, former Managing Director, Jardine Matherson (Australia) Limited.
Mr Geoff Allen, Chairman, the Allen Consulting Group
Mr David Buckingham, Executive Director, Business Council of Australia.

Working Party:

Mr John Simpson, Shell Australia
Dr Tim Duncan, Rio Tinto
Ms Pamela Catty, Ansett Australia
Mr Bernie Delany, BHP
Mr John Harris, Tattersalls
Ms Vicki Flannery, Business Council of Australia
Author/s: Suggett, Dahle R.

Title: Social enterprise in Australia: achieving private benefits and public outcomes

Date: 2002


Publication Status: Unpublished

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