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Corporate Responsibility

Parliamentary Joint Committee on Corporations and Financial Services

September 30, 2005

Corporate Social Responsibility and its Implications for Governance[1]

These persistent weaknesses in capitalism (manifest, *inter alia*, in the recent collapse of Enron and Worldcom), have led to increased discourse and debate over how the wealth generating power of capitalism can be fused with greater protection for civil society and more sustainable enterprises (Zadek, 2001). Much of this discourse tends to take place within the paradigm of Corporate Social Responsibility (CSR) which has a long history; dating back to Christian patriarchs such as John Wesley and philosophers and thinkers such as Mill, Owen and the Webbs. Notwithstanding this history, Hanlon (2004:1) has argued that 'CSR is given a new urgency today because the state, capital and civil society are in a process of redefining their relationship and creating a new social settlement'.

The structures, institutions, mechanisms and discourse that support and diffuses socially responsible norms of corporate behaviour are part of what Waring (2004) has labeled the 'CSR movement' which has raised awareness of CSR and serves as a counterpoint to the dominant shareholder value ideology in market-outsider business systems (see Gospel and Pendlton, 2004). The growth experienced in Socially Responsible Investment (SRI); the desire of firms to retain their 'social license' to continue to operate; pressure on corporate governance to consider stakeholder interests (see ASX, 2003) and recognition by financiers and funds managers of potential reputational and operational risks stemming from the failure to address CSR are just some of the commercial forces driving the CSR movement. Additionally, the growing willingness of consumers to use their purchasing power to discipline socially irresponsible companies adds further commercial force to the CSR movement. Complementing these commercial pressures are state and supranational developments that are encouraging firms to adhere to CSR norms. The most prominent of these developments has been the establishment of the United Nations Global Compact initiated by the UN's Secretary General, Kofi Annan in 1999 to 'civilise' globalization through responsible corporate citizenship. It centres around ten principles on human rights, labor and the environment which companies are encouraged to commit to in the hope that globalization will become more sustainable (UN, 2003). Four of the ten Global Compact Principles are International Labour Organisation (ILO) labour standards (UN, 2003).The Global Compact also provides an international forum and network for dialogue amongst the various social actors.

Driven by the CSR movement, firms (especially MNCs) have sought to position themselves as good corporate citizens. Beyond protecting firm and brand

[1] **Based on P. Waring, J. Burgess and J. Lewer The Corporate Social Responsibility Movement: A New Actor in Industrial Relations? London School of Economics, September 2005.**

reputation, companies that are considered to be ‘good’ corporate citizens may be listed on SRI indexes, thus becoming a target for SRI investment.

The reputational effects of good corporate citizenship also include attracting and retaining high quality labour (see Turban and Greening, 1994) and extending the firms’ social license to new markets and locations. An enhanced CSR reputation can make it easier to invest and conduct business in states where there is considerable concern over CSR performance.

These developments have produced a need for appropriate mechanisms and systems for auditing and reporting organisations’ CSR performance. Several such initiatives have already taken place including the establishment of the GRI, social accounting standards such as Social Accountability 8000 (SA 8000) and independent ratings systems – which we collectively describe as ‘social performance metrics’

Our contention is that the infrastructure and legal support offered by the state to corporations together with pressure of the CSR movement towards recognising important stakeholder interests should, as a minimum, require corporations to provide a more extensive set of “accounts”. At a minimum, beyond required financial reporting requirements, corporations should be requested to provide a report that covers these broader stakeholder concerns – the UN global compact offers a minimum set of principles that corporations should include in their annual published reports.

Theories of Corporate Social Responsibility

Theories of corporate social responsibility tend to fall within two broad approaches; theories that conceptualise the firm as a pluralistic combination of various interest-holders and theories that justify addressing CSR issues from a commercial or competitive advantage perspective. The two most established theories under these approaches are stakeholder theory and resource-based theory respectively. The key elements of these theories of the firm are explained in this section.

Stakeholder Theory

The extant corporate governance literature is characterised by differing theoretical perspectives of the firm such as the ownership model, the nexus of contracts approach and stakeholder theory (see Clark, 2004). Of these theoretical perspectives, the nexus of contract approach has been the most influential in the last few decades but has also been subject to considerable criticism (see Branson, 1995).

The key tenet of the nexus of contracts approach is that the corporation needs to be understood simply as a vehicle for contracting where parties who supply factors of production are bound by explicit and/or implicit contracts that govern the price and the way in which the input is provided to the corporation. In this way, as Parkinson (2003, p485) has stated ‘the company acts the common party for a series of contracts and avoids the need for cross-contracting between members of the various groups’. Corporate social responsibilities are not recognised under the nexus of contracts approach unless they are incorporated into explicit contracts that bind the various parties. By contrast, stakeholder theory asserts that corporations owe social responsibilities to their stakeholders regardless of contractual arrangements. Stakeholder theory is defined by Clarkson (1994 cited by Clarke, 2004, p195) who stated that:

> ‘The firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm’s activities. The purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services’.

Importantly, stakeholder theorists agree with the view of contractarians that shareholders do not own the company but rather that, like other stakeholders, contribute an input factor (capital) to the firm. As such the notion explicit in shareholder value ideology that the corporation should be run in for the exclusive interests of shareholders is erroneous in their view (Parkinson, 2003, p492).

Stakeholder theorists also identify the long recognised relationship of principal and agent that exists between investors (those who supply capital to the firm) and agents (those who control the enterprise and manage the labour problem) (Triole, 2001:1) to support their claims. According to classical economists, this agency relationship was problematic because, to borrow the words of Smith (1776), those who controlled the organization were managers of ‘other people’s money’ and may not fulfill their responsibilities to the owners with the same vigour as if the money were their own (Note in Fraser, 2004:145). According to Stakeholder theory, the separation of ownership and control justifies managers adopting a stakeholder approach as both agents (managers) and the principles (shareholders) are not owners in the sense that they are generally dispassionate and do not feel nor exercise any personal responsibility to act as owners.

Further, Parkinson (2003, p492) claims that stakeholder theorists argue that the legal privileges that the State provides to corporations (such as limited liability, perpetual succession and so on) ‘introduce a public interest dimension to the operations of and internal organization of companies’ . Hence, the corporation ought to be run in the best interests of the broader society. Moreover, stakeholder theorists assert that the governance of the corporation should be directed towards balancing the various interests of stakeholders and compensating them for the various risks each undertakes in contributing to the enterprise. They contend that if one set of stakeholders such as shareholders receive disproportionately more returns than other stakeholders, poor corporate social responsibility (CSR) is observed. In Australia the privilege of corporations extends to lower marginal tax rates and a state funded safety net for unfunded employee entitlements (the GEERS program) in the case of corporate failure.

An additional justification underpinning one variant of stakeholder theory (discussed as the Political Model by Parkinson, 2003, p496) is the notion that contemporary corporate size and influence means that some companies have the power to influence and make public policy. Corporate donations to political parties, direct lobbying and advocacy as well as the rules that managers make for the company are arguably efforts to make public policy. As such, stakeholder theorists believe that they have an obligation to be good corporate citizens and address all stakeholder interests.

Of course stakeholder theory has been strongly criticized by those supporters of the contractarian approach (see Argenti, 1997). In particular, contractarians criticize the lack of precision in identifying stakeholders and the multiple and sometimes conflicting managerial goals which they say stem from the stakeholder approach. Another objection to the stakeholder view is the lack of managerial accountability which some argue results from the difficulty of measuring managerial performance against anything other than the clear standard of share-price performance (Parkinson, 2003, p498). Proponents of the stakeholder view rebut the notion that indeterminancy is produced by a stakeholder approach, arguing that balanced scorecard systems and sophisticated remuneration systems can ensure that managers focus creating value across a broader range of indicia.

States' corporations law have rarely been informed by stakeholder theory (see Blair, 1995, pp.179-180 for several exceptions) however firms in coordinated market economies (such as Germany and Japan) have often embodied elements of the stakeholder approach in their governance (see Jacoby, 2005). Moreover, there have been some minor steps towards encouraging a stakeholder approach in some liberal market economies. In Australia, the Australian Stock Exchange (ASX) released ten best practice corporate governance principles of which Principle 10 'Recognise the Legitimate Interests of Stakeholders' holds the most promise for encouraging a stakeholder approach. The associated commentary on this principle states that 'there is growing acceptance of the view that organizations can create value by better managing natural, human, social and other forms of capital' (ASX, 2003:59). This principle calls upon boards to develop corporate codes of conduct which recognize and protect interests of stakeholders and specifically mentions employment practices as one important aspect for inclusion in a best practice code of conduct. In the United Kingdom, there have also been some initial moves away from shareholder value ideology towards encouraging a stakeholder approach. Deakin (2005, p12) for example cites the Company Law Review Steering Committee's call for an 'enlightened shareholder value' approach where shareholder interests would be balanced with 'the need to sustain effective ongoing relationships with employees, customers, suppliers and others; and the need to maintain the company's reputation and to consider the impact of its operations on the community and the environment'. In the USA Jacoby (2005) detects a significant retreat from the extreme contractarianism reached in the early part of the twenty-first century as a result of recent corporate failures. He notes the emerging consensus that market-outsider approaches to governance can lead to 'rent-seeking' behaviour (corporate greed) and loss of returns to share and other stake–holders. The expensing of options, new regulation, calls for greater corporate transparency and growing skepticism of the benefits of an active market for corporate control are signs of this withdrawal according to Jacoby. These are fledging developments however, and it is too early to tell whether they signal a retreat in Corporate law from the extremes of shareholder value ideology. While stakeholder theory provides a strong justification for addressing CSR issues, Resource-based theory is providing an alternative commercial explanation for corporate interest in CSR.

Resource-based theory

Resource-based theory (RBT) has developed in a variety of business disciplines – from strategic management (and strategic Human Resource Management – see Wright et al, 2001) to studies of finance and corporate governance (see Jacoby, 2005). RBT's utility in the CSR literature lies in its capacity to explain firstly, why a strong CSR orientation may be a source of competitive advantage and secondly, why some firms are more committed than others to CSR issues. RBT essentially posits that competitive advantage in contemporary organizations often lies in the internal combination of unique firm resources, capabilities, competencies and tacit knowledge (Hoskisson et al, 1999). As Jacoby (2005, p97) has explained, RBT has the effect of shifting strategic thinking away from pure market factors towards developing inimitable firm characteristics including unique human capital or a distinctive corporate culture. In Jacoby's (2005, p98) view, 'the resource-based approach is consistent with a stakeholder orientation' since it requires firms to make longer term investments in employees and develop strong relationships with suppliers, customers and communities in which the firm does business.' We would refine this analysis by arguing that it is the desire to develop inimitable human, social and reputational capital which goes some way to explaining corporate interest in the stakeholder approach. These three forms of capital are mutually inter-dependent in the sense that the formation of talented human capital requires the firm to have a strong reputation which turn requires the development of strong social and human capital and so on. Turban and Greening have discovered though empirical research that (aside from superior remuneration and learning and development opportunities) talented individuals are drawn to employers on the basis of their reputation, especially their perceived ethics and commitment to corporate citizenship.

Developing strong social capital also requires a firm to consciously improve its reputation. Establishing strong links with communities and markets is the key for many firms to acquire and retain their social license to operate and to ensure that consumers are not opposed to purchasing the firm's goods and services due to its poor reputation. Aside from these benefits, reputational capital is also essential for firms seeking investment funds whether these be from equity or debt markets. Clarke and Hebb (2004) have argued that institutional investors are increasingly incorporating reputational risk indicators into their investment analysis metrics due to the growing importance of the nexus between firm reputation and earnings. Further, Clarke and Hebb (2004) argue that because global brands are so essential to multinational company earnings, and are so expensive to develop and maintain, that institutional investors are concerned whenever an event occurs which threatens to tarnish the brand or firm image. Hence, institutional investors are placing pressure on managements to ensure that CSR issues are addressed and reputational risks are mitigated. They also contend that a good reputation signals to capital markets 'that value is likely to be preserved and enhanced in the future' (Clarke and Hebb 2004, p11). Importantly, their argument distinguishes between companies that are light on tangible assets but heavy on intangible assets. This may also be described as the difference between the book value of a corporation and its market capitalization – this difference tends to be larger in firms where intangible assets are critical to earnings than in firms with more tangible assets. Clarke and Hebb (2004) assert that reputational risks tend to be greater in companies with more intangible assets such as global brands since they rely on positive consumer sentiment which can retreat with poor publicity or civil society activism. However, we would argue that corporate sensitivity is not only linked to brand image and thus companies that tend to be asset-light. Rather we would contend that corporate sensitivity to these issues is a more complex function of ownership structure, the importance of a firm's social license to operate as well as brand and firm reputation - a point to be explored further on.

RBT is helpful in explaining differing levels of commitment to CSR and in identifying some of the economic incentives that are encouraging firms to address CSR seriously. The next section extends this analysis by identifying the key institutional, supra-national and commercial forces which make up the CSR movement and which are fueling its influence.

Key Drivers of the Corporate Social Responsibility Movement

The Corporate Social Responsibility movement is composed of a multiplicity of members but is distinguished by the broader range of participant's and interests. Whereas, the labo(u)r movement tends to be driven by the industrial and political wings of organized labour along with sympathetic groups such as Churches and some NGOs, the CSR movement counts trade unions, NGOs, consumers, progressive companies, CSR ‘norm’ entrepreneurs (an industry of consultants, think tanks, associations and advocates has developed around CSR), socially responsive institutional and other investors, academics, government agencies and supra-national bodies as part of its continuous association. All of these groups have their own sectional and sometimes conflicting interests (for instance a coal miner’s union view of CSR may conflict with that of Greenpeace where the former wants to increase employment through industry growth and the latter wants to reduce it due to global warming concerns) however, they are bound by a common normative belief that corporations have social responsibilities that ought to be addressed. It is beyond the scope of this article to detail the aims and interests of each participant in the CSR movement, however, this section intends to identify the principal drivers of the CSR movement which are shaping its trajectory and extending its influence, These key drivers are also levers that are deployed by members of the CSR movement to pressure management to address CSR issues.

Socially Responsible Investment

Socially Responsible Investment (SRI), defined as investments which incorporate social, environmental or ethical criteria as well as financial objectives, has been labelled by Sparkes (2002) as a ‘global revolution’ and there is widespread empirical evidence of growing interest and participation in SRI debt and equity instruments. From humble beginnings as an investment philosophy championed in the main by the Christian churches, SRI has grown in popularity and size and is widely considered to be a positive force within global capital markets and a key driver of Corporate Social Responsibility (CSR) (see Sparkes and Cowton, 2004; Michelson, et al, 2004). There is now a significant body of finance literature that has assessed the financial returns of SRI and the profile of SRI investors and there is an emerging consensus that SRI enjoys returns at least as good as ordinary investing (see AMP, 2005).

Table 1 - A Comparison of SRI Funds Under Management (FUM) in The United States, the United Kingdom, Australia, Japan and Germany

Country	Size of SRI FUM (equities) in Home Country Currency	Size of SRI FUM (equities) in Euro (as at 29 April, 2005)	SRI FUM (equities) as a % of GDP
US	$US 2.332 trillion	1,800 billion	19.83
UK	£224.5 billion	331 billion	22.40

Australia	21.3 $Aus billion	13 billion	2.66
Japan	100 billion yen	0.734 billion	0.0002
Germany	€7.7b	7.7 billion	0.004

The relatively small SRI presence in Germany and Japan is the result of the history of public provisioning of pensions in these countries as well as diminutive presence of shareholder value ideology in contrast to liberal market economies where SRI seems to have developed as counterpoint.

SRI funds are likely to grow further with changes to the UK's pension fund regulations which require all pension funds to declare the extent to which SRI principles influence their investment strategy (see Sparkes, 2002:389) and similar regulations in Australia which require investment product disclosure statements to include 'the extent to which labour standards or environmental, social or ethical standards are taken into account in the selection, retention, or realization of the investment' (ASIC, 2002).

Although SRI represents a small proportion of total funds under management there is some evidence that its key principles are being adopted by mainstream investors and creditors. As noted earlier, Clarke and Hebb (2004) have observed longer term institutional investors such as Pension funds and banks using SRI criteria to reduce reputational risks while engagement strategies (a key tool of SRI funds managers) are also used extensively by funds managers to ensure management adhere to CSR norms.

Some recent research (Waring and Lewer, 2004; Haigh and Hazelton, 2004) has suggested that SRI may influence corporate governance through three mechanisms. First, the growth of SRI may raise the cost of capital to socially irresponsible firms; that is, SRI funds exclude investing in these firms, thereby making it more difficult and expensive for firms to raise capital and applying pressure on management to improve their CSR efforts. Second, SRI funds stress the exercising of shareholder rights to 'voice' rather than simply 'exit', potentially bringing significant change to those national systems which tend to rely on the latter. This voice may include direct dialogue with management or involve the use of shareholder resolutions. Third, SRI may seek to effect change by exploiting existing sensitivities over corporate reputation. Haigh and Hazelton (2004) have argued that SRI's small size compared to the total size of global capital markets means that SRI is highly unlikely to affect the cost of capital significantly. This means that the second and third mechanisms are more likely to be effective in producing concrete changes to corporate governance. Waring and Edwards (2005) have argued that SRI needs to be embedded within a supportive institutional context (for instance complementary corporate governance regulations and strong institutional investment sector) for the second and third mechanisms to maximise their utility.

According to Waring and Edwards (2005), these mechanisms may impact on firm-level employment relations in a variety of ways. First SRI may help to create 'ethical space' in which human resource management practitioners can build persuasive arguments for the implementation of progressive people management policies. For instance, SRI holdings that emphasise the legitimacy of various stakeholders might permit HR executives to build and maintain joint consultative arrangements with employee representatives. Second, where SRI heightens sensitivities over corporate reputation, management may choose to avoid industrial disputes by adopting pragmatic approaches to industrial relations. Third, SRI engagement strategies may encourage management to work within rather than challenge existing labour market institutions and regulation and may even persuade firms to adopt proactive policies on issues such as supply chain labour conditions.

Sustainability Reporting

Growing sensitivity over reputation has increased corporate interest in sustainability reporting (see Adams, 2002; Unnerman and Bennett 2004). Many firms (especially multinational companies) are eager to be seen to be engaging in desirable levels of disclosure by regularly reporting on environmental and social issues as they relate to the company's activities.

The growing tendency of firms to engage in regular stakeholder reporting can therefore be seen as one important consequence of the CSR movement. An emerging consensus that firms have responsibilities other than to their shareholders together with commercial pressures have encouraged firms to increase levels of disclosure over their activities. A recent KPMG (2005) survey noted that 52 per cent of the top 250 companies on the Global Fortune 500 companies now issue environmental, social or sustainability reports up from 35 per cent in 1999. The KPMG 2005 survey of sustainability reporting also noted that around two-thirds of reports discussed labour issues generally although only 33% discussed collective bargaining while almost all discussed environmental issues (KPMG, 2005, p24).

Many of these reports are drafted according to the plethora of social reporting frameworks, standards, codes and guidelines that have emerged in recent years. These are have been developed for individual companies, sectors and at an international level for single CSR issues or across a range of environmental, labour and community issues. The European Commission on Economic and Social Affairs (2004, p32) has identified the full range of these codes and reporting systems and notes the European Union directive of October, 2004 which requires EU-listed companies to publish a corporate governance statement with their annual reports that may also include an analysis of social and environmental aspects of governance. Perhaps the two most widely used reporting frameworks are SA8000 and the Global Reporting Initiative.

The GRI incorporates human rights and environmental performance indicators, however importantly also includes labour performance metrics. These include five broad indicators – Employment (net employment creation, type of employment); Labour-Management Relations (extent of collective bargaining, extent of union representation, procedures for representation); Health and Safety (commitment to a safe workplace, existence of joint safety committees etc); Training and Education (training dollars spent per employee); Diversity and Opportunity (commitment to abolition of all forms of discrimination, proportion of minorities in management positions etc)

Social Accountability 8000 (SA8000) is another international effort to provide a uniform mechanism for the measurement and monitoring of CSR. An initiative of Social Accountability International (SAI), a subsidiary body of the Council on Economic Priorities Accreditation Agency (CEPAA), SA8000 was conceived in 1996 with the aim of creating a voluntary standard for workplace practices based on ILO and human rights conventions.

These reporting mechanisms, and others like them, are increasingly being used to not only demonstrate good CSR performance across these issues but also to regulate employers down the supplier chain. While multinational companies are typically pace-setters for wages and conditions in lower labour cost countries and ‘operate at higher standards than those required by local regulation’ (Clark and Hebb, 2004, p1), their suppliers are often local and do not aspire to provide their employees with above local conditions. For companies with vast and complicated supply chains this poses a significant reputational risk (see Nike vignette below) and hence the reason for MNC’s policing conditions throughout their supply chains. Spot checks, social audits and CSR provisions in supplier contracts are all used to minimize the risk that poor labour conditions at a supplier’s factory for instance will tarnish the global brands of an MNC.

Previous research on sustainability reporting has emerged mainly within the field of ethical or social accounting and has tended to focus on the reporting and verification mechanisms associated with stakeholder reporting (Dando and Swift, 2003; Gray, 2001), the problem of identifying stakeholders (Vos, 2003) and the implicit issues in corporate-stakeholder dialogue (Unnerman and Bennett, 2004). Waring and Connell’s (2004) research examined the reporting of HR issues in sustainability reports from leading technology companies and found a distinct cultural-national institutional bias with most US firms, for instance, reporting more on diversity than employee representation issues. Research conducted by ISIS Asset Management Plc (a leading European funds manager) on eleven MNC technology companies, reviewed their sustainability reports and interviewed senior executives and discovered that the management of labour issues (particularly in the supply chains of MNCs) lagged the management of environmental issues and yet issues such low wages, excessive overtime and occupational health and safety concerns (arising from materials toxicity) posed significant reputational risks to the MNCs studied (ISIS, 2004).

Sustainability reports provide a window on firms, permitting outsiders to peer beyond financial data to examine how management is addressing its environmental and social responsibilities. Unfortunately, this window is often opaque due to management's desire to place itself in the best light, and because of the lack of consistency of approach and level of detail in reporting. Furthermore, the challenges of establishing accurate and independent verification mechanisms increase the probability that reports are a mere 'green-wash' of reality which may indicate a lack of genuine management commitment to CSR and/or inconsistent reporting approaches. This opaqueness also increases the value of independent verification of claims made in stakeholder reports.

Sustainability reporting and codes of practice generally, also raise the critical question of whether this essentially voluntary and private form of regulation is supplanting public, state enforced regulation. While at face value, managers may be attracted to this form of self-regulation rather than state regulation, in reality, this trade-off isn't available to them. In most cases, codes of practice and reporting mechanisms impose standards that go beyond local regulations. In this respect they supplement rather than supplant local laws and standards. Codes of practice and reporting systems also have some inherent advantages over local regulation such as specificity (they can impose standards on specific companies or sectors); speed (they can be deployed more quickly than state regulation); and 'superiority' – in the sense that they typically provide measures of ongoing performance against established standards. Whereas public law provides statutory minima, codes and reporting systems encourage continual improvement beyond the minima. Perhaps the most important of all codes developed in recent times is the UN's Global Compact which is discussed in the next section.

United Nation's Global Compact

The Global Compact (GC) was originally conceived by UN Secretary-General Kofi Annan in 1999 as a means to 'civilise' globalization through responsible corporate citizenship. It is underpinned by ten principles on human rights, labor, anti-corruption and the environment which companies are encouraged to commit to in the hope that globalization will become more sustainable (UN, 2003). The Global Compact also provides an international forum and network for dialogue amongst the various social actors. As noted earlier the GRI reporting framework operates in concert with the GC.

Committing to the GC initiative is a relatively simple process. Companies commit to the GC by sending a letter from the CEO to the UN Secretary General, endorsing the ten principles. From that point on, companies must publicly uphold the ten principles and declare (generally through annual CSR reports) how their business activities are consistent with the GC principles (UN, 2004). At August 2005, there were 2189 corporate GC participants (GC Office, 2005b)

Companies who commit to the Global Compact are listed on the UN's GC website and are included in the various GC networks which in itself encourages greater transparency and self-disclosure. Most importantly though, is the emerging link between the GC and SRI funds which provides a financial impetus to remain associated with the GC.

Many SRI funds and indexes use screening methodology that links directly with commitments made to the Global Compact. For instance, companies wanting to be listed on the FTSE4Good index must either commit to core ILO standards or the Global Compact (FTSE4Good, 2003). Being listed on the FTSE4Good index or the Dow Jones Sustainability index allows companies to portray themselves as appropriate SRI targets and maintain a reputation for being responsible corporate citizens. In the case of BHP Billiton, remaining on the FTSE4Good index is perceived by the company to be clearly very important and permits the company to actively market its CSR profile to SRI funds managers and others.

The emerging nexus between capital markets and the goals of the global compact is further illustrated by the proposal to develop global principles for responsible investment. In June, 2005, representatives of over twenty large pension funds and institutional investors with over $US 2 Trillion under management met with senior officials of the Global Compact office to further this proposal (GC, 6/07/2005).

The impact of the GC is perhaps best ascertained by the results of the Global Compact's Communication of Progress (COP) report released in June 2005. The COP is an initiative requiring GC participants to communicate their progress in implementing the GC principles to their stakeholders. Around 87% of the largest GC participants (102 Fortune 500 Companies) had published a COP while only 25% of other larger companies had issued a COP. The publication of COPs amongst SME GC participants was far lower with just 10% of this cohort responding as required. The GC's report on COP results also revealed that the quality and depth of COPs varied – in many cases there was insufficient detail about real actions or progress in implementing the GC principles. In other cases, the GC report indicated that some actions which the GC was aware of had not been reported by some participants in their COPs. These initial results indicate that evidence of corporations taking concrete steps towards embodying the GC principles is patchy. The GC report concludes that more needs to be done to articulate the financial benefits of implementing the GC principles and there is a proposal for COP reporters to mentor inactive participants (GC, 2005a). These results indicate that more work needs to be done by the GC office to ensure that the GC becomes a credible and universal force, however they also point to a strong desire by MNCs especially, to demonstrate their commitment to GC principles.

Socially Responsible Consumption

Marketing scholars have for some time identified a large cohort of consumers that consciously seek out products that have been ethically produced while boycotting goods and services whose production may have caused harm to the environment, labour and/or local communities. Socially responsible consumption can be traced at least as far to Ralph Nader's 1960's critique of car safety in his book, *Unsafe at Any Speed*. His book and subsequent advocacy led to the development of consumer activism (Steiner and Steiner, 2003). With consumer identity increasingly linked to the consumption of certain goods and services and, perhaps more importantly, certain brands, there is a natural reluctance to consume and hence identify with goods and services that have been unethically produced or sourced (the prime example of this is that of Nike). From coffee to cosmetics and clothing, consumer activists in concert with trade unions, progressive employers and governments have introduced social labeling schemes 'to inform consumers about the social and environmental characteristics of particular products (Zadek, 2004, p174). According to Zadek (2004, p175), social labels reduce the costs to consumers primarily by reducing the time it takes for them to find an ethical product'. In relation to labour standards, anti-sweatshop labels such as 'No-Sweat' and 'Fair Trade' inform consumers that products carrying these labels have not exploited labour in their production.

Conclusions

There are conceptualisations of the corporation that support a broader reporting code. Many corporations are already providing extensive stakeholder reports on a voluntary basis. The rise of the CSR, and in particular SRIs, is leading to pressure towards stakeholder reporting from investment funds, stock exchanges and accounting bodies. The well publicised cases of Nike and James Hardie Industries highlight the reputational risks that corporations are open to if they adopt a narrow shareholder perspective of their responsibilities. In addition, the development of globalised markets in conjunction with the extension of information and communication technology across the globe, renders the operations and actions of corporations, their subsidiaries, agents and suppliers, more public than in the past. The CSR movement is gaining resonance in part as a consequence of the rise in SRI funds. This influence is likely to increase in Australia as individuals take over responsibility for the management of their superannuation savings. Corporations should be required to issue stakeholder reports in at least 3 areas – the environment, employment/labour, and society. The UNs global compact provides an indication of the principles to which corporations should be committed. Many of these are statements of fundamental human and social rights. State regulations can recognise the legitimacy of a stakeholder view of the corporation and set down minimum reporting guidelines. In many cases, corporations will report beyond such guidelines, to enhance “reputation” and as an acknowledgement of the growing importance of the CSR movement.

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