

1. Introduction/Abstract

In an environment of turmoil over corporate wrong doing, such as, the Australian Wheat Board's bribery scandal, National Australia Bank's rogue traders, Coke's water pollution crisis in India, the deception and fraud of the Enron board and Exxon Valdez oil spill, increased scrutiny of business operations and rising public expectations of the corporate sector are pressuring companies to demonstrate commitment to corporate social responsibility (CSR). These issues have prompted academics to also take an interest in investigating the causes in corporate social misconduct. Whilst CSR is not a legal compliance organizations are forced to undertake, they do involve broader responsibility and social issues that organizations voluntarily commit to communities. As a result social issues have joined the mainstream management literature as a legitimate area of inquiry (Harrison & Freeman, 1999).

Over the past forty years a large body of literature on the topic of CSR has evolved. The existing research has attempted to contribute to our understanding of what is meant by corporate social responsibility. However today there still remains a lack of consistency or agreement over the interpretation and measurement of CSR. Controversy has thus arisen regarding how empirical research should define the numerous concepts, propositions, and theories that have been advanced in relation to CSR. The multiplicity and ad hoc nature of investigations have made it very difficult to compare results across studies (Margolis & Walsh, 2001). Not only has this hindered inter-study comparisons and analyses, it has limited the development of a research base in the social issues area. Accordingly, this research project has three main aims. First it seeks to clarify the construct of CSR through the identification of various stakeholders' interpretations and perceptions of CSR. The analysis of the similarities and differences between the views of

various stakeholders and corporates themselves represents a necessary first step to both the subsequent studies in this thesis and the future development of this field of research. Having clarified the dimensions of the CSR construct the project then examines the level of attention given to CSR by Australian organisations during the past ten years, including the relative amounts of attention given to different CSR themes, industry differences, and whether there has been any change in the level of interest over time. Finally the thesis examines another longstanding issue within the CSR literature - whether a relationship exists between firm financial performance and CSR, and the nature of this relationship with arguments having been made that CSR has either a positive or negative consequence for firm performance. The outcomes of this research program will therefore make a significant contribution to the understanding of CSR for both science and practice.

Research Problem

Investigating the attention that Australian organisations give to CSR involves first an examination of what corporate social responsibility (CSR) means to different stakeholders through an exploration of the similarities and differences in different stakeholders' perceptions, values and attitudes towards the CSR construct.

A number of conflicting definitions in the elements and dimensions of CSR have been proposed in the literature to date, creating a lack of clarity and disagreements over the definition of the construct. To add to the uncertainty a number of different concepts have also been associated with CSR. Research has used concepts such as corporate citizenship, corporate social performance, corporate ethics, stakeholder theory and public policy, oftentimes interchangeably to refer to CSR. The outcome of such a lack of consistency is an overlap in the definitions and a great deal of confusion over *what* is meant by CSR. Therefore, it is important

to clarify and generate a comprehensive definition of CSR. The current study will analyse text documents describing different stakeholders' views to thematically examine the CSR perceptions of stakeholders to expose the commonalities in perceptions as well as identifying the differences. Identifying stakeholder views of CSR in conjunction with an unpacking of previous theoretical definitions will help produce a comprehensive definition of the dimensions of CSR. Therefore, the first question this research explores is, *"How do different organisational stakeholders define corporate social responsibility?"*

Having defined CSR, the research next plans to investigate the amount of attention that publicly-listed Australian organisations have give to different elements of CSR over time when reporting to shareholders. In order to further understand CSR in the Australian context, the attention that Australian organisations give to CSR is to be investigated. CSR is suggested to be high on board room agendas and can be considered an important corporate strategy in many organisations today. Some of the elements of CSR identified in the literature to date include; ethics, values, firm image, rules and policies, employee engagement and retention. As previously outlined the lack of clarity, differing perceptions and the interchangeability of concepts has resulted in confusion. Therefore, this study will take the thematic dimensions identified from the earlier stakeholder analysis and explore the incidence and level of attention given to these CSR dimensions by Australian organisations. Ten years of longitudinal data from Annual Reports will be analysed using content analysis. The outcomes of the analysis will address three main issues, differences in attention to various sub-themes of CSR; industry differences, and any changes over time. Further, clarification of the level of attention given to CSR by Australian organisations will thus permit interpretations to be drawn regarding

the importance organisations place on CSR and whether CSR related issues have become any more important over time.

The third and final element in this research involves examining whether there is a relationship between CSR and financial performance. With the growing recognition in the literature that CSR and environmental practices impact upon the corporate bottom line, CSR and environmental issues are becoming increasingly significant in large companies (Carlisle & Faulkner, 2004). Furthermore, a number of other issues have also been found to have an impact on corporate bottom line, such as downsizing, outsourcing, dealings with corrupt governments, transparency with shareholders and also ignoring minorities. Unfortunately the variety of different measures used to examine CSR has created difficulty in comparing these studies, oftentimes resulting in disagreement and conflicting outcomes. Therefore, the current study intends to empirically examine whether a relationship exists between various elements of CSR and firm financial performance. This will involve content analysis of publicly available documents to analyse firm financial performance. From the results of this study the research project aims to further extend the current body of literature by exploring whether the level of attention given to CSR leads to a relationship with financial performance. The outcome of this research will provide organisations with a greater understanding of how adoption of CSR policies and practices will impact on financial performance.

Individual Contribution to the Research Team

My research program incorporates an investigation into corporate social responsibility. My contribution will involve three aspects beginning with clarifying the definition of CSR by examining different stakeholders' interpretations of CSR, identifying what they have in common and where they differ. A second contribution will involve the analysis of the attention paid to CSR by organisations

thus enabling an interpretation regarding the level of importance that Australian organisations place on CSR. Finally, under the guidance of my Supervisors, I will be conducting my own data collection and analysis and developing and contributing to methodological ideas.

2. Design of the Proposed Research

2.1. Methodology and Research Plan

The rationale and design of the study to be undertaken will address three questions, “How do different organisational stakeholders define corporate social responsibility?” and secondly “What level of attention do Australian organisations give to CSR?” and third “Is there a relationship between CSR and firm financial performance?”

Stage 1 – Clarifying CSR

The first stage will involve a analysis of public documents from various stakeholders from government, business organisations, shareholders, employer groups, unions and community groups to identify and conceptualise a common meaning of CSR. Interviews will also be conducted to further examine stakeholder interpretations of the meaning of CSR. This study incorporates text analysis and qualitative research methods to investigate the proposed question. Data analysis will involve the use of Leximancer software to identify the various elements and terms of CSR contained within public documents and that are considered important by different stakeholders. Leximancer provides both automatic analysis and also customised content analysis using seeded concept classifiers (A. Smith, 2003). The use of this software will allow exploration of large amounts of text from large volumes of data in an objective manner through automatic analysis, repeatable and uniform coding, or tagging (A. Smith, 2003).

Stage one will also involve qualitative interviews with various stakeholders to identify how the newly developed definition of CSR captures different groups' understanding and views. The interviews will be administered at the first stage of data collection (approx. January 2007). The qualitative studies will be inductive and based on theoretically derived frameworks. Adopting both methods will give deeper understanding of corporate social responsibility. Sekaran, (1992) suggest obtaining data from multi-methods and from multi-sources lends rigor to research.

Sample

The sample will include a representative sample from a wide variety of stakeholders from government, business organisations, shareholders, employer groups, unions and community groups. It is expected that 20 senior company executives will be selected for semi structured interviews. Stratified random sampling will be used to draw the sample for the qualitative data analysis. This sampling design is the most efficient when differentiated information is needed regarding various strata within the population known to differ in their parameters (Sekaran, 1992). This method will allow better interpretation of survey results and can provide a better understanding of CSR.

Stage 2 – Identifying the level of attention given to CSR

The second stage of the research will also involve text analysis. Longitudinal data will be examined from an Australian database containing ten years of published Annual Reports from publicly listed organisations. The aim of this study is to observe patterns of CSR over time and across industries. The analysis will permit the identification of the level of attention given to CSR by Australian organisations. This will be achieved by identifying specified characteristics within the printed material. Computer aided text analysis enables the use of computer software for systematically

and objectively identifying specified characteristics within text in order to gain inferences from text (Kabanoff, 1997). This software enables researchers to assess printed information published in Annual Reports.

Sample

The sample for stage two involves longitudinal data drawn from an existing data base. The data base contains ten years of data collected from Annual Reports. Further qualitative data will be obtained from publicly available print material published by Government and non Government organisations.

Stage 3 – Relationship between CSR and financial performance

The third stage of the research program will examine whether there is a relationship between firm financial performance and firms' attention to CSR and various themes of CSR. This stage will utilise the previous content analysis measures of attention to CSR developed in stage 2 and relate these to various measures of firms' financial performance. Findings from stage two will identify organisations level of attention given to CSR, enabling stage three to relate this to organisations financial performance. These results will help to explain if a relationship exists between constructs. This study will help to provide an understanding of whether organisations that practice CSR will actually improve or reduce their bottom line. In addition, given this impact this study will further provide organisations with valuable information necessary to make strategic decisions about the effects of CSR programs and policies.

The longitudinal nature of both the annual report and financial data can also allow an investigation of the causal direction of any relationship between CSR and performance. That is, it can be argued that, if there is an association between the two it could be either that higher firm performance results in more attention being

given to CSR issues, or that higher attention to CSR leads to higher performance. The present thesis will provide the opportunity to test the causal direction of any relationship it uncovers

Sample

The sample will be drawn from the existing data base containing ten years of data from publicly listed organizations (more than 1,000 listed Australian companies). The large sample will allow an in-depth examination over time of whether CSR influences financial performance.