Corporate Citizenship
Some Perspectives from Australian CEOs
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Without CEO sign-off and vision, it is unlikely that corporate citizenship will be either embedded into core business in a company, or have any staying power in that company. This paper reports on this, and other views, of leading CEOs of top Australian companies and NGOs, providing a unique insight into the way that many business and civil-society leaders in Australia engage with corporate citizenship policy and practice in their respective organisations.

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CEOs walking the talk

AT THE THIRD NATIONAL CONFERENCE ON CORPORATE CITIZENSHIP HELD IN Melbourne in March 2003, two central questions were asked of 28 invited CEOs and senior executives of Australia's leading businesses and NGOs: 'Is corporate citizenship embedded into core business?' and 'Does corporate citizenship have staying power?' No papers or presentations were delivered. These two questions were explored through facilitated discussions together with additional critiques from four leading Australian commentators on corporate citizenship, before an invited audience of 100 of Australia's key corporate citizenship leaders in business and NGOs. Two central concerns associated with these questions emerged: How does a company translate the vision and the demands being made upon it from both within and outside the company to become a more sustainable corporation? How do companies enable everyone in the company to have ownership of the corporate citizenship vision linked in an integrated way to multiple bottom lines?

The sustainable corporation

A general view among Australian CEOs was that one of the most effective ways of building a company as a sustainable corporation, with management and employees owning the corporate citizenship vision, was to encourage employees to be more active stakeholders in their own organisation by bringing with them into the company the values and aspirations that they hold as members of the community, rather than leaving these values and aspirations at the factory gate. The establishment of very clear core values for any organisation is seen to be the key to creating employee ownership, by valuing people both as internal and external stakeholders to the organisation.

However, there is a difference of opinion in Australia on the extent to which employees might share the same frame of reference as major shareholders, boards and senior management, and it is generally agreed there is no universal generic template for how a company or an organisation might better involve its staff. There will be company- and organisation-specific ways of developing appropriate strategies and mechanisms, and these will differ from organisation to organisation. But the single most important driver in any organisation, irrespective of its difference from another, is the recognition that there needs to be a champion for corporate citizenship, and that usually the best champion would be the CEO. Without that leadership, organisational lethargy would become overpowering.

1 Organised by the Corporate Citizenship Research Unit, Deakin University, and Rio Tinto.
2 Four discussion panels took place over two days facilitated by David Birch and George Littlewood. Invited panelists were: Attracta Lagan (KPMG), Brian Horwood (Rio Tinto), Catherine Scarf (Brotherhood of St Laurence), Christopher Thorn (JB Were), David Brookes (Apecor Australasia), Dexter Dunphy (University of Technology, Sydney), Fiona Moore (Telstra Foundation), Fiona Nicholls (Rio Tinto), Gary Johns (Institute of Public Affairs), Geoff Allen (Allen Consulting Group), Graham Tupper (Australian Council for Overseas Aid), Greg Bourne (BP Australia), Greg Combet (ACTU), Hugh Morgan (First Channock), Ian Harper (Melbourne Business School), Ian Head (Rio Tinto), Jane Gilmour (Earthwatch), John Hall (Rio Tinto), John Simpson (Shell Australia), Katie Lachey (Business Council of Australia), Marcia Langton (Centre for Indigenous Affairs), Michael Chaney (Wesfarmers), Patricia Toobey (anz Banking Group), Patrick McClure (Mission Australia), Peter Brown (Apecor Australasia), Peter Mullins (Greenpeace), Peter Watson (Transfield Services), Ray Nias (WWF Australia), Rob Hunt (Bendigo Bank), Sally Walker (Deakin University), Sam Lipski (Pratt Foundation), Sam Walsh (Comalco) and Viv White (Victorian Schools Innovation Commission).
It is clear, too, that no amount of external guidelines and templates are the single answer to embedding corporate citizenship into core business in Australia. Companies and organisations need to look internally at who they are, what their values are, what their mission is and what their strategies are for the future. These are prerequisites for understanding themselves more fully and, hence, their relationship with society overall.

Corporate capacity

Understanding an organisation’s capabilities is seen to be crucial as a first step on this journey to effective corporate citizenship. As one CEO remarked, ‘You can’t actually go out there and say, “Look we are all going to fly to the moon” and everyone then believes you instantly.’ People need to be brought on board and made aware of the macro issues and then trained in the micro elements of those issues, so that ‘People can touch and feel the strategy’. It was recognised that this is a very tough thing to do. But it is a very necessary beginning for an organisation to create a strong belief system and set of values.

What those values are, of course, has been changing as the debate on corporate citizenship, sustainability and corporate social responsibility has developed in the last few years. There is, however, a general consensus among Australian CEOs that companies are in fact increasingly seeing themselves as social enterprises, in the sense that companies have to engage with co-ordinating and understanding the social impact they have in the communities in which they operate and also what those impacts mean for the future of their businesses.

It was also generally agreed among Australian CEOs and senior management that setting up expectations that could not be met is not a useful way of embedding corporate citizenship into core business. To speak the language of corporate citizenship and then not deliver would expose an organisation to charges of hypocrisy. The key to being more effective is a realistic alignment of organisational values to organisational capabilities in order to meet and engage effectively with the growing demands for business to become more sustainable.

There was also agreement that the increase in non-mandatory reporting that is now taking place is a very effective means of demonstrating where companies currently find themselves on the journey to corporate citizenship. If developed well, such reports can prove to be very effective management tools for the continuing development of corporate citizenship. But challenges remain, one of which is the need to ensure that the core values of a business are also reflected in the core values of its supply chain, contractors and subcontractors.

Overall, though, a central challenge still remains: creating a workforce involved in and committed to broader corporate citizenship outcomes. As one CEO pointed out, ‘It is really important for employees to see the bigger picture as well as the contribution that they make in their part of the organisation.’ But once this starts to happen, then the belief systems and core values that have been put in place will start to mean something. In some companies and organisations, the positioning of corporate citizenship finishes up in a silo, understood and generally controlled by just a small part of the business: for example, external affairs, community affairs or corporate relations. The challenge is to embed corporate citizenship across, and within, every aspect of business, so that it is owned and championed by everyone.
Process versus products

What is becoming increasingly clear among Australian CEOs is that reporting on these issues remains very much a reporting of outputs related to corporate citizenship. So, while internal cultural and behavioural change of an organisation is considered by many to be far more important than the actual products, currently it is those products of corporate citizenship that tend to be more easily measured and reported on than the more intangible processes.

Nevertheless, the overall aim of many CEOs and senior executives in Australia is, increasingly, to create *behaviours* in business that are socially responsible to meet both community standards and the strategic needs of the company, and, better still, to go beyond them.

But not all CEOs agree on how this process change might occur. For some, a concentration on greater stakeholder inclusivity and stakeholder engagement is the key, whereas, for others, there are still concerns about the dangers of elevating (or unbalancing) stakeholder concerns above shareholder concerns.

Related to this concern, there was also some hesitancy expressed about the extent to which a business leader’s own personal values could shape that person’s role either as a CEO or as a director of a company, given the legal liabilities that directors face but individuals do not. Also, how far and on what basis should senior executives run the risk of projecting, through their organisations, their own personal views on community considerations? And what might be the ethical basis for making such judgements?

Some CEOs in Australia maintain that the basis of corporate structure and the separation of individuals and corporations is, and remains, fundamental to a free enterprise economy and, in that light, to the generation of better standards of living for all. But there are differences of opinion, particularly with regard to the extent to which external stakeholders could actually be involved in the day-to-day details of the policy and practices of business. Nevertheless, there is certainly a general consensus among Australian business leaders that, in order for business to create sustainable value over the medium to long term, business requires both customer support and external stakeholder input.

There is also recognition that it would be ‘silly’ of business, as one CEO put it, to ignore any of the issues raised through public expectation and scrutiny. On the contrary, engaging with this expectation and scrutiny helps business to build a stronger strategy. To ignore customer opinions is a reckless route.

Alignment of expectations

The challenge for business, then, is to align public expectation and scrutiny with business strategy. This is considered by many CEOs to be a major aspect of good corporate citizenship, over and above the activities, actions and corporate citizenship products that business may create.

Having recognised this, there is also a consensus that this alignment needs to take place in company-specific and organisation-specific ways. It is generally recognised that there is great value in using external guidelines, models and templates related to corporate citizenship. But, at the end of the day, local community knowledge and engaging with and meeting local community expectations and scrutiny is seen as far more important than blindly following many of the ‘scorecard’ approaches currently in place around the world.

As one CEO put it:
If we have an awareness of what these groups expect from us as an organisation, then we can in fact move into the process area and start to put policies in place to deal with those issues; if we don't have the awareness it's quite difficult to get a specific way forward because you are dealing with what is often a very wide community view as to what constitutes good behaviour.

Developing the skills and experience to pick the right sort of people and the right values to align with is, therefore, considered to be of paramount strategic importance to the development of good corporate citizenship.

But this again raises the very thorny issue of whether corporate citizenship is simply enlightened self-interest; as one commentator put it:

If enlightened self-interest really is all it is about, then I think we may as well go home frankly, because it is going to happen anyway—we don't need to have a conference and we certainly don't need to have a university centre which is devoted to pushing this particular issue. It's going to occur anyway.

People-oriented economics

It is certainly recognised by many CEOs in Australia that, if any moves are being made towards new ways of understanding free-market enterprise in a more people-oriented context, then any such moves require very small steps in order to convince shareholders, staff, supply chains, customers, clients, the public in general and not least the board of the company. As one CEO acknowledged:

Yes it is a trade-off, if companies are attempting to do these things quickly. But if there is a long-term strategy for creating sustainability then balance, created in small steps rather than quickly achieved trade-offs, is a better way of understanding corporate citizenship and the means to embed it into core business.

Of course, not all CEOs actually concur with a view that corporate citizenship is 'bigger than doing good things in the community', but others do interpret corporate citizenship as much more than that. They view it as an enabling vehicle for achieving significant organisational change in how we understand social, environmental, cultural and financial profitability. But, for most CEOs and senior management in business, this is still uncharted territory.

Some CEOs, for example, express concerns that the bigger picture, the more process-oriented view of corporate citizenship, poses dangers for refocusing on what many consider to be the principal objective of a shareholder company: namely, the creation of shareholder value and positive economic returns to society. This is, they assert, the principal core business of business. If that is the case, and it is generally accepted by many that it is, then how fully can corporate citizenship, understood as a process of cultural change rather than simply the products of corporate community engagement, be integrated and embedded into this core business? And, if so, the question needs to be asked: is corporate citizenship an opportunity to reinterpret what constitutes core business?

If, then, there is a business case for corporate citizenship going beyond measurable outcomes for annual reports, corporate citizenship, as one CEO stated:

is about a conversation; a conversation with all stakeholders; a conversation about providing risk management, but also understanding the needs of the community; understanding the environment in which we are operating and also addressing the question of legitimacy of corporations to operate within our communities.

While this is clearly a sensitive starting point, this view also requires rigour and discipline in its pursuit, not simply signing off on a broad ideological position.
It also raises the issue, currently faced by the ever-increasing number of socially responsible investment indices and funds that are emerging in Australia and worldwide: namely, how do we know that one company is a better corporate citizen than another company? Do we have sufficient knowledge to be able to judge each company on its own merits in a company-specific way, or are there, indeed, generic measures that can be used?

As one participant at this conference pointed out, ‘Corporate citizenship in many respects is still very much a label within Australia and not reflective of significant behavioural change. It depends on building long-term relationships and on cultural values and ethics being embedded and owned in the organisation.’

But this in turn raises significant tensions given the very short-term nature of most of the markets in which business currently operates. It also raises significant issues about the motivation and drivers that bring business into the corporate citizenship arena in the first place. Is corporate citizenship, for example, as one NGO CEO suggested, ‘a window of opportunity for creating greater opportunities for synergies and community’, and, if it is, ‘can business live with the logical consequences of opening that window wider’?

Cross-sector relationships

Cultural NGOs and civil-society organisations are engaging with the recognition that they too need significant behavioural and cultural change. In many respects the fact that government is in retreat from the social sector creates added tensions to the building of this cultural change. If the creation of more effective synergies between what have often been competing sectors in society—business, government and civil society—is a significant move towards creating greater sustainability, then the question to be asked is, ‘can corporate citizenship be a vehicle to shift the emphasis from enlightened self-interest of individual sectors to an emphasis on mutual benefit among those sectors?’

Are cross-sectoral partnerships a vehicle to enable this shift of emphasis? And, if so, are such partnerships raising expectations of the role of community organisations as key stakeholders to business that business is still reluctant to fulfil?

There is certainly a developing view in Australia that companies are increasingly coming to a point where they are prepared to make real change and move beyond rhetorical commitments to corporate citizenship. But that view is also backed up with a supporting position, which holds that, very often, business, in making the move beyond rhetoric, is actually beginning to realise what it has really got itself into. In fact, some may well now be in retreat from those commitments, as they experience increased calls for greater access and influence from those community organisations that business has been so quick to label as its key stakeholders, without always knowing how to handle them as such.

As one participant said, ‘I think some of them [business] have walked up to the edge and looked over and said: “My God, is that what we are really saying? Do we really mean that?”’ As a consequence, there is a danger of a slippage back into the comfort zones of business where businesses maintain and control power, unhindered by the demands and involvement of those it has been so quick to call key stakeholders. And, in that respect, this will inevitably be a retreat from process-oriented views of corporate citizenship to those product-oriented views that are more easily controlled and managed by business.

So, while many in Australian business leadership are moving forward on engaging with the thinking of a more process-oriented corporate citizenship, some, particularly
from civil society organisations, expressed concerns that perhaps companies are begin-
ning to worry about the logic and consequences of stakeholder-driven process change. 
These companies have therefore reconciled themselves to the ‘low-hanging fruits’ 
(corporate citizenship products) that are available, as one participant termed them, 
because they are actually things that they can do that are ‘much less expensive and much 
less scary’ than some of the other more process-oriented options.

But there are also issues of reciprocity that arise, and which challenge NGOs as they 
move into more complex and structured relationships with business. Among those are 
similar expectations now placed on corporations for transparency, accountability and 
civility. CEOs of some of the leading NGOs acknowledge that they need to deal with these 
issues.

Again, as one participant asserted:

Corporations are an integral part of social fabric and they are the means through which 
we exploit most of the world’s natural resources, so therefore to suggest that they can 
comfortably sit outside the citizenship arena, or comfortably sit outside of society, is 
foolish and arrogant.

Another participant added:

I think the difficult thing for corporations is that it is very easy to say that ‘we believe in 
corporate citizenship; we fully endorse it’, but I think the hard thing for corporations is 
to deliver tangible outcomes, tangible programmes, especially as much of the low-
hanging fruit has already been picked in Australia.

For their part, some corporates wish to challenge NGOs to respond also to the changing 
dynamics. Clearly the difficult thing now is to pick the higher-hanging fruit in an 
innovative way forward for corporate citizenship. It is certainly emerging that many 
companies and civil-society organisations in Australia are aware of these issues, and 
many, though not all, are attempting to move forward in new and innovative ways on 
what, for many, is a very new and risky journey.

This raises the question of what are the appropriate roles and sources of engagement 
of participation in reaching that higher fruit. How much does a particular company or 
organisation do to improve its corporate citizenship? To what extent should there be a 
collective industry responsibility to raise the platform? Or to what extent should 
companies take the initiative themselves, and by their leadership role bring others along 
with them?

As one participant said, ‘We should hang in there because a lot has happened and we 
cannot forget that.’ There certainly is a sense that some of the hard and fast boundaries 
that have existed between some sectors in society, and some of the ideas of corporate 
citizenship generally are at least beginning to dissolve. As one participant said:

The consciousness of most people is that it is possible to have a better world, that they 
do deserve better access, better consultation, and once you raise consciousness you can’t 
take it back. So we can only go forward; we won’t go back.

**Conclusion**

Clearly, many CEOs are in agreement that engaging with communities and increasing 
stakeholder engagement is essential, but it is also clear that not all CEOs are necessarily 
able to accept the consequences of this increased stakeholder engagement, especially as 
the consequences of engagement go beyond the engagement itself; they are conse-
quences of power. How the issue of power is handled, in all its various manifestations, 
will ultimately determine the extent to which corporate citizenship as a process of
change will become seriously embedded into core business, for both the corporate and
the NGO worlds.

As one CEO made clear, ‘Corporate citizenship is not a philanthropy tool or a brand
management tool; it is a core business strategy tool’. But the question that has to be
asked, relative to this, is: a business strategy tool to do what? It is in the answering, or
not answering, of this question that the tensions emerging in serious debates about
corporate citizenship about balance, trade-offs and power begin to become much clearer,
relative to the distance many CEOs and senior executives are prepared to travel in
considering the consequences of understanding business as a social enterprise.

A central question on corporate citizenship then emerges: To what extent does
business see a role for itself in building social and cultural capacity beyond its own
enlightened self-interest, and is it a major role for corporate citizenship to demonstrate
to businesses that in fact they may well have misconstrued their own self-interest in the
past?

What is emerging in Australia is the beginnings of an answer that sees corporate
citizenship as more than just activities, more than a set of protocols, and more than a
set of reporting accountabilities. It is all of these. But it is also being seen, though some-
what nervously by some, as a vehicle for cultural and organisational behavioural change.

What is also clear, though, is that there is probably an over-optimistic view of the
extent to which corporate citizenship is currently embedded in core business, because
where it is generally seen to be embedded is through product, rather than process, orien-
tation.

Nevertheless, it is becoming clear among some Australian CEOs, to an extent that has
rarely been demonstrated in Australia before, that senior leadership in the corporate
world is increasingly able to demonstrate that the activities and impacts they are engaged
in within certain aspects of corporate citizenship are growing in importance. Behind
those activities is a much bigger issue: the balance of shareholder return and stakeholder
interest, and its impact on the socioeconomic and cultural change of business overall.

To that end a major question now emerging in Australia is: Is corporate citizenship
the development of a new social contract between business and civil society? And, if it
is, who is responsible for developing that new social contract? The jury is out, it would
seem, over whether corporate citizenship is actually embedded in core business. For
some, product-oriented corporate citizenship certainly is. It is generally considered that
not only does it have staying power, but also it is no longer discretionary or negotiable,
though not all companies and organisations in Australia are at the same stage in the
journey, with some not even beginning on the road. But process-oriented corporate
citizenship is now beginning to raise far more questions and uncertainties for many,
across all sectors, than we have answers or solutions for right now.

To sum up, then, some of those questions that Australian CEOs are now, in varying
degrees, engaging with and which emerged from this conference are:

- Should corporate citizenship be the vehicle with which to rethink the way that
  contemporary economies operate?

- Is the embedding of corporate citizenship into core business in contemporary
  society a means to create a set of behaviours that positions people first if, as was
generally accepted by this group of CEOs, people are the key to enabling companies
  to become effective corporate citizens and more sustainable for both themselves
  and society overall?

- Is there, in fact, a fundamental flaw in the debate on corporate citizenship which
  has so far failed to recognise, and come to terms with, the divisions that may exist
  between the legal requirements of corporations law and the expectations of the
  community as to what constitutes reasonable corporate behaviour?
How well do we define the distinction between the legal and managerial role of a director of a company versus that person as an individual?

Is there a danger that blurring the boundaries between these defining roles will create increased confusion?

Is corporate citizenship creating more confusion than clarity in redefining roles around what constitutes a sustainable economy, a sustainable company and a sustainable society?

Is the increasing role and influence of the external stakeholder to the business world increasing this confusion or is it an inescapable reality that must be addressed?

Should corporate citizenship go beyond organisational enlightened self-interest?

Are there times when this self-interest should be subordinated to the interests of the wider community?

If that is the case, then what is the role of corporate citizenship in the synergies and also divisions that may occur between commercial and non-commercial objectives?

Are there, for example, circumstances in which individual personal interests of employees, or indeed of directors, may not gel easily with the commercial interests of the company? If so, where and how do we draw the line and what should be done?

Are there circumstances that would require a company to do something that may be quite clearly against its self-interest so that the wider interests of society, the environment or the community would be met?

Clearly, the view of many Australian CEOs is that the journey of corporate citizenship that many have now embarked on is still in its early days but, to engage with it effectively and sustainably, answers to the questions raised in this conference need to be found, and many would argue that they are now actively seeking those answers.