



Corporate Social Responsibility – Myth or Reality?

Does Corporate Social Responsibility (CSR) matter? Should the general community be concerned about the ethics of business leaders?

A recent example highlights why this emerging area of business ethics and management science impacts on the whole community. During a 2005 Australian Institute of Company Directors' event for directors in Perth, the following question was put to the group: "What About Corporate Social Responsibility?"

"Should we waste shareholder's money on donations?" was the immediate response, followed by a short discussion on which charities were most worthy of support. The conclusion was that there should be no legal responsibility for Corporate Social Responsibility. Given the extent of current corporate compliance laws this was a fair opinion.

Interestingly, the Australian Standard AS 8003-2003 (Published by Standards Australia) defines Corporate Social Responsibility as:

"A mechanism for entities to voluntarily integrate social and environmental concerns into their operations and their interaction with stakeholders, which are over and above the entities' legal responsibilities."

The standard goes on to recommend that commitment, including business commitment, to CSR should be written and "actively communicated" to all employees and other stakeholders at all levels of business operations, starting with the board and chief executive officer/senior management.

The concept of using Corporate Social Responsibility as a boardroom strategy to differentiate a business in the marketplace is an interesting concept. But how is it put into practice? An example is this year's Outback Forum held by Rio Tinto Iron Ore in Dampier which I attended. The mining giant has gone way beyond the legislative requirements for its infrastructure development.

As well as complying with the law, the company's approach is voluntarily based on forming strong relationships with the indigenous people and working with them to improve their well-being as a result of Rio's economic activity. The care and preservation of the nearby rock art for the future generations of indigenous people is part of this approach. Education programs and scholarships for young indigenous people, apprenticeships, traineeships and direct employment opportunities result in the local community being an active supporter of Rio Tinto's activities.

Local Rio Tinto executives believe that it makes good business sense to champion and adhere to ethical sustainable development principles because shareholders increasingly expect that companies have a strong track record of corporate social and environmental responsibility.

Flying home from Dampier, I thought about the current argument regarding CSR implementation - should it be voluntary or regulated? If Rio Tinto Iron Ore can achieve the significant outcomes they have without regulation, perhaps voluntary is the way to go.

It would be interesting to ask the general community and Rio Tinto shareholders if they think Corporate Social Responsibility is a myth or a reality...