

Measuring the Social Impact of companies in Australia: The Smith Family's participation in The Good Reputation Index

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Introduction

Corporate Social Responsibility is a broad concept that encapsulates the notion that companies have obligations to society that extend beyond those of their shareholders.² Corporate Social Responsibility (CSR) requires companies to consider the interests of all stakeholders including investors, suppliers, consumers, employees and the community. Governments of all persuasions are now promoting CSR as part of their social policy platforms in an attempt to influence the extent and number of companies engaging in CSR (Cronin 2001). A key factor that can affect the success of any such policy is whether companies have the internal processes and motivations in place to engage effectively in CSR.

This paper presents The Smith Family's findings on how the top 100 companies in Australia rank with respect to their social impact or what we have termed Corporate Community Involvement (CCI).³ Corporate Community Involvement, however, is only one of several dimensions of CSR. This research was conducted as part of a wider investigation into Corporate Social Responsibility undertaken by Reputation Measurement known as *The Good Reputation Index*.⁴

The Good Reputation Index

The Good Reputation Index presents a ranked listing of Australia's top 100 companies assessed across six dimensions, some of which pertain to CSR. These are: *employee relations, environmental performance, social impact, market position, financial performance, and management, ethics and governance*. Twenty organisations were invited to assess 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*. Other organisations participating in the Social Impact section were Amnesty International, The Australia Business Arts Foundation and the Enterprise and Career Education Foundation.

1. We thank Tracy Burrell, Mark Stevens and Mike Wilson for comments and assistance on this project.
2. Corporate Social Responsibility is often used interchangeably with the terms Corporate Citizenship, Corporate Social Performance, Corporate Sustainable Development, Corporate Philanthropy and Corporate Engagement. A comprehensive discussion of CSR is contained in a forthcoming Background Paper (see Cronin 2001).
3. The top 100 companies are chosen on the basis of revenue from the *Business Review Weekly* Top 1000 list (see BRW 17 November 2000). Certain companies from the BRW list do not appear in this ranking since they no longer exist or are a New Zealand based company without substantial operations in Australia. Superannuation funds and government agencies are also excluded.
4. Reputation Measurement is a private consultancy that provides services in the areas of measuring, understanding and managing reputation. *The Good Reputation Index* is published each October in *The Sydney Morning Herald* and *The Age* and was first published in 2000. For further information see (www.reputationmeasurement.com.au)

The Smith Family's Approach to Assessing Corporate Social Impact

The Smith Family followed four steps in its research process for *The Good Reputation Index*. First, we conducted an extensive review of the business and academic literature in the field of CSR (see Cronin 2001). This process led us to approach the specific issue of companies' *social impact* in terms of their community involvement. Understanding CCI means examining the structures and strategies companies have in place to provide financial and in-kind assistance as well as contributions of time and expertise to the broader community.

The key dimensions of Corporate Community Involvement can be grouped under the following four criteria:

- *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 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.

Second, we developed a survey to capture aspects of these four criteria. The survey went through several stages of design and refinement subsequent to it being piloted with companies who were not taking part in *The Good Reputation Index*.⁵ The survey was kept brief and limited the use of open-ended questions for ease of completion and consistent evaluation of responses. As well as improving the response rate, this design facilitated the use of a scoring system required by Reputation Measurement in order to rank the companies. In addition, companies were asked to provide supporting documentation for relevant questions.

Not all questions in the survey were used for scoring companies, although each criterion contained several questions that were scored and weighted according to the relative importance we placed on a particular practice as informed by our review of the literature. Final scores for each criterion were given on a scale from 0 to 7, with 7 representing the highest possible score in that criterion. Although scored questions within

each criterion were differentially weighted, all four criteria were given equal weight in the final composite score. Our methodology awarded points if companies had certain practices we believed were necessary for them to have successful programs in CCI. We recognise, however, that the presence of these practices may not necessarily translate into having a positive social impact nor measure the quality of particular programs. Nevertheless, it serves as a baseline indicator of a company's attitude or approach to CCI.

Third, companies were given six weeks to complete the survey.⁶ Companies that did not respond to the survey were contacted at least twice to confirm they did not wish to participate. To ensure consistency and standardisation in the scoring, it was inappropriate to use other publicly available sources of information on CCI practices for companies that did not respond to the survey. Furthermore, this information is not widely available as only seven per cent of Australia's top 500 companies discuss corporate citizenship in publicly available documents such as annual reports (Glazebrook 2000). Thus, all non-respondents were given a score of zero. A response rate of 59 per cent was achieved. This was a good result given that companies were requested to respond to 18 different surveys from the assessing organisations as part of *The Good Reputation Index*.

Finally, during the data entry phase companies were also contacted to clarify any responses that were unclear or inconsistent. The data also went through three quality checks before final scoring.

Findings

The companies' scores are presented in rank order in Table 1. The total scores, out of a possible maximum of 28, are presented in the final column. Several features stand out:

- Although the overall mean score was relatively high at 19.91, there was a considerable degree of variation in how companies performed. This ranged from a low of 9.06 to a high of 26.69;
- There was less variation, however, among the top ten scoring companies, ranging from a low of 24.36 to a high of 26.69;
- Companies from the financial services sector dominated the top decile. This may suggest that companies that have been exposed to criticism concerning their potential adverse impact on the community have been making stronger efforts to develop and communicate their CCI policies;⁷

5. Copies of the survey may be obtained by contacting the authors.
6. Each company was contacted by Reputation Measurement prior to the research process and asked to provide a primary point of contact for survey completion.
7. See for instance the discussion by the Chief Executive of the Australian Bankers' Association (Bell 2001).

Table 1: The Smith Family ranking of companies on Corporate Community Involvement

COMPANY NAME	Criterion 1(a)	Criterion 2(b)	Criterion 3 (c)	Criterion 4 (d)	Total (e)
Westpac Banking Corporation	6.91	6.18	6.61	7.00	26.69
Rio Tinto Services Ltd	6.67	6.18	6.61	7.00	26.46
Ford Motor Company of Australia	6.07	6.59	6.61	7.00	26.27
ANZ Bank	6.49	6.18	6.61	6.67	25.94
Goodman Fielder Ltd	5.79	6.18	6.61	6.33	24.91
ING Australia	6.44	7.00	5.83	5.33	24.61
AMP Ltd	4.62	6.18	6.61	7.00	24.41
NRMA Insurance Ltd	5.79	6.18	5.44	7.00	24.41
Macquarie Bank	4.95	7.00	5.44	7.00	24.39
BHP	5.32	5.76	6.61	6.67	24.36
Suncorp - Metway Ltd	5.60	7.00	5.06	6.00	23.66
Commonwealth Bank of Australia	4.99	5.35	6.61	6.67	23.62
Woolworths	5.46	6.59	5.44	6.00	23.49
State Rail Authority NSW	4.71	6.59	5.06	7.00	23.36
Toyota Motor Corp Aust Ltd	6.67	5.76	3.89	7.00	23.33
Holden Ltd	4.53	6.18	5.44	7.00	23.15
BP Australia Ltd	5.69	4.53	5.83	7.00	23.06
IBM Australia Ltd	5.51	5.76	5.06	6.67	22.99
Visy Industries Pty Ltd	3.69	6.18	5.83	7.00	22.70
Lend Lease	5.13	5.76	5.06	6.67	22.62
Telstra Corporation Ltd	4.67	5.76	5.06	7.00	22.49
National Australia Bank	5.32	5.76	5.06	6.33	22.47
Wesfarmers Ltd	5.65	4.94	5.06	6.67	22.31
Shell Australia Ltd	4.67	4.94	6.61	6.00	22.22
Cable & Wireless Optus Ltd	5.46	6.18	3.50	7.00	22.14
Coles Myer	6.63	5.76	2.72	7.00	22.11
Energex Ltd	6.44	5.35	3.50	6.67	21.96
Normandy Mining Ltd	5.27	5.76	3.89	7.00	21.93
Alcoa World Alumina Australia	5.88	5.35	5.06	5.00	21.29
David Jones	5.37	5.35	3.89	6.33	20.94
CSR Ltd	5.97	6.18	2.72	5.67	20.54
Nestle Australia Ltd	3.97	4.94	5.06	6.33	20.30
Queensland Rail	4.76	4.12	5.06	6.33	20.27
Lion Nathan	4.15	5.35	4.28	6.33	20.12
Origin Energy	6.16	5.35	3.89	4.67	20.07
Coca-Cola Amatil Ltd (Australia)	3.55	4.94	3.89	7.00	19.38
Foster's Brewing Group Ltd	5.97	4.12	2.33	6.67	19.09
BAT Australasia	5.04	5.76	3.89	4.33	19.03
TAB Ltd	3.69	5.35	5.06	4.00	18.10
One Steel	4.06	5.76	2.72	5.00	17.55
Transfield Investments	4.01	4.53	2.33	6.33	17.21
Australian Postal Corporation National	3.13	5.35	2.33	6.33	17.15
Leighton Holdings Ltd	3.87	5.35	1.56	6.00	16.78
Carter Holt Harvey Ltd	3.36	5.76	1.17	6.00	16.29
Telecom Corporation of NZ Ltd	3.83	3.71	2.72	6.00	16.25
CGU Insurance	1.91	5.76	3.89	4.67	16.23
Boral Ltd	4.29	5.35	1.17	5.33	16.15
Mitsui & Co. (Australia) Ltd	3.36	5.76	1.17	5.67	15.96
WMC Ltd	4.29	4.12	1.17	6.33	15.91
FH Faulding & Co Ltd	1.63	5.76	2.72	5.33	15.45
Amcor Ltd	3.45	4.53	2.72	4.00	14.70
Hanson Australia	1.63	4.53	3.89	4.33	14.38
P&O Australia Ltd	1.59	4.94	3.89	3.67	14.08
AGL Ltd	3.03	4.94	3.50	2.00	13.47
MIM Holdings Ltd	3.78	4.12	1.17	3.67	12.73
Multiplex Constructions	1.21	5.35	0.00	5.67	12.23
Southcorp Ltd	4.57	2.06	1.17	3.67	11.47
Philip Morris Australia Ltd	3.08	2.88	2.33	2.33	10.63
Howard Smith Ltd	2.33	2.06	0.00	4.67	9.06
<i>Mean</i>	<i>4.61</i>	<i>5.37</i>	<i>4.04</i>	<i>5.89</i>	<i>19.91</i>

Notes:

- (a) The company demonstrates strategic vision in corporate community involvement
- (b) The company demonstrates leadership in corporate community involvement
- (c) The company considers its employees an integral component of its community investment strategy
- (d) The company invests in the community
- (e) Total scores were out of 28.

Companies that did not respond to the survey were:

Air NZ Ltd, Allianz Australia, AXA Asia Pacific Holdings Ltd, Brambles Industries Ltd, Caltex Australia Ltd, City Ford, ConAgra Holdings (Australia) Pty Ltd, Energy Australia, Esso Australia Resources, Flight Centre Ltd, Foodland Association Ltd, Futuris Corporation, George Weston Foods, Hewlett-Packard Australia, Invensys Fasco Australia, Itochu Australia Ltd, James Hardie, Marubeni Australia Ltd, Mayne Nickless Ltd, Metcash Trading Limited Australasia, Mitsubishi Motors Australia Ltd, Mobil Oil Australia Ltd, News Ltd, Orica Ltd, PaperlinX Ltd, Pasmenco Ltd, PMP Communications, Publishing & Broadcasting, Qantas Airways Ltd, QBE Insurance Group Ltd, Queensland Sugar Corporation, Royal & Sun Alliance Ins Aust Ltd, Sigma Company Ltd, Smorgon Steel, Spotless Group, St George Bank Ltd, TABCORP Holdings Ltd, Tattersalls Holdings Pty Ltd, Western Power Corporation, Westfield Holdings, Zurich Australia Insurance Group.

- Looking at the scores for each individual criterion suggests that some companies in Australia are more advanced in their use of some CCI practices compared to others. For instance, the lowest mean score was for the employee involvement criterion (4.04), with one-third of companies that responded to the survey gaining a score below three. This suggests that companies need to better develop their policies and procedures to involve employees in CCI through Employee Volunteer Programs, matching employee gift schemes, and provide opportunities for employee input into their company's CCI strategy;
- The mean score for strategic vision was the second lowest (4.61). This suggests that there is also scope for Australian companies to better integrate their CCI policies in a systematic manner through stated company values, mission statements and communications to stakeholders;
- The fact that most companies scored best in the financial investment criterion suggests that companies in Australia still concentrate their CCI efforts on a traditional but crucial aspect of Corporate Social Responsibility, namely, financial and in-kind donations and partnerships with nonprofit organisations.

Policy, Organisational and Research Implications

Participation in *The Good Reputation Index* allowed us to examine the extent and variation of Corporate Community Involvement practices in some of the largest companies in Australia. The findings presented in this paper are preliminary and a more detailed analysis of the survey is in progress. Nevertheless, initial implications of our findings suggest that:

- Companies may be able to gain additional benefits from their CCI investments by creating further opportunities for input and feedback from their stakeholders, especially their employees. Doing so may be beneficial for employee motivation and corporate financial performance (CCPA 2000; Weiser & Zadek 2000);
- Community organisations need to take a stronger leadership role in directing the sector's movement into new types of partnerships, particularly with companies, while recognising both the opportunities and limitations of CCI (Lyons 2001);
- Governments can continue to promote the cross-sector partnerships that CCI can facilitate but may need to acknowledge that they are a complement rather than a replacement for a strong government role in social policy (Hertz 2001).

Finally, it is important to note that our methodology only allowed the identification of particular types of practices that promote CCI. The way in which such practices may translate into effective community programs requires further research. Given the importance of Corporate Social Responsibility to the economy and civil society, forthcoming publications that utilise our survey findings as well as other sources of quantitative and qualitative data will report on the:

- Relationship between CCI practices and factors such as industry, size, foreign ownership;
- Locus of decision making on CCI;
- Relationship between CSR and financial performance;
- Nature of partnerships between companies and nonprofit organisations.

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