The Choice, Implementation and Benefits of Corporate Social Responsibility Initiatives

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Abstract
Organisations are under increasing pressure to favourably impact the communities in which they operate, and accordingly, are adopting a range of Corporate Social Responsibility (CSR) initiatives. This study sought the views and opinions of managers responsible for CSR in five large organisations across five key industries in Australia to determine whether they adopt a broad or narrow range of CSR initiatives and whether they perceive any competitive advantage (benefit) by having adopted their current initiatives. Findings indicate that most organisations partner with an NGO to help implement and manage the CSR initiative and tend to choose more social than eco-environmental initiatives. Competitive advantages were commonly perceived as being improved reputation or brand image.

The Rise of Corporate Social Responsibility
Current political debate and media discourse concerning climate change and the associated costs of environmental degradation, coupled with corporate collapses have served to raise public scrutiny and increased regulatory controls over the business practices of organisations. An organisational response to this increased pressure is the development and implementation of Corporate Social Responsibility (CSR) initiatives that address environmental and societal concerns. Engagement in such initiatives allows organisations the opportunity to address stakeholders’ concerns, whilst also achieving competitive advantages. In the case of commercial entities, historically these initiatives have largely involved “giving”, though more recently, are becoming more strategic than entirely altruistic and are now embrace aspects beyond “philanthropy” (Cochran, 2007).

The push towards CSR has come from several directions; organisations themselves, stock market indices and rating systems, governments and consumers. Blumenthal and Bergstrom (2003) argue that CSR has “moved from the organisational periphery to its front and centre” (p327) as businesses realise the relevance of CSR to the corporation’s reputation and brand. The efforts of CSR enquiry can thus be defined as stakeholder driven (responds to external stakeholders such as NGOs and government), performance driven (focuses on measuring the economic effectiveness of CSR initiatives for the organisation) or motivation driven (provides evidence to indicate that CSR initiatives help to build corporate reputation, customer loyalty, and so on) (Basu and Palazzo, 2008).

This trend towards “responsible” activity is reinforced by the creation of the RepuTex Social Responsibility Ratings, the Dow Jones Sustainability Index (DJSI) and the FTSE 4 Good Index, which communicate an organisation’s performance on both financial and non-financial criteria (Hanson, et al. 2005; López, Garcia and Rodriguez, 2007). From a government perspective, we can see a global response. For example, Britain has a CSR minister; “Global Compact” was created by The United Nations; a Green Book which promotes worldwide CSR practices was developed by the European Union; and in Australia, the Federal Government has introduced the Community Business Partnership Scheme. Additionally, the general population are becoming increasingly aware of issues of sustainability which in turn
are leading to consumers changing their behaviour and demanding more. Accordingly, organisations are becoming more sensitive to the needs of the community, their employees and the environment (De Oliveira and Gardetti, 2006; Lyon and Maxwell, 2008). With all these external pressures, organisations are responding by implementing CSR initiatives, however, little is known about the types of initiatives typically chosen by Australian organisations or how CSR initiatives are perceived to benefit the organisation. This study seeks to explore this further, as the advantages of implementing CSR initiatives are well documented in the literature, and discussed next.

**The Advantages of Implementing CSR Initiatives**

Beyond “doing good” implementing CSR initiatives carries potential economic benefits for organisations. Many authors (e.g., Aguilera, Rupp, Williams, and Ganapathi, 2007; Fisman, Heal and Nair, 2005; Hutton, 2004; Porter and Van der Linde 1995; Teissonniere 2005) claim that firms with entrenched CSR strategies attain equal or higher levels of performance than firms that do not practice CSR. There is evidence that organisations implementing CSR initiatives are achieving competitive advantages that include both tangibles, as in the case of resource productivity (Porter and Van der Linde, 1995), and/or intangibles which include brand equity or reputation (Elkington, Knight and Hailes, 1991; McIntosh, Leipziger and Coleman, 2003; Porter and Kramer, 2002; Teissonniere, 2005; Waddock, 2004). For example, companies that utilise resources more efficiently than their competitors can reduce waste and costs, which in turn can lead to improved performance and increased profits, while also helping the environment.

López, García and Rodríguez (2007) suggest that the appearance of sustainability-related indexes such as the DJSI is evidence that both organisations and investors consider sustainability to be an important strategic criterion to the creation of long-term value. The DJSI attempts to illustrate that CSR organisations perform as well as non-CSR practicing organisations listed on other portfolio indexes (McIntosh, Leipziger and Coleman, 2003), thus demonstrating the financial benefits of implementing CSR initiatives.

Additionally, it would appear that implementing CSR initiatives is vital for the long-term viability of all organisations. For example, Westcott (2004) argues that organisations will come under scrutiny from the public and regulatory agencies as the realities of resource depletion and the environmental cost of organisational operations become more apparent. Hence, both social and environmental CSR initiatives should be considered and included in strategic planning for all organisations, particularly those operating within natural resources industries (Westcott, 2004; De Oliveira and Gardetti, 2006). This makes inherent good sense because without a plan for replenishing, replacing or substituting finite resources and protecting the environment in which a firm operates, there may not always be a place for that firm to operate.

Another advantage of implementing CSR initiatives is that they assist in gaining and improving customer loyalty. Bhattacharya and Sen (2004) explain that an internal consumer response to a firm’s CSR activities may be a sense of attachment which is demonstrated by customer loyalty and positive word-of-mouth. The authors add that not only do customers display loyalty to the company that practices CSR, they also become quite resilient to future negative information about the company, and thus companies ought to embrace CSR as a long-term, strategic investment. These benefits go beyond customers, for as Bollen (2004) points out, a strong reputation may attract and motivate employees, attract investors and
suppliers as well as serve to decrease the impact of competitive attack and public scrutiny. These views are shared by others (e.g., Aguilera et al. 2008; Basu and Palazzo, 2008).

Interestingly, many organisations implement CSR initiatives by forming partnerships with not-for-profit organisations or NGOs and community groups who can provide access to unique business opportunities, resources and intellectual property that may not have otherwise been available (Elkington, Knight and Hailes, 1991; Teissonniere, 2005). For example, two initiatives established by the Body Shop through its partnership with Amazonian Indian tribes are the sustainable harvesting of Brazil nuts for use in moisturisers and conditioners and the Green Pharmacy project which produces natural remedies from native forest plants (Roddick, 2006).

In summary, there appear to be many reasons for corporations to behave responsibly and implement CSR initiatives. The question remains, however, as to which CSR initiatives are adopted in Australian organisations and which of those provide the greatest strategic or competitive advantage. This paper presents the first of a two part study which investigated the breadth of CSR initiatives used in Australian organisations and to determine whether these organisations are enjoying the economic benefits or advantages commonly cited in the literature. The second part of this study (not presented in this paper) will address why organisations are reluctant to mass communicate their CSR initiatives to their key stakeholders, given the aforementioned advantages.

**Methodology**

The exploratory nature of this study lent itself to seeking qualitative feedback from key people within Australian organisations to determine the nature and benefits of their CSR initiatives. To the extent that large organisations have high visibility, greater access to resources, operate on a large scale and tend to participate in CSR initiatives the most (Udayasankar, 2008), large organisations were targeted to participate in the current research. One large organisation from five broad, yet very large, industries was selected. The organisations and industries were chosen in the belief that they would provide indicative evidence as to the general CSR initiatives commonly conducted in Australian organisations. A range of manufacturing, retail, services and not-for-profit industries was selected as being fairly representative of the main industries operating in Australia. The participating organisations were either market-leaders or significant participants within their respective industries. As such, these organisations may therefore be “leaders” with respect to their CSR initiatives. As with most qualitative research, the sample is not meant to be representative of the population, and the findings are meant to provide useful insight into the activities and beliefs within those organisations and not reflect practices throughout all Australian organisations. Two limitations to the sampling frame should be noted here, and both due to resource limitations and accessing CSR managers of organisations: 1) Agricultural and commodity industries were excluded in the present research and thus are not represented in the findings, 2) two organisations were sought to participate from each industry to reduce sampling bias, however, despite numerous efforts to obtain a response over a three month period, we were unsuccessful and decided to proceed with five, rather than ten, organisations.

Semi-structured interviews were conducted because they allow both open and probing questions to be asked, while also providing the respondent with the opportunity to raise issues of importance to them (Saunders, Lewis and Thornhill, 2007). Respondents were senior managers responsible for CSR in their organisation. To ensure confidentiality, the names of the organisations will not be revealed, but were drawn from the following substantive
industries: a large retail chain (RC); a multi-national technological manufacturer (MTP); a large telecommunications service provider (TSP); a large regional transport provider (RTP); a large multi-national not-for-profit organisation (NFP).

A discussion guideline was used in each interview to ensure some consistency of discussion among respondents, and each interview was recorded and later transcribed. The following procedure suggested by Saunders et al (2007) for the analysis of qualitative data was adopted:

1. Categorisation: data were categorised according to themes of CSR initiatives, implementation processes and perceived benefits.
2. Unitisation: data were broken down further into smaller pieces such as words, phrases or sentences.
3. Recognising relationships: linking categories, phrases or words in common and recognising any underlying relationships.

This process allowed similarities and differences between organisations to be identified, interpreted and reported.

**Results**

1. **CSR Initiatives**

For the purpose of this paper, “social” initiatives will refer to those activities that benefit the organisation’s employees or members of the wider community, sometimes referred to by others as people’s well-being (e.g., Cramer, 2008), for example, helping disadvantaged people or supporting research on diseases. “Eco-Environmental” initiatives refer to activities which aim to preserve the environment, sometimes considered as factors which help the ecological quality of the planet (e.g., Cramer, 2008) or being environmentally friendly (Lyon and Maxwell, 2008), for example, reducing waste from manufacturing or using recycled materials. It should be noted that we chose to add the term “Eco” here because such initiatives may also provide economic advantage to the organisation by saving on operational costs immediately, or in the future. We classify “Economic” initiatives as those which aim to improve the organisation’s economic well-being via their positioning strategy, for example, producing environmentally-friendly products as a strategy to position the firm favourably in the minds of the target market. Although it is argued that all initiatives serve to enhance corporate image, reputation, market share and improved financial returns, the first two initiatives directly help people or the environment, whereas “economic” initiatives may help people or the environment indirectly.

The interviews revealed that RC engages mostly in social CSR initiatives, which include their partnership with a national community NGO where a total of $750,000 per annum is donated and used to support a variety of causes such as cystic fibrosis research, the bone marrow institute, local hospitals and volunteer programs. These activities also form part of their positioning strategy and hence, to a lesser degree, they encompass “economic” CSR initiatives too. MTP engage in social initiatives and, in partnership with a community NGO, donate substantial money and scientific equipment (approximately $250 million) for educational purposes, where participants are considered to be potential future employees. This appears to be a more self-serving initiative than others. They also produce goods and services that they deem “more environmentally friendly” and since these activities are more strategic than altruistic, we interpret them as being economic CSR initiatives.

Conversely, the other three organisations implement both social and eco-environmental initiatives. For example, TSP provide $200 million goods/services for disadvantaged groups per annum while also donating funds to a research institute monitoring adolescent depression.
Also, they reduce gas-house emissions as part of their operations (eco-environmental). RTP donate money and services to a hospital appeal but also engage in community safety initiatives, and efforts to reduce their operational emissions (e.g., using recycled water to wash all vehicles). Similarly, NFP reduce their environmental footprint by becoming part of the greenhouse challenge programme which involves reducing their operational emissions, while also producing a sustainability report in accordance with the Global Reporting Initiative (the only organisation interviewed who comply with GRI). At a social level, they choose partnerships based on the recipients CSR activities and moral behaviour, and offer to help them improve their CSR practices. The CSR initiatives implemented by each organisation are summarised in Table 1 below.

### Table 1: Type of CSR Initiative Implemented by Each Organisation

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Social</th>
<th>Eco/Environmental</th>
<th>Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>MTP</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>TSP</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>RTP</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>NFP</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

2. Competitive Advantages

Four of the five organisations participating in this study, NFP, RC, MTP and RTP, noted that there are advantages to be gained from engaging in CSR initiatives as illustrated in summary format in Table 2 below.

### Table 2: Advantages Derived from CSR

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Organisation(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Reputation</td>
<td>RC, NFP, MTP and RTP</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>NFP</td>
</tr>
<tr>
<td>Resource Productivity</td>
<td>RTP</td>
</tr>
</tbody>
</table>

The most commonly cited advantage referred to an improved brand or corporate reputation, although little evidence was forthcoming to support this claim. Only NFP commented that the reduction in emissions is saving the organisation money, while only RTP commented that they have improved their resource productivity since implementing CSR initiatives. Overall, all organisations were confident that the organisation benefited, or had gained some advantage, from implementing CSR initiatives.

3. Partnerships

Partnerships were found to play a significant role in the delivery and management of CSR initiatives. Some participants suggested that whilst these partnerships provided benefits for all parties, choosing the “right” NGO partner could prove very important to the success of the CSR initiative. This was especially the case for profit motivated organisations requiring governance whereby NGOs can play an advocacy role, providing support and advice to them. For example, RC needed the “right” NGO that could properly audit their CSR programme, while MTP has relinquished the management of their entire CSR programme to their NGO partner. From the NGO perspective, NFP revealed that finding the “right” partner is just as important for the NGO as it is for the for-profit organisations.
In summary, a diverse, but largely social, range of CSR initiatives are adopted by these organisations. Furthermore, all respondents view their CSR initiatives as providing competitive advantage to the organisation in some way. However, few respondents were able to report on the economic benefits enjoyed by the organisation, and instead reveal that they perceive improved corporate or brand reputation.

Discussion

A corporation’s reputation and brand is widely recognised as a vital source of competitive advantage (Hanson, et al 2005) and implementing CSR initiatives is increasingly recognised as a way to build a favourable corporate reputation. This may be more evident in certain industries because, as Bhattacharya and Sen (2004) found, as product differentiation decreases and competition increases, CSR initiatives not only improve the corporate brand and reputation but also strengthens the consumers’ bond with the brand. Therefore, using CSR as part of a corporate branding strategy may be especially important for organisations that operate within highly competitive consumer goods industries, because these CSR initiatives are typically difficult for the competition to imitate, thereby providing a unique point of differentiation for the organisation (Ying, 2005). This brooks well for organisations like RC who operate in a highly competitive retail arena, whereby their CSR initiatives could prove most beneficial to improving their corporate brand, even though their social CSR initiatives do not relate directly to their core competencies.

In contrast to RC, the other four organisations tend to select CSR initiatives that are consistent with their core competencies. For example, MTP continues to ensure that their technological products are, at least partially, “environmentally friendly”. Additionally, they fund many Science and Engineering based educational programmes. NFP’s core competency of “helping others” is shared as they pursue activities that help “people” and subsequently help the “environment”. RTP engages in CSR initiatives that relate to transport matters (their core competency), while TSP offer their good/services to disadvantaged groups for free. This finding is aligned with the view of Castka, et al. (2004), who advocate balancing the demand for CSR with the profits or benefits of CSR to the organisation. It also reveals that these organisations are considering ways in which their core offerings may provide benefits for the environment, society and, in turn, the organisation itself. This finding indicates that they type of CSR initiative selected is largely predicated on the type of industry and the core competency of the organisation.

All respondent organisations confirm that they believe there are advantages to be gained from engaging in CSR initiatives, with the most commonly cited advantage being improved reputation or image. This is consistent with many other views and findings from the literature (for example, Elkington, Knight and Hailes, 1991; McIntosh, Leipziger and Coleman, 2003; Porter and Kramer, 2002; Teissonniere, 2005; Waddock, 2004). Moreover, the organisation’s choice of CSR initiative is determined, to varying degrees, by the scope of the organisation’s goals, core offerings, competencies, resource requirements, business model and branding decisions. We believe that this “alignment” between the organisation, industry and CSR initiative is an area worthy of future and more directed investigation.

Specifically, it was found that philanthropy and sponsorship are common CSR initiatives implemented by the respondent organisations. However, the nature of this “giving” is not consistent among respondent organisations, and in one case, contrasts the recommendations and observations made in the literature. For example, Porter and Kramer (2002) state that given the increased public scepticism of organisations, “corporations that can demonstrate a
significant impact on a social problem will gain more credibility than those that are merely big givers” (p.67). The notion of “giving” beyond monetary means is supported by Teissonniere (2005), who argues that many organisations are bypassing the cliché of the big cardboard cheque given to a charity, preferring instead to utilise their organisation’s core skills and competencies to the mutual benefit of both parties. This change in organisational “giving” has been coined the “core competency movement”. Conlin, et al. (2003) believe that organisations participating in this movement provide the community with proof that the organisation is genuinely considering its impact on society. They do so by addressing the issue at hand with the same level of commitment that they apply to their organisational products.

Of interest, the findings from the current study reveal that some organisations are moving away from this “big cheque” approach and joining the core competency movement, albeit slowly, while others have not yet joined this movement at all. For example, TSP seek to develop partnerships that “are more in line” with the organisation’s core competencies and provide a mutual benefit to both TSP and the recipient. Conversely, MTP appear to be following the more traditional route, providing funding and office space rather than seeking involvement and building a relationship with their “cause” partners. As such, MTP may be missing out on opportunities to engage with, and make a positive impact within, the communities in which it operates. By contrast, the other respondent organisations report sharing either: 1) their core competencies or 2) their equipment / technology / expert advice. In so doing, they have developed relationships with the community groups and NGOs that they choose to support, which is the first step towards increasing their social impact.

Respondents indicated that partnerships, mostly with NGOs, play a significant role in the delivery and management of CSR initiatives and that the choice of the “right” partner appears paramount to the success of both the partnership and the CSR initiative. Since the general public tend to place more trust in NGOs than they do in listed corporations (Dawkins, 2004), it would appear that organisations might benefit from understanding and perhaps emulating the behaviour and actions of NGOs. In fact, McIntosh, Leipziger and Coleman (2003) argue that NGOs are now such an integral part of the business landscape, wielding increasing influence over both public policy and the market that they shape “the rules and norms of business behaviour” (p79). A primary concern for these partnerships is the “fit” between the corporation/brand/goods and services and the NGO’s cause. Bhattacharya and Sen (2004) found that consumers look favourably on both corporations and NGOs that engage in CSR, and emphasise the importance of the “fit” between the two organisations. The results of the present study corroborate these findings. For example, RC sought to partner with an NGO that could provide access to “cause” partners, and who would audit the CSR initiative and ensure that any funds raised by the initiatives were distributed correctly. MTP sought an NGO partner that could be trusted to manage their CSR initiatives and all associated communications. TSP sought partners that could make use of and benefit from TSP’s core competencies, skills, products and technology. From the NGO perspective, NFP revealed that they too seek a good “fit” with their partner (for-profit) organisations.

It is hoped that the findings presented here provide further motivation for organisations to increase the number and diversity of their CSR initiatives because such initiatives can be associated with favourable economic returns for the organisation while also favourably impacting the broader social and environmental arena. The findings also suggest that some Australian organisations pursue, or further, their partnership agreements with NGOs when developing their CSR initiative. It is evident that greater alignment between organisations
and NGOs, and CSR initiatives and organisational core competencies, is viewed as producing the most favourable outcomes for all involved.

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