

Research & Social Policy Team

**Background Paper
No. 3, 2001**

Corporate Social Responsibility in Australia: A Select Review of the Literature

By

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Preface

The Research and Social Policy Team provides an internal research capacity to ensure that The Smith Family's programs are evidence-based. A general theme that integrates all of our research activities is *social capability*, the capacities of communities and individuals in them to draw from their own strengths and social capital and to move beyond the limitations of disadvantage. We also investigate a range of issues with national and community relevance, such as trends in financial disadvantage, education and social policy. In addition, we also contribute to policy debates in government and the community sector. This is an integral component of our vision for a more caring and cohesive Australian community.

The Smith Family's strategy for program development is one of collaborating with a range of stakeholders that are interested in working for societal change. As well as conducting our own research, therefore, we also form strategic alliances with other research centres and social sector organisations.

A range of publications makes our research findings and activities accessible to those who have either an interest in or a commitment to The Smith Family's agenda for societal change. **Background Papers** identify areas to be researched as well as provide important pre-evaluation information of Smith Family programs and activities. **Working Papers** present research findings that contribute to the development of evidence based social policy and initiate professional dialogue on critical research questions. **Briefing Papers** provide analysis of Smith Family programs and wider social policy issues in a more concise timely manner. A regular **E – Bulletin** publicises the Team's publications as well as provides current updates on TSF research and policy. These publications, as well as occasional reports, submissions and monographs are either produced in-house, the product of collaborative efforts with other researchers or arise from commissioned research. All publications are subject to a refereeing process.

We trust that you find the following Background Paper a worthwhile contribution to evidence based social research and to the development of social policy that unlocks opportunities and builds capacity for all Australians.

Dr Rob Simons
National Manager
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About the author

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Abstract

Corporate Social Responsibility is an area of growing debate and discussion worldwide and increasingly in Australia. It is a broad concept that encapsulates the notion that companies have obligations that extend beyond shareholders. Corporate Social Responsibility (CSR) requires companies to consider the interests of all stakeholders including investors, suppliers, consumers, employees and the community in going about its business.

This paper presents a history and overview of CSR. Models of CSR and their various proponents and detractors are then detailed. Next the paper outlines CSR in practice. This description includes both the internal and external dimensions of CSR with an emphasis on Corporate Community Involvement – an area of particular importance to the community sector. The paper closes with an overview of recent trends in CSR including a growing emphasis on changing sectoral expectations, responsibilities and collaborations with a focus on the Australian context. It concludes with the implications for the community sector as well as suggesting areas in need of future research.

Introduction

Corporate Social Responsibility is a broad concept that encapsulates the notion that companies have obligations that extend beyond shareholders.¹ Corporate Social Responsibility (CSR) requires companies to consider the interests of all stakeholders including investors, suppliers, consumers, employees and the community in going about its business. CSR can be described as: '[m]eeting, within reason, the expectations of all societal stakeholders to maximize the company's positive impact on its social and physical environment, while providing a competitive return to its financial stakeholders,' (Marsden cited in Logan 1997:1). It can be viewed as either a minimum standard to be met or an ideal to continuously strive for. Progressive actions by some companies often set CSR benchmarks for others. These practices may then become legislated or demanded by consumers as standard corporate practice. Likewise, CSR can be considered as a company's willingness to not just fulfil stakeholder obligations but to do 'more' (Commission 2001:6). It is in this spirit of doing *more* that many basic tenets of CSR rest.

Companies engage in CSR for many reasons that include the ability to operate now and into the future by acknowledging areas of harm, risk or opportunity that affect their well-being. By effectively managing CSR in both internal and external activities, companies benefit through improved research and development, market position, employee development, government relations and risk management (Weiser & Zadek 2000). Often referred to as the Triple Bottom Line, CSR calls on the corporate sector to look at its success from financial, environmental and social perspectives (Elkington 1997). A key factor that can affect the success of any CSR policy is whether companies have internal systems and motivations in place to create and apply effective CSR policies and procedures.

Corporate Social Responsibility is an area of growing debate and discussion worldwide. There are several explanations for this increased attention that will be explored in greater depth throughout the paper. Increasing interest in CSR has arisen from both within and outside the corporate sector. Companies have faced external pressures from non-governmental organisations to provide greater transparency and accountability, especially in the areas of environmental impact and human rights. Alongside these movements, governments have proposed changes to the means of support for the provision of social services including an emphasis on increased collaboration with the corporate sector through alliances and partnerships. Consumers have also developed an interest in CSR through more sophisticated demands for accountability and transparency through their purchasing and investment decisions giving rise to new methods of reporting corporate activity (Logan 1997). And finally, employees have begun to demand their workplaces have sound ethical values and positive community interactions.

In Australia these practices have been celebrated most prominently as the Prime Minister's Community Business Partnership and the promotion of a social coalition. In an era of cooperation by necessity or choice, these approaches publicly call for, promote and reward the use of cross-sector collaboration to support social services previously provided primarily by government and the community sector. Changes in funding, service provision and spheres of accountability highlight this shift in perspective. These changes suggest that the community sector develop a sound understanding of CSR theory, practice and trends.

¹ Corporate Social Responsibility is often used interchangeably with the terms Corporate Citizenship, Corporate Social Performance, Corporate Sustainable Development, Corporate Philanthropy, Corporate Community Involvement and Corporate Engagement. While each term implies different theoretical perspectives and business practices, CSR will be used as an all encompassing term in this review with Corporate Community Involvement (CCI) as a specific area of interest for the community sector.

This paper provides a select overview of the literature in this field. First, it presents a history and overview of CSR addressing its origins and developments while placing a particular emphasis on Corporate Community Involvement and its effect on the community sector. Next, it addresses the theories and models of CSR, and demonstrates how these models function in practice. Finally, recent trends in CSR are presented together with a discussion of the implications for the community sector and suggestions for future research.

History and Overview of Corporate Social Responsibility

Prior to the twentieth century it would be difficult to ascribe a sense of social responsibility to companies since they were viewed as constructs to represent individuals. It can be argued that:

Business firms in this [twentieth] century occupy social positions roughly equivalent to the prominent posts held in other eras by the church, the nobility, the army, even the feudal lords. They control the financial and economic aspects of society and are possessed of monetary power far greater than the world's governments (French 1984:ix).

As we begin the twenty-first century the corporate sector possesses unprecedented power, influence and wealth across international lines (Logan 1997). As the modern company grew, CSR became increasingly important and entrenched. The origins of CSR can be placed in the nineteenth century with an emphasis on the wellbeing of company employees. Many of its basic tenets were developed from early corporate actions such as developing safe employee housing, targeting zero loss of life from workplace accidents or offering a family wage.

The twentieth century saw a shift from laws that promoted paternalistic care of employees, to an arena where beneficiaries of corporate contact expanded to include a wider range of stakeholders (Logsdon et al. 1990; Logan 1997; Marx 1999; Troy 1985). Greater focus on the surrounding community emerged in the twentieth century through the development of corporate philanthropy. In the case of the United States, the American tax code encouraged contributions that could provide 'direct benefit' to employees through charitable or other non-profit organisations such as schools, hospitals or community centres (Nevin-Gattle 1995). This limitation was viewed as a means to control the use of philanthropy as a marketing activity – a widely different view than today's understanding. Companies also channelled profits into family foundations as well as in-house grant-makers for tax purposes. By the 1950s, the concept of direct benefit expanded to include sponsorship of cultural events even if the employees did not have automatic or active inclusion in these events. Existing laws were overturned and companies were allowed to act in 'their own best interest' (Burlingame & Young 1996; Urban 1997). The easing of direct benefit clauses widened the scope of giving by expanding the range of beneficiaries.

In many countries, the 1960s and 1970s brought external demands for increased social responsibility as well as direct charitable contributions. Companies responded by beginning or expanding in-house foundations and setting targets for pre-tax giving. Meanwhile, what would become CSR was broadening in scope. The nascent concept of 'social auditing' reflected a company's need to appease public sentiment for respectful marketing, environmental impact controls, and civic consciousness alongside the growth of international and multinational businesses. With increased international awareness and communication, companies were more vulnerable to exposure of their harmful ethical, social and environmental policies or mistakes. It no longer seemed sufficient to do what was legal – now companies had to stay ahead of rules and regulations, and respond to, or even anticipate, community expectations (Marsden and

Andriof 1998). Public relations disasters such as Nestle's marketing of infant formula in the developing world and the creation of advocacy groups such as Greenpeace in the 1970s prompted the development of new accountability practices. This growing awareness and exposure promoted the concept of stakeholder acknowledgment and management. Thus a combination of legislation, regulation and expectation would come to define each society's understanding of CSR with both local and universal expectations.

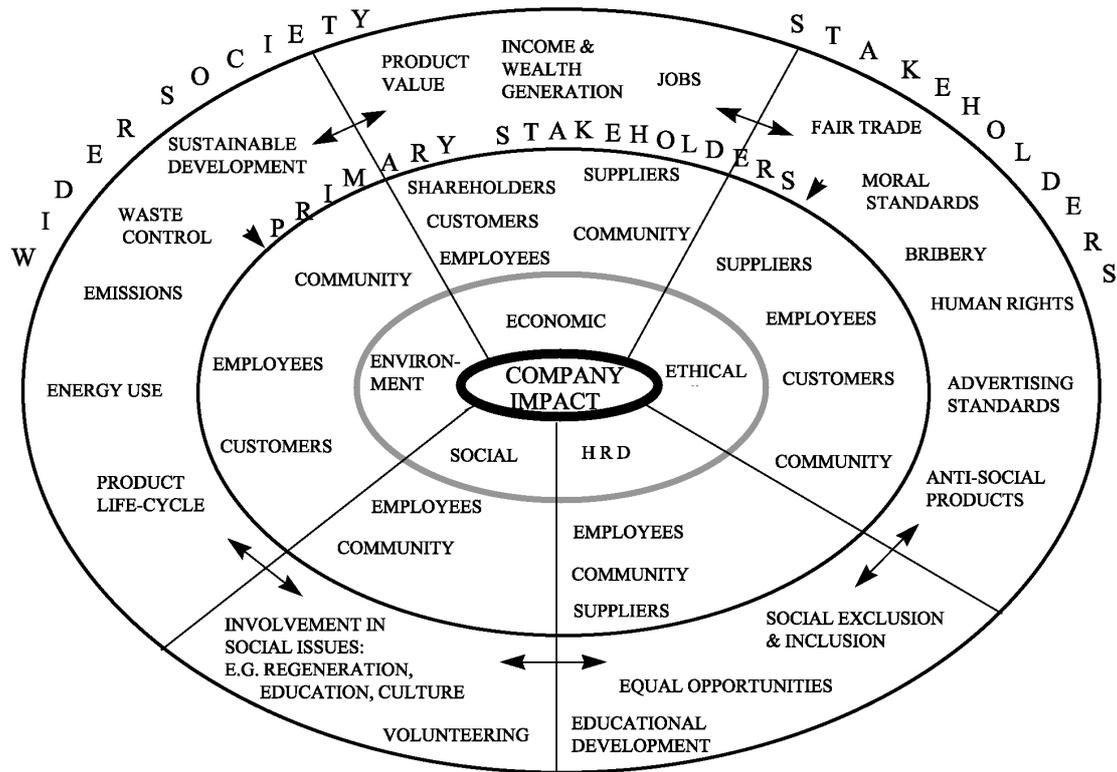
The 1980s and 1990s brought a greater interest in stakeholder management and corporate citizenship. In a play on the concept of pleasing shareholders, the idea of stakeholder appeasement has become a dominant understanding of CSR. Modern conceptions of CSR include both internal and external dimensions. While companies may have feared protest over their impact of product safety and environmental damage in the 1970s, they now are more likely to also be judged on their domestic and international use of labour, the number of senior women in management or the wage level of factory workers.² These changes can be attributed to increased consumer awareness together with more powerful communications technologies and the dramatic globalisation of business (Marsden & Andriof 1998).³ Additional factors that have led to increased CSR awareness include employee driven demands for companies to share their values and be employers of choice (Weiser & Zadek 2000). Some business theorists argue that the judgements of internal and external stakeholders contribute to a company's overall sustainability (Collins & Porras 1997).

It is in the broadest outlook of CSR that the concept and label of corporate citizenship has arisen in the last ten years. Citizenship is a term that broadens the understanding of various contexts and expands the concepts of rights, duties and responsibilities of a company (Marsden & Andriof 1998). Figure 1 displays the wide scope of impact and broad circle of stakeholders that surround a company from a corporate citizenship perspective. The outer ring of the model demonstrates the widest range of CSR expectations and responsibilities while the next ring displays the primary stakeholders for a company. This model expands on the concept of Triple Bottom Line by adding ethical and human resource practices to the three goals of economic, social and environmental health (Elkington 1997). Many of these areas are not separated by strict boundaries. Some of the impacts in the Figure such as 'Social' overlap with 'Human Resources' since many employee volunteer programs can lead to educational and professional development opportunities for staff. Other policies in this area include EEO and other workforce diversification measures. Different countries have their own rules, expectations and goals in this area. 'Environmental' concerns can be addressed through internal measures such as energy and waste policies and external concerns such as product lifecycle, emissions and overall sustainable development. While 'Ethical' issues are interwoven throughout all CSR policies and approaches, they can particularly affect human rights issues and standards, moral codes and trading and types of products on offer. Finally, in the 'Economic' realm, CSR can guide job creation and preservation, income growth and wealth generation, and overall product value.

² One theory of brand management suggests that the 1950s were an era of the *Rational* sale while the seventies and eighties focused on the *Emotional* sale. Consumers and brands now interact via a *Spiritual/Ethical* sale (Matthews & Pond 2001).

³ These changes were particularly acute in Australia where companies had spent much of the twentieth century shielded from full internal competition through tariff barriers (Peters 2000).

Figure 1: A Company's 'Ripple Effect'



Source: Marsden & Andriof (1998)

These overlapping and integrated concerns cannot always function in discreet ways without raising concerns of hypocrisy or unethical behaviour. A tobacco company may be criticised for promoting youth fitness while actively targeting advertising towards teenagers, while a telecommunications company may support rural sports or education programs while reducing jobs or services in these regions. Increasingly companies are motivated by internal and external factors to ensure that all CSR functions operate in a systematic and transparent manner. It has become expected that, however laudable, CSR must return value to the company and not simply draw down resources. Meanwhile, there are shifts to more holistic CSR approaches with less isolated and peripheral approaches within a firm. The rise of employee volunteering, matching gifts to employee's designated organisations, and a more strategic approach to giving reflect this trend. Likewise, companies are beginning to understand the community expectation that CSR is no longer optional. One Australian business leader has stated, '[p]eople's expectations now are that companies will add value to communities that go beyond the traditional economic role of operating efficiently, offering employment and selling goods or services' (Burke cited in Dodson 1998).

While the concept of CSR continues to evolve, the ability to measure it generates new techniques and areas of expertise. The last thirty years have seen a range of standards, guidelines, and principles emerge from government, not for profit organisations and increasingly from business in the field of ethical investing (Margolis & Walsh 2000). One of these measurement techniques, social auditing, began in earnest in the 1970s mainly as a measure of corporate *irresponsibility* (Davenport 2000).⁴ In balancing issues of responsibility

⁴ New AA1000 standards put forth by the Institute of Social and Ethical AccountAbility hope to create more stakeholder engagement than ISO4001 standards which focused on the environment and SA8000 standards

and responsiveness, stakeholder theory also emerged in the 1980s to take proactive and positive interaction into account (Freeman 1985). From this change in perspective, the concept of corporate social performance emerged to measure internal and external company procedures and performance that reflected its commitment to CSR (Wood 1991; Clarkson 1995; Murray & Vogel 1997). Definitions and measures of the relationship between CSR and various financial indicators continues to be debated among practitioners and researchers but the majority of models acknowledge ethical behaviour, stakeholder commitment and environmental practice as fundamental (Davenport 2000). While what to measure and with what instruments remains open to some debate, the sections below demonstrate how this often previously academic debate has emerged to influence investor, consumer and managerial decision making (Margolis & Walsh 2001).⁵ While ethical investing was once considered 'quaint', it now demands more attention and respect as it captures a larger share of the market and often offers enviable returns (Kennedy 2001). It is in this context that CSR moves beyond idealistic hopefulness to legitimate, expected and widespread common business practice.

One vital component of CSR is Corporate Community Involvement (CCI) due to its predominance in the Australian practice and understanding of CSR. As mentioned previously, CCI is an area of particular importance to the community sector and traditional aspects of CCI such as financial investment remain predominant CSR practice in Australia. Alongside financial investment, in-kind gifts, employee volunteer programs and partnerships are key components of CCI. While the practice of CCI is broad, many companies continue to focus on corporate philanthropy as the most important manifestation of Australian CCI and CSR (Peters 2000; Birch & Batten 2001).⁶ The concepts of corporate giving or philanthropy present a paradox of definition and raise many questions. When the essential goal of the company is to produce profit, can there be a role for charitable action? Likewise, if the company profits from donations does this nullify the actual philanthropic act? Despite best intentions, can socially responsible aims ever supersede the profit motive of business? Realistically, philanthropy in the business realm is neither truly altruistic nor entirely self-serving. Companies act in their own self-interest when they apply a corporate community involvement strategy that creates a congenial environment in which their employees can live and work.

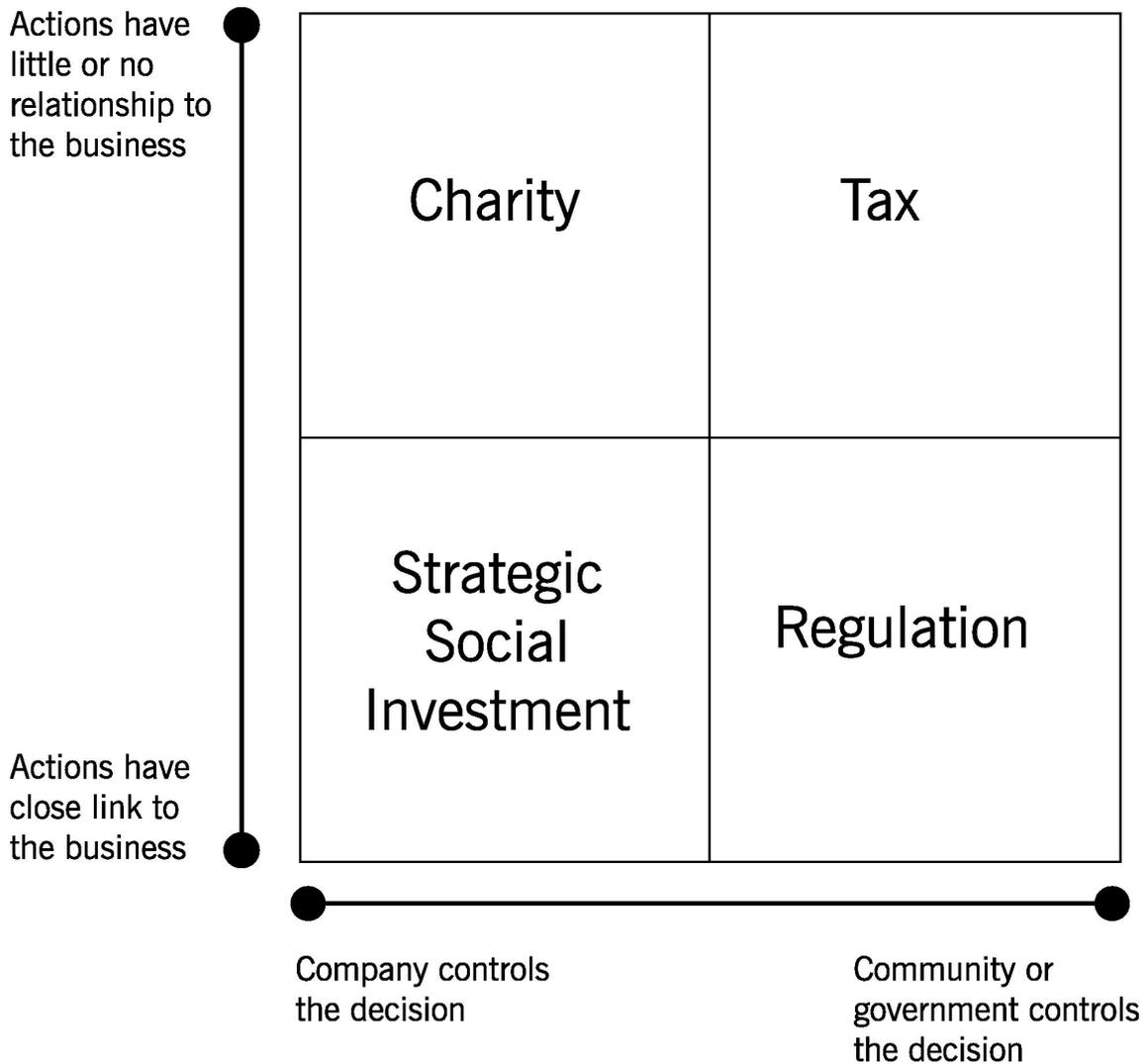
While it is understood that companies and their communities have a natural inter-woven relationship, many view the philanthropic expression of this affinity as a part of a company's core values, while other firms see it as a component of their profit-driven strategy (Logsdon, Reiner, & Burke 1990; Marx 1999; Troy 1985). Most CCI strategies span this continuum and make programmatic choices that promote a desired image while intending to enhance the social good. The balance between companies and communities can be offset by a failure of the community to provide adequate services for employees or if the company harms its environment. The company may strive to strike a balance whereby community involvement creates an environment that benefits both its economic needs and social necessities of the surrounding community (Hall 1996). How and with what mechanisms CCI is employed is illustrated through Figure 2.

which examined social accountability (Hart 1998; Zadek 2000). The GRI (Global Reporting Initiative) is also seen as an emerging standard for CSR accounting and auditing.

⁵ In a recent analysis of ninety-five studies, Margolis and Walsh (2001) suggest that there was a significant positive relationship and almost no negative relationship between CSR and a range of financial indicators.

⁶ It is worth noting that when the Howard Government began to promote these issues, a Corporate Philanthropy Roundtable was formed in 1998. It was subsequently renamed the Prime Minister's Community Business Partnership to reflect the broader goals of the social coalition.

Figure 2: How Will Social Investments Be Funded?



Source: Logan (1994)

CCI, as part of an overall corporate affairs strategy and sense of CSR, can bolster an existing positive image or offset negative perceptions of a firm. Companies can choose to invest their philanthropic budget to support their local community or they may choose to invest strategically to develop increased market share. Sometimes they can combine both goals. The choices that companies make may have superficial impact or long standing consequences. The power and presence of companies in many communities raises the question: if companies affect our lives more than other sectors including government, should governments be compelled to design policies that encourages corporate involvement in the community? Likewise, should governments extract a level of tax that enables them to implement services that negate the need for CCI (French 1984). Tax and regulation are only one component of CSR since societal expectations also influence these decisions.

Companies have begun to articulate a more strategic intention for CCI where corporate contributions are integrated into an overall strategy to increase profit. However, many companies continue to use CCI to create value for their employees and local communities, rather than directly for their shareholders (Marx 1999). Despite the growing sophistication of community involvement methods, there remain concerns about how far government could, or should, shift certain functions to the private sector (George 1997). Thus, into the next century the concept of corporate citizenship may guide approaches to community investment and

involvement as well as expand the parameters of community. The following section defines the theories that companies use to characterise their approach to CSR and determine what kind of interactions they will have with the community.

Theories and Models of Corporate Social Responsibility

Over the last several decades common understandings of CSR evolved from discrete concerns about specific functions to a holistic business strategy. Approaches to CSR span along a philosophical continuum. From a concern for others to an interest only for the business and its profits, very few companies are located on the extremes. Most companies combine a variety of beliefs and methods when implementing a CSR policy (Lyons 2001). Most policies and practices contain a mixture of motives. A more accurate understanding of alignments is offered by the following four models drawn from Burlingame and Young (1996). They articulate understandings of corporate philanthropy that can also be used to describe CSR as a whole. Although the specific practices predominant in each model are discussed in detail in the subsequent section, they are mentioned briefly here if they can help illustrate a particular model.

Neoclassical/Corporate Productivity Model

The *Neoclassical/Corporate Productivity* model represents an approach to CSR as a component of an overall profit motive. This approach is most closely affiliated with the economist Milton Friedman. Friedman (1970) articulated a backlash to the growth of unchecked and unquestioned demands for CSR. He argued that the goal of business is to bring profit to its shareholders and anything – such as nebulous issues of social responsibility and corporate citizenship – which detracts from this primary goal should be avoided. What is not often included when this argument is paraphrased was Friedman's caveat that socially responsible activities should be strongly encouraged when they brought increased profit to the firm or direct benefit to its employees (thereby intensifying their work outputs and quality). In this way, companies could focus on their most important role as a market rather than political or social force. Nonetheless each act of CSR contains the pragmatic acknowledgment of each sector's dependence on another for their continued health (Nevin-Gattle 1995:2). Even proponents of CSR must question whether an excessive focus on these issues limits a company's ability to leverage its market success. Critics might state that: 'Socially responsible initiatives may be seen as an undisciplined double tax on a firm, a tax that leaves managers unfocused and investors frightened' (Margolis & Walsh 2001:7).

Ethical/Altruistic Model

The *Ethical/Altruistic* model is best described as a citizenship approach that respects the interwoven relationship between the company and its community. In this scenario, companies may be created, motivated or sustained by their philanthropic outlook. Very few companies fit this model for all their CSR activities, but many direct particular efforts such as corporate giving in this direction. While family owned firms might have commercial dimensions to their CSR strategies, they often take an ethical or often religious approach to their CSR philosophy (Logan 1997). Other firms engage in business with an overt social or environmental goal, including The Body Shop, Australia's Sanitarium or the American ice cream company Ben and Jerry's. While these firms provide CSR ideals, most companies prefer guidance from more 'mainstream' firms (Weiser & Zadek 2000). Increasingly, companies may use components of this model to define their corporate communications and goals but not their overall practice and performance.

Political Model

The *Political* model involves using proactive CSR policies to offset government involvement and allows the company to protect its interests in the public policy sphere. This model most obviously represents the American approach to minimising taxation, legislation and regulation by either self-regulating or creating innovative, alternative programs. One theorist contends, 'Business leaders recognize that maintaining the freedom for business to grow and prosper requires a reciprocal obligation to promote the economic and social development of the nation,' (Logan 1997:65). This style of corporate activity could be seen in the discussions of new Australian approaches to a social coalition (McClure 2000). A government can choose to foster a climate that is hostile towards, or supportive of, corporate giving (Beesley & Evans 1978). The more complex the interaction between business and society becomes, the greater the need for transparency and accountability. Many modern firms acknowledge this complexity by considering the economic, social and environmental consequences of their business – not to design compensatory actions, but rather as a more holistic, systemic philosophy tied to their firm's mission. These complexities are particularly important when deciding how a company will design its CSR philosophy. This model assumes that businesses can take active measures to ensure that they decide how to operate in their best interests.

Stakeholder Model

The *Stakeholder* model seeks to balance the competing demands of the various groups that support a company, including customers and shareholders. The concepts of Triple Bottom Line accountability and corporate citizenship are most clearly represented by this model. This model proposes a system of consultation, communication and evaluation whereby all stakeholders, not just shareholders, are considered to be valued participants in the company's wellbeing. New research on the connection between corporate social and financial performance supports the clear relationship between complementary success in each area (Margolis & Walsh 2001). Proponents of this style of CSR often use arguments geared toward financial, market, human resource and reputation indicators (Zadek & Weiser 2001; Peters 2001). While the components of the other models may exist within this model, a focus on stakeholders is gaining clear support in the corporate sector.

Despite increasing supportive research, and the ability to demonstrate that detractors like Friedman can be shown to support CSR, there are opposing voices to the widespread promotion of CSR and the advocacy of cross-sector collaboration. These recent criticisms can be separated into two broad perspectives that suggest that:

- 1) The focus on CSR is bad for business; and
- 2) The emphasis on corporate involvement in broader facets of life is bad for society.

In the first instance, Henderson (2001) argues that recent widespread focus on CSR ignores the essentials of the market economy and presents a maze of jargon and trends. He argues that worldwide economic and social 'alarmism' is falsely directed at the corporate sector. In responding to societal expectations, companies are too quick to appease the concerns put forth by the anti-business NGO's. Henderson asks the corporate sector to pause and consider the regulatory, economic, political and legislative ramifications of their uncritical acceptance of the concepts of CSR. He reminds us that there are certain functions not appropriate for companies, in good times or bad. In an explicit critique of 'stakeholderism', Gregg (2001:35) further argues that CSR 'disrupts the moral relationship' and contractual understandings between employees, customers and owners.

From a different perspective, critics such as Hertz (2001) and Klein (2001) express concern about a growing influence and corporate presence in society. In her work, Klein demonstrates

the expansion of corporate and brand identification into all facets of society. Her work challenges the increasing corporate economic and social power and the implications of this form of globalisation. However, it can be suggested that the oppressive nature of brands can be offset by their usefulness in demanding they engage in CSR to uphold their image (Hogarth 2001). Hertz draws a more explicit connection to corporate influence on society by suggesting that companies should not assume social welfare funding roles once held by government and the community sector.⁷ Both Klein and Hertz offer a perspective that challenges the scope of corporate power and influence. This is especially important after a period of corporate prosperity when companies could afford to invest in their CSR strategies.

The models of CSR described above demonstrate a range of approaches and beliefs. Although a company can employ various strategies of community involvement, one might argue that actions that benefit the company's bottom-line should not be labelled as such. New approaches towards strategic philanthropy, directed partnerships and stakeholder approaches may allow for a greater connection with existing community, public and non-profit efforts, with increased transparency of motive. The following section outlines how these theories function in practice.

Corporate Social Responsibility in Practice

The previous section discussed the theories underlying CSR as well as the models that represent them. This section considers the actual practices of CSR. Shifting definitions of CSR have expanded the range of strategies employed both internally and externally by companies. Figure 1 alluded to these practices in the outer ring of the diagram. These practices differ across countries and industries since cultural expectations, regulatory frameworks and taxation policies all affect CSR activities. While CSR can be examined in many areas including environmental and ethical policies, it is the practices of social impact that are of greatest importance to the community sector.

When corporate support of the community sector is proposed, there are a wide range of CSR options. These options present a continuum that ranges in effort and impact:

- *Sponsorships* traditionally give a company exposure by placing their logo in diverse locations such as an exhibition poster or amateur athletic contest advertisement.
- *Financial contributions* do not have the same degree of reciprocity as sponsorships. When taken in isolation, direct contributions often distance the company from the recipient and limits solutions to problems the money seeks to alleviate. When combined with other strategies, however, a far more active approach to giving can allow greater recognition and impact for the company.
- *Gifts in kind* permit companies to share services or shed inventory while promoting their product.
- *Cause-related marketing* connects an advertising campaign to a worthy cause that also promotes the product (Smith 1994). In this scenario a bookstore might donate a percentage of each purchase to combat illiteracy, while the customers enjoy spreading their pastime to others and the bookstore creates a larger future customer base.
- *Employee volunteering* encourages employees to develop skills in the wider community while non-profit organisations benefit from external advice and expertise (Weiser & Zadek 2000). Sometimes these employees are given release time or payment for volunteer

⁷ It is worth noting in this debate over funding, that the provision of social welfare functions is increasingly being outsourced and contracted to private sector companies (McClure 2000). While this is particularly true for the Australian employment services field, in the United States Lockheed-Martin has become a major provider of welfare services administration. Although in a recent analysis of media coverage of cross-sector partnerships in Australia some articles discussed mutual benefits, many more emphasised that community sector organisations must become more commercial and corporatised (McQueen 2001).

activities but often a corporate volunteer coordinator will simply publicise opportunities and successful cases. At the executive and professional level, the expertise offered to community groups can prove invaluable. Companies can do a great deal formally or informally to promote employee volunteering, ranging from providing time release for volunteer activity to simply posting a list of volunteer opportunities in the community. This activity is increasingly acknowledged as providing benefit to the employee, their community and their company (Stallings 1998; Sagawa & Segal 2001).

- *Partnerships* combine several of the techniques outlined above to create a sustained relationship between corporate and community organisations that ostensibly creates a mutual benefit for both entities. Partnerships can increase the impact and return on the philanthropic investment. It is partnerships that increasingly offer substantive promise to the community sector and receive attention both in Australia and overseas (Encel & Studenski 2000).

Of the methods described above, partnerships combining financial, in-kind and personnel donations can provide the future potential of business-community interactions with the most rewards for each party. Although cross-sector partnerships are not new they are quite effective since 'multiple powerful players have a stake in the success of the project, thus increasing the likelihood that political barriers to success will be removed' (Hall 1996). The most effective new partnerships combine cash and personnel grants as well as develop consortiums that can leverage influence. The growth of these new strategies often hides the full impact of CCI, since their effect cannot be measured in simple dollar amounts. Partnerships can progress through stages from *philanthropic* to *transactional* to *integrative* (Austin 2001). Along this continuum, partnerships can become more strategic, multifaceted and valuable to all participants.

When assessing how companies develop and implement CCI practice as part of their CSR strategy, some common themes emerge that signal the potential depth and breadth of commitment. These key dimensions of CCI can be defined as:

- *Strategic vision*: how companies implement their CCI strategy through a clear set of policies supported by relevant plans, objectives, targets and procedures. This includes publicly available statements on CCI policies and practices, as well as communications and consultations with stakeholders;
- *Organisational leadership*: how companies' leadership facilitates success in CCI through executive team involvement in CCI policy development, decisions and implementation as well as widespread staff commitment to managing CCI practices;
- *Employee involvement*: how companies use their CCI strategy as a tool to manage, develop and motivate their employees through Employee Volunteer Programs, communication of company CCI activities to current and potential future employees, matching employee charitable contributions, and providing a payroll deduction facility for employee charitable donations;
- *Financial investment*: how companies invest in the community through partnerships with, and financial and in-kind support of non-profit organisations.

The categories above reflect the current status as well as future potential of CCI strategies. They represent CSR literature and practice as it has been traditionally understood as well as how it stands at a time of changes across government, corporate and community sectors. These trends and changes occurred in a climate promoting smaller government and increased transnational movement of companies. The internationalisation of business has also caused companies to both increase and rethink their giving priorities and strategies (Gornitsky 1995; Logan 1997; Sagawa & Segal 2001).

Recent Trends in Corporate Social Responsibility

CSR has emerged from discreet areas within a company to an overall approach intended for integration throughout company practice. Thus an environmental advocate, funds manager or arts organisation may have an equal interest in discovering the specific CSR policies of a company. Given increased demands for accountability and transparency from stakeholders and direct beneficiaries, the placement of philanthropic dollars and other corporate resources requires justification greater than personal preference or precedent. Downsizing and increased global competition over the previous decade place pressures on CSR professionals to demonstrate the financial benefits of their policies. Systematic accounting is demanded for CSR programs to prove they are complementary to the overall business objectives of the company (Burlingame & Young 1996; Logan 1997). Concurrent with these changes is a rise in social entrepreneurship and venture philanthropy which affect the expectations of individual, foundation and corporate donors (Reis 1999). This section addresses some of these recent trends by paying particular attention to the Australian experience with CSR and CCI over the last decade.

The previous sections outlined a primarily American and European understanding of corporate community involvement. While Americans do give four times more per capita than Australians in their private giving, their companies do not give remarkably different sums of their pre-tax profits (Turner 1997b). Different attitudes and perceptions regarding giving include beliefs about the role of government (Americans generally tolerate less government), the influence of religion (Australians attend far fewer organised religious activities), and perceived levels of taxation (both Australians and Americans feel they pay too much but Australians feel they pay more than Americans) (Turner 1997a). These perceptions and beliefs can affect approaches to personal and corporate giving (George 1997). If Australians hold long-standing beliefs that government will provide for all who are in need, the perception that there is heavy taxation and strong welfare supports may negate the pressure on companies to give (Dumais & Cohn 1993). Australian business leaders have had a solid history of personal philanthropy so there is precedent to build upon for positive CCI (Bodna 1996). Despite this, it can be argued that 'government support for philanthropy is underdeveloped and contradictory...[it] institutionalises a view that philanthropy is a quaint habit which is dying out' (Lyons 1998:6). This perception is changing. Companies are becoming more global in their CSR outlook as they realise their 'social footprint' extends beyond their domestic operations (Logan 1997:3). This global focus has affected Australia through multinationals operating here as well as Australian companies operating overseas.

Over the last decade, many Australian companies are reconsidering their approach to CSR. In the 1995 inaugural public address on Australian corporate public affairs, BHP's John Prescott argued that the 1980s 'legitimacy gap' that followed the environmental and consumer movements of the 1970s, altered the current business-society relationship (Prescott 1995). Paraphrasing Drucker (1984), Prescott contended that 'as well as pay-offs in terms of reputation and credibility, being a good corporate citizen is a matter of *enlightened self interest*' (Prescott 1995). Prescott spoke of reaching for greater community 'engagement' to foster a climate of better business-society relations. He concluded that there is 'no conflict between pursuing a stronger business-community partnership and maximising profits,' (Prescott 1995). Essentially, Prescott echoed the Australian approach in the 1990s of CCI as an essential, strategic issue that does not need to conflict with profit-driven motives.

Despite this balanced approach, Australian CSR and CCI practices can be viewed as antithetical to creating shareholder wealth or – at the other end of the spectrum – seen as not collectivist enough. This is not to say Australians are not community-minded. Certain entrenched volunteer movements such as surf lifesaving and bush fire brigades receive both community and corporate support. These activities, however vital and dangerous, were

predominantly male in origin and physically challenging – like professional sport. Corporate support for boats, trucks and helicopters is lauded by the public as valid, but there has not always been an equal expectation for other sectors' needs including the community and education sectors. This is not to say that community programs such as Meals on Wheels do not receive support, but rather they have not always been as readily recognised or celebrated as fundamentally Australian.

Despite a belief that Australian companies are miserly particularly when compared to their overseas counterparts, CCI is larger than assumed, but not as supported or encouraged as it could be by government until recently (Lyons 1999). While there has not been extensive research, it is known that Australian CCI does provide generously to sport to the extent that this support is ten times greater than for the arts (ABS 1999). While the public perception of CCI is often limited to sponsorship, recent trends include a focus on giving expertise, services and gifts in kind, as well as cash in the form of a 'business transaction' rather than an act of altruism (Lyons 1999b). This shift from a sponsorship focus to a broader range of activities is part of the overall trend towards a focus on corporate citizenship. It can be argued, 'Corporate citizenship, then is about managing an organisation's external influence on society' (Marsden cited Birch 1998: 23). This management involves both understanding and responding to these influences. This worldwide trend is influencing Australian promotion and practice of CSR and CCI.

In spite of a perceived cultural and historical antipathy to corporate involvement in Australia, there are moves to promote a greater reliance on individual, corporate and community giving. In February 1998, Prime Minister John Howard convened a group of leaders from across the community, academic and corporate spectrum to explore what might be done to increase cross-sector collaboration. Labelled by Howard as 'a new balance between government, business and community', his Corporate Philanthropy Roundtable (later renamed Community Business Partnership) seeks to promote its cause through public awareness, research, awards for best practice and tax reforms (Dodson 1998). Over thirteen million dollars was set aside for this effort. Some Australians might see the Prime Minister's notions of corporate partnership as a shirking of government responsibility. As his Minister for Communications, Richard Alston, argues, 'We need to awaken the possibilities and the potential of our society. This does not mean winding back government support for individuals, families and communities but finding more progressive and innovative ways to add to that support' (cited Birch 1998:97). This promotion of partnerships is one component of Howard's social coalition (McClure 2000).

The first major research output of the Community Business Partnership was the report *Corporate Community Involvement: Establishing a Business Case* (CCPA 2000). Among its findings, it concluded that long-term viability, rather than immediate profit, motivates many Australian companies to consider undertaking CCI. While a minority of companies surveyed were interested in altruistic efforts, the majority saw CCI 'as a way to maintain trust, support and legitimacy with the community, governments and employees' (CCPA 2000:11). At least 15 per cent of companies surveyed, however, felt that their primary responsibility was to maintain strong shareholder returns. Alongside a concern about their own ability to perform community roles, many are wary about accepting this burden from government (CCPA 2000). While companies have tended to focus their sponsorship on sporting activities, and to a lesser extent cultural activities, education and the environment also are beginning to receive attention. Pressure from the Government and multinational companies, combined with internal urging from employees, has begun to influence the way CCI is perceived by Australian companies and the public.⁸

⁸ In further research for the Prime Minister's Community Business Partnership, Encel and Studenski (2000) identify gaps in the current Australian research in the field. These gaps include identifying the actual dollar amounts given to not for profit organisations by companies and how shareholders perceive stakeholder management.

Given the recurrent worldwide theme of reduced government social services, the corporate sector in Australia is looking for new and more valuable ways to make connections with the community. These include broadening the role of corporate support. One commentator noted that:

In Australia we need to broaden the definition of corporate philanthropy. It's always meant that you simply write a big cheque and it disappears and you never see real results. But if you can involve people in development of specific projects...you lock them into a longer-term and more purposeful approach (Liffman in Hartcher 1997).

This perspective is part of the many recent federal and state initiatives to align community and corporate activity. The combination of changing strategies and ethos, as well as the ever-shrinking social welfare safety net, is likely to cause Australian companies and communities to look towards each other for more useful, strategic and systematic partnerships.

But recent research on broader conceptions of CSR and corporate citizenship suggest that while many Australian companies see these issues as part of their core business, many more see stakeholder engagement as a community strategy (Birch 2001). This research suggests that Australian CSR is still reactive, short-term and top-down in its focus with considerably more emphasis on CCI than environmental or other issues.⁹ While many recent trends in CSR and CCI have been evident worldwide, there are particular approaches and consequences that will remain unique to the Australian context.

Conclusion

Corporate Social Responsibility and, in particular, Corporate Community Involvement have become increasingly important to the Australian government, business and community sectors over the last decade. This paper examined the history, theory, methods and recent trends of CSR with a particular emphasis on the Australian context. While providing a background to past and current practice, the paper discussed influences on evolving methods and understandings of CCI. The review of the literature suggests that CCI must be taken seriously within the community sector.

Whether CSR continues to grow will depend on worldwide acceptance and maturity of the concept, its integration into practice and development of useful forms of measurement, as well as its ability to adapt to the Australian context. CCI will continue to be promoted in Australia if the concepts of social coalition, partnership and social entrepreneurship flourish. Changes in governments and the economy could affect the growth of CCI. In the meantime, the community sector must find a stronger voice to direct the impact of these changes on its funding and practices. Changes in corporate involvement strategies and practices will also affect how individuals and governments fund programs.

⁹ The Smith Family began investigating CSR when it agreed to become a research organisation for *The Good Reputation Index*. *The Good Reputation Index* presents a ranked listing of Australia's top 100 companies as assessed across six dimensions, some of which pertain to CSR: *employee relations, environmental performance, social impact, market position, financial performance, and management, ethics and governance*. Eighteen organisations assessed companies in their area of interest or expertise. Their results were collated into an overall ranking by Reputation Measurement, and published as *The Good Reputation Index* in *The Age* and *The Sydney Morning Herald* on 22 October 2001. The Smith Family was asked to assess the *social impact* of companies for *The Good Reputation Index*. The research in this field suggests that while there is a strong presence of CCI practice in Australia's top companies, this practice may require greater depth and dimension to be truly effective. The Smith Family undertook survey research to gain additional information on Australian CCI (see Cronin et al 2001).

Further research will need to address particular Australian aspects of CCI including the relationship between CCI practices and factors such as industry, size, foreign ownership; the locus of decision making on CCI; the relationship between CSR and financial performance; and nature of partnerships between companies and nonprofit organisations. This future research may then provide the community sector with guidance on how to navigate cross-sector strategies and partnerships.

Appendix 1 List of Useful Websites on Corporate Social Responsibility

www.accountability.org.uk

The Institute for Social and Ethical Accountability (ISEA)
UK

www.bc.edu/cccr

Boston College Center for Corporate Community Relations (soon to be Center for Corporate Citizenship)
USA

www.bitc.org.uk and www.theprinciples.org.uk/assess.htm

Business in the Community and their partnership assessment tool.
UK

www.bsr.org

Business for Social Responsibility
USA

www.charityvillage.com/charityvillage/ires11.html

Venture Philanthropy Guide sponsored by Canada's Charity Channel
Canada

www.conference-board.org/expertise/citizenship.cfm

The Conference Board
USA with groups in many other countries

www.corporate-citizenship.co.uk

The Corporate Citizenship Company
UK

www.crm.org.uk

The Cause Related Marketing site from Business in the Community
UK

www.ethicalinvestor.com.au

Ethical Investor
Australia

www.globalreporting.org

The Global Reporting Initiative
United States

www.innovation-partnership.org

Innovation Through Partnerships
UK

www.partnership.zip.com.au

Prime Minister's Community Business Partnership
Australia

www.philanthropy.org.au

Philanthropy Australia
Australia

www.pwblf.org

The Prince of Wales Business Leaders Forum
UK

www.redf.org

The Roberts Enterprise Development Fund
USA

www.socialentrepreneurs.org/

National Center for Social Entrepreneurs
USA

www.sustainability.co.uk

SustainAbility
UK

www.svn.org

Social Venture Network
USA

www.venturephilanthropy.org

Venture Philanthropy
USA

Acknowledgments

Sections of this research originally appeared in the author's PhD thesis *NetDay in the United States and Australia: An Examination of Corporate and Community Involvement in Education*, University of Sydney, 2000. I thank Associate Professor Anthony Welch from the Faculty of Education for his diligent reading of the research at that stage.

I would particularly like to thank Dr Gianni Zappalà and the Research and Social Policy Team for their comments and assistance. Melissa Clarkson and Mike Wilson from The Smith Family's Strategic Marketing Team and Troy Hey and Jane Warner from the Australian Centre for Corporate Public Affairs also provided valuable input into this project at its formative stage.

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