

Strategic Analysis Paper

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Corporate Social Responsibility: Benefits for Business and Community

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Key Points

- Consumers expect companies and businesses with which they engage to practice corporate social responsibility.
- Industries and corporations across the globe are applying effective CSR practices and exhibiting strong examples that Australian businesses of all sizes should follow.
- The United Nations Sustainable Development Goals provide a framework for CSR practices.
- CSR practices are beneficial and profitable, to both businesses and the community.

Summary

As industries and markets change and develop, so too do consumers' expectations of the companies from which they purchase goods and services. In 2019, consumers expect companies to demonstrate similar community values and attitudes. Corporate social responsibility (CSR) practices are a means through which companies can demonstrate those shared values. Effective CSR practices benefit the community, the environment and businesses alike. Global frameworks enacted by the United Nations are a starting point, from which Australian businesses of all sizes can begin to implement their own CSR practices.

Analysis

The concept of CSR rose to prominence in the post-World War Two business environment. It was [empowered by a wave of social awakening](#), which included civil rights, environmental and women's movements on an unprecedented scale. As a result, the concept is now firmly established as an aspect of "best practice" business culture. As corporations become larger, richer and more influential, consumers have come to expect them to do more than just turn a profit and obey the law. CSR is best defined as a 'mechanism ensuring that corporations voluntarily conduct their business in a way that is socially responsible, ethical and takes care of the environment'; a concept that articulates contemporary consumer expectations.

Social responsibility, a sense of ethics, increased community and stakeholder engagement, sustainable practices and effective philanthropy, are now expected to complement profit and corporate success as key pillars of successful business management. Increased media and community attention are the drivers of these expectations. Furthermore, the concept of [CSR demands that corporations](#) act as 'good stewards of the environment and the social landscapes in which they operate'.

The political, financial and social powers of many companies in the private corporate sector have all increased dramatically. As a result, in a philanthropic context, CSR programmes have become increasingly valuable to communities, because they play a pivotal role in protecting the environment and providing services. In Australia, private sector-led initiatives and philanthropy are now being viewed by the community as essential to achieving lasting positive change. Locally, private funding for community ventures (a key aspect of CSR), such as sporting teams and community groups, is vital for the continued operation of such ventures. CSR programmes provide an opportunity for corporations and companies to positively engage with communities across all levels of society.

CSR not only benefits communities. It also provides businesses with new and varied opportunities and can often be of mutual benefit for both businesses and the community. By demonstrating a commitment to CSR, companies can source a wide range of government grants and funding. In fact, a corporation's CSR policies may be an advantage when it is tendering for government contracts - proof of positive community engagement will often be looked upon favourably in the tendering process. Nielsen's [2015 Global Corporate Sustainability Report](#), which surveyed consumers from over 60 different countries, found that 66 per cent of consumers are more likely to spend on a product or brand that is produced using CSR practices. Among [millennial](#) consumers, a [growing and increasingly important](#) customer demographic, this number rises to 73 per cent. Millennial consumers exhibit a trend of loyalty to brands that cater to their values and social attitudes. This means that effective CSR practices can help companies make long-term customers of millennial shoppers, through the active demonstration of values held by the broader community. This offers strong evidence that a demonstrated commitment to CSR can make a company more profitable.

Effective CSR practices can also help shape positive consumer perceptions of brands and companies. Consumers favour brands they perceive as "good"; consequently, they are more likely [to trust, buy and promote those brands](#). Within this behavioural framework, CSR can

be seen not just as a means to boost a company's brand, but as an opportunity to distinguish it from its peers, providing a beneficial 'edge' in the market.

Sustainability, environmental protection and minimising corporate impact on the environment, are key aspects of modern CSR. At the same time, corporate acceptance of these ideas and values is essential to the long-term future of our planet. The [UN's 2030 Sustainable Development Goals](#) (SDG) recognise these facts; they seek to harness the concept of CSR to help achieve positive outcomes globally. The process of developing these goals involved significant corporate engagement, which acknowledged the power of corporations in effecting social change [as identified by business experts](#). Further evidence of engagement with the corporate sector in the development of this programme, is seen in the fact that [more than 30 Australian CEOs](#) signed a statement in support of the SDGs.



Figure 1: UN 17 SDGs Source: United Nations

Collectively, the SDGs provide a framework for CSR practices as we move into a new decade; specifically: *Goal 12* intends to 'ensure sustainable consumption and production patterns', while *Goal 15* will 'protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss'. For Australian companies seeking to develop effective CSR practices, SDG 12 and 15 are particularly relevant, as environmental degradation and the impacts of climate change are important contemporary issues.

Internationally, there are [examples of many major companies](#) engaging in effective and productive CSR programmes. For example, Apple, Microsoft and Intel: Apple sources 100 per cent of the electricity used at its production facilities from renewable sources; Microsoft's operations have been 100 per cent carbon neutral since 2012; and Intel directly engages its workforce by linking its employee compensation policy to corporate sustainability targets.

The [Rice Growers' Association of Australia](#) (RGA) is an example of good CSR practices currently operating in Australia. Representing more than 1200 members, from large Australian corporations, to small family-owned rice farms in the Murray Valley district of

Victoria, the RGA describes itself as the ‘collective voice of rice growers in Australia’. The RGA also facilitates the involvement of its members in its CSR programmes, such as the [Bitterns in Rice Project](#). The Bittern, known locally as the Bunyip Bird, is a [globally endangered](#) bird that is found only in Australia, New Zealand and the French territory of New Caledonia. In 2010, it became apparent that a number of Bitterns were using rice fields in the Riverina region of NSW as a substitute habitat, in the face of their traditional habitat being destroyed by the effects of urbanisation. The RGA addressed this matter by facilitating cooperation between its members, applicable government agencies and community groups, to work on understanding Bittern ecology and feeding habits. The collaboration produced data indicating that Bitterns could continue to adopt the area as their habitat. The *Bitterns in Rice* project is an example of exemplary CSR practice and serves as proof of the compatibility of rice farming with environmental biodiversity and a healthy environment.



Figure 2: Bittern nesting in a rice field. Source: Bitterns in Rice Project

The [Facey Group](#) is another example of strong CSR in Australia. The group is managed by WA farmers and conducts trials and research on best practice farming techniques for the benefit of its members. Jointly funded by its members and several government and private sector groups, the group also conducts training programmes, including: [Women in Ag](#), aimed exclusively at empowering women in agriculture, through agri-business training and professional development. Another CSR programme is the [Cropping and Natural Resource Management Programme](#), which is designed to address issues that are pertinent, not only to farmers, but to the management of soil health, disease and weed resistance.

Since soil health and weed management are both critical environmental issues, the Facey Group research is of significant benefit both to its members and to the broader community.

This programme is consistent with the framework of the UN's SDGs (12 and 15). Correspondingly, the Women in Ag programme also aligns with a goal outlined in the UN's sustainable development agenda; *Goal 5* is to "[Achieve gender equality and empower all women and girls](#)", which is vital in addressing the gender disparity in the agricultural industries.

Corporate social responsibility is not only the domain of large corporations and multi-national businesses. Small- to medium-sized Australian business enterprises also have the capacity to benefit their respective communities. Many already do so without formalised CSR policies or procedures. Academic research on the topic of CSR in small-to medium-sized businesses, has [observed that many small businesses](#) 'often unknowingly adopt socially responsible practices or follow a silent or sunken version of CSR'. Furthermore, small- and medium-sized businesses are often best placed to facilitate local-level CSR programmes, as they are more deeply embedded in their communities. Examples of CSR practices in small- to medium-sized businesses cover a broad spectrum: sourcing energy from green suppliers; matching and encouraging charitable donations/work by employees; sponsoring local sports teams; giving directly to local charities; going paperless in their daily business operations.

All these practices are forms of CSR and are easily achievable. Initiating a formal CSR programme can also have significant financial benefits for local businesses, as well as their communities. An effective CSR programme can enhance the reputation of a small business, involve it more deeply in its community and ensure the loyalty of local consumers; all of which can produce [positive, long-term financial](#) outcomes.

Across rural Australia, examples of small- to medium-sized local businesses practising effective CSR are plentiful. In country WA, local businesses sponsor junior and senior teams in the WA Country Football League. Similar relationships exist right across regional Australia and often form a cornerstone of the community. The funds that sponsors provide to these sports clubs is often essential to their continued existence, but, correspondingly, the relationships provide the businesses with increased local visibility.



Figure 3: Country football team Source: WA Country Football League

While community and consumer expectations of private companies and corporations have increased over the last few decades, so too has the social, political and financial power they are able to employ. The outcome is an increase in the capacity of the private sector to affect positive societal and environmental change, brought about through the vehicle of CSR. Companies that are known to embrace effective CSR practices, are likely to reap significant benefits in the long-term, because consumers are more likely to purchase products from them. Furthermore, many CSR practices can be mutually beneficial for both the community and the companies that employ them, as evidenced by the activities of the Rice Growers' Association of Australia and the Facey Group. In the 21st century, mutually beneficial corporate social responsibility practices should be something all Australian companies strive to achieve.

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