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Australian Centre for Corporate Social Responsibility



# DRIVERS OF BUSINESS OUTCOMES AND PERFORMANCE

THE BUSINESS CASE IN NUMBERS

THE STATE OF CSR IN AUSTRALIA:  
2008 Annual Review  
Volume 1

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# WELCOME

## The Australian Centre for Corporate Social Responsibility is pleased to bring you *The State of CSR in Australia: 2008 Annual Review, Volume One*.

The State of CSR research series has been developed following a report we published in 2007 which, for the first time, described what it is like to work in CSR in Australia (downloadable from [www.accsr.com.au/resources](http://www.accsr.com.au/resources)).

We got such an overwhelmingly positive response to our 2007 report that we decided to repeat the research, but with a bigger set of questions offered to more respondents. We again asked questions about working in CSR (see Volume Two). We also asked questions about the capabilities of Australian organisations for managing CSR and the outcomes that CSR management capabilities could produce. These questions were included in our research in direct response to hundreds of conversations we have had over the past five years with managers in a wide range of organisations who say that their biggest challenge is creating a business case for CSR.

In this volume, you will find quantitative data that provides a business case for CSR. This information supports the value of CSR within contemporary business practice. This quantitative business case for CSR is particularly useful for encouraging the internal buy-in and organisational support necessary for a successful CSR program and for identifying opportunities for your organisation.

This volume examines two areas of key importance to organisations seeking better outcomes from CSR. First, it describes the major issues facing those individuals who have CSR or sustainability accountabilities in over 350 Australian organisations. The results show that getting internal support and understanding for CSR, along with the rising prominence of environmental issues are the major concerns occupying CSR and sustainability managers. Second, the report describes CSR management capabilities and their outcomes that drive business performance, using statistical analysis to show which CSR management capabilities are most important in delivering key business outcomes, such as competitive advantage, reduced risk, or stronger reputation.

In Volume Two, *Working in CSR: Salaries, Roles and the CSR Profession in Australia Today*, you can access comprehensive

information which details the current state of the CSR industry in Australia, providing insight into the recruitment experiences, roles, salaries, budgets, activities, opportunities and challenges which define contemporary CSR work experiences.

The results in both volumes are based on a survey offered in September-October 2008 to 2,247 people on ACCSR's database. We received responses from 515 individuals for a response rate of 23%. Multiple respondents from 58 organisations allowed us to calculate organisational scores for CSR management capabilities. The top scoring organisations are listed in Section 8.0. Case studies from some of those top scorers appear throughout the report.

**The Australian Centre for Corporate Social Responsibility** (ACCSR) is Australia's leading specialist corporate social responsibility services provider. ACCSR helps organisations build competitive advantage and improve performance through CSR. Our services include advisory, research and training in CSR for a wide range of clients in the public, private and government sectors. We promote the integration of CSR into regular business practice and provide practitioners with leading-edge learning opportunities, including Australia's premier annual conference on CSR. Our partnership with La Trobe University's Graduate School of Management delivers Australia's first graduate qualification in corporate responsibility. Our substantial international networks allow us to keep abreast of global trends in CSR and to offer a range of programs led by international experts.



## Definition of corporate social responsibility

Our definition of corporate social responsibility follows the definition of social responsibility developed by the International Organization for Standardization's draft social responsibility standard.

Social Responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- Contributes to sustainable development, including health and the welfare of society
- Takes into account the expectations of stakeholders
- Is in compliance with applicable law and consistent with international norms of behaviour; and
- Is integrated throughout the organisation and practised in its relationships.

(extract from ISO CD26000, CD 1)

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NOTES: All 'n' figures in this report refer the number of individual respondents.

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# 1.0 EXECUTIVE SUMMARY

At the turn of the twenty-first century, Australia was widely considered as a lazy back-water when it came to corporate social responsibility (CSR). Almost a decade later, CSR is on the agenda of company directors, CEOs and managers in many different types of organisations. However, the transition to widespread acceptance of CSR is still underway.

Foremost among the challenges facing those who wish to integrate CSR into the ordinary management of business is making the 'business case'. Effectively managing CSR means that every aspect of a business may come under scrutiny. Therefore, a strong business case is required.

This research report is the product of a survey conducted by the Australian Centre for Corporate Social Responsibility in September-October 2008.

The research shows how corporate social responsibility capabilities contribute to organisational performance through its effects on environmental management capabilities, reputation, risk, conflict with stakeholders, competitive advantage, creation of new products and services, and reduced cost.

Capabilities are more than strategies and programs. They are intangible combinations of knowledge, systems and processes that cut across traditional organisational silos. They do not rely on one competent individual, but emerge from the interactions of many different people in different parts of an organisation. Management scholars have for years been studying different types of organisational capabilities and their contribution to competitive advantage and performance.

In our work at ACCSR, we have defined and measured the capabilities for CSR. We have studied CSR capabilities in hundreds of organisations, enhanced the CSR capabilities of over 1,000 managers through our public learning programs and worked closely with dozens of leading Australian entities to help them develop authentic CSR strategies by leveraging their unique combinations of CSR capabilities.

I started to measure the CSR capabilities of Australian organisations as a doctoral student. In the first broad-based survey of capabilities in 2002, I found that public agencies and foreign-owned companies had the highest CSR capabilities. I explained the former by looking at the social mission that is core to the business of all government agencies and departments. I explained the latter by the higher levels of CSR that the foreign-owned parent companies in Europe and the USA seemed to display: the Australian subsidiaries had simply learned CSR from their head offices.

The picture in 2008 could not be more different. The CSR capabilities of Australian listed companies and non-government organisations have streaked ahead, while public agencies and foreign-owned companies (with some notable exceptions) have been treading water.

Among our key findings:

- CSR management capabilities are powerful drivers of organisational performance. Different combinations of CSR capabilities can be leveraged for desired business performance results.
- There are positive and significant relationships between key CSR management capabilities, environmental management capabilities, business outcomes and organisational performance.
- There are five essential CSR management capabilities that work together to drive business outcomes. Organisations can reduce risk and avoid conflict, strengthen their reputation and competitive advantage, create new value and reduce costs by improving CSR management capabilities.



- Stakeholder engagement is the most important CSR management capability to contribute to overall organisational performance. It does so predominantly by strengthening reputation and reducing risk.
- Social accountability is the most important CSR management capability to contribute to environmental performance.
- Australian organisations are most similar when it comes to ethical business behaviour: scores were uniformly high. There is most variation when it comes to capabilities that depend on understanding stakeholder values and conducting genuinely open dialogue with stakeholders.
- Australian-listed companies demonstrate the strongest average CSR management capabilities, followed closely by NGOs. Government business enterprises, local governments and state government departments have the lowest average CSR management capabilities scores, relative to other organisation types.
- The mining and extractives industries demonstrate the strongest average CSR management capabilities score. Professional services companies showed the lowest average CSR management capabilities scores. Their lower average scores are largely explained by the relative lack of sustainability reporting, leading to lower scores in social accountability.

This report can be used to build a business case for CSR in your organisation. When you understand the CSR capabilities and their effects, you have a key to understand which outcomes are most likely from your organisation's current CSR strategy and which capabilities should be further developed if you are seeking particular business outcomes.

Case studies from organisations that display high CSR management capabilities give concrete examples of success and suggest the types of outcomes and benefits these organisations derive from CSR.

We also examined the most important CSR issues facing Australian organisations and suggest which capabilities will be most important in developing approaches to these issues.

I would like to thank everyone who responded to the survey and to congratulate the organisations that obtained a high CSR management capabilities score. We look forward to improving and repeating this research in future years and welcome your feedback and suggestions.

I hope this report will provide useful information to heads of CSR functions and other managers and directors who seek to understand how CSR is part of good contemporary management practice.

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**ACCSR**

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