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Topic: A Christian Ethical Perspective of the Corporate Social Responsibility of the Australian Stock Exchange Top 50 Companies
INTRODUCTION

This thesis seeks to understand the outlook of the Australian Stock Exchange Top 50 (ASX Top 50) Companies on their Corporate Social Responsibility (CSR). Given these companies attract the best talent in the land, have access to the most resources and have unrivalled economic and political power, it is expected, and is the hypothesis of this thesis, that they would conceive a CSR of considerable sophistication with a breadth of vision, of global reach and concern about the social and economic welfare of all members of the community. Further, that this CSR would be more coherent than any other because of the resources that could be applied and the business insight available. It is expected these resources will be employed to lead the community on social matters. This thesis compares the apparent CSR concerns of the ASX Top 50 to a CSR that arise on the basis of the Christian theological ethics of Reinhold Niebuhr.

In reviewing the annual report and sustainability report (where available) of each it is apparent that Australia’s top corporations pay attention to the Environment, Governance of the company, Community and Stakeholders, and Employees when they think about CSR.

However logical these foci may be, generally their social vision as reported in the Annual and Sustainability reports is found to be variable. While some are inwardly focussed and limited in that they deal neither with concerns on a global scale nor particularly outside their own business domains others are progressively concerned about the role and impact of their operations in the community and active in modifying these to meet community expectations. In some cases, where social issues are recognised, they are subordinated to the economic welfare of the business.

In comparison, a CSR based on Niebuhr’s theology would better serve the community in a number of ways. A CSR based on Niebuhr's theology enables better definition of community good beyond the historical and will be more capable of delivering just outcomes than the more limited CSR based on economic politics. A 'Nieburian' CSR will encompass broader community needs, will identify community-based stakeholders and will motivate the community to be more responsible in ensuring its own needs are met. The theological outcome would be more authentic because Niebuhr accounts for transcendental reality beyond history and develops an account of human response to the transcendental that encompasses both faithful Christian response and a range of secular responses such as dismissal or dualism. Niebuhr accounts for the responses that humans make to their place in history and the anxiety that is experienced in knowledge of finitude and mortality. Finally, Niebuhr’s theology enables prediction of likely human responses to a range of historical

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1 That it is worth bothering to make this comparison at all is driven from the author's observation that political authority in western culture is now without reference to scriptural authority. Any claim that Christian religion (in the present context) may make to authenticity, especially having concluded, as O'Donovan does, that politics is contingent on history and therefore arbitrary, should seek to reclaim some of this scriptural authority. The arbitrary nature of politics lends support to a claim by Christians of the relevance of divine authority today, established prior to Christ's life and recorded in Hebrew scripture in the stories of the salvation, judgment and possession of Israel. It is then reinforced emphatically by Christ's life itself. (O'Donovan 1996, 7, 12-21, 30-45)

2 The larger companies, for example BHP Billiton and NAB, describe visions of a social compact with the community that involves relatively extensive engagement and the conduct of research to determine the extent and nature of the negative impacts of their operations and ways of avoiding these. BHP Billiton has extensive community engagement at various levels of its business. BHP Billiton's stakeholder engagement is detailed in its Sustainability Report and examples of the consultative initiatives are listed. (BHP Billiton Sustainability Report 2006, 420). NAB is piloting its offshore deployment of some operational activities and actively assessing the benefits in relation to the communities affected and the bank's operations. A similar approach is being used for its procurement function. (NAB Corporate Social Responsibility Report 2006, 44)

3 Whereas BHP Billiton explicitly states that it will not subordinate its sustainability principles for a business outcome (BHP Billiton Sustainability Report 2006, 2) the AGL Sustainability Report limits its focus on sustainability to environmental issues in relation to GHG Emissions and its discussion in general addresses the internal financial aspect of environment management. (AGL 2006 Sustainability Report) Amcor, as is noted below, addresses Child Labour in terms of the local practises rather than defining an ethical position to cover the whole company in all of its areas of operation. (Amcor Ethics Policy, 5)
events where the conflict between failure to respond to the transcendental and contemplation of temporal life arise in everyday situations.

The hypothesis fails because from the viewpoint of Niebuhr’s theology the business conception of CSR deals inadequately with either the reality of temporal life, especially the community requirement for justice, and with the transcendental. The findings of the research reveal a gulf between corporations and the communities they serve and the potential of a CSR based on Christian ethics.

The findings are assessed on a framework based on four perspectives:

- the issue of common definition of what comprises social responsibility;
- the responsibility of the community to play its part in the social milieu in relation to corporations;
- that company behaviour is based upon and propagates a particular economic outlook, potentially to be challenged by the community, and
- the absence of real authority for deciding social questions and a lack of clarity over where the authority for leadership on social responsibility rests, and an absence of co-ordination within the business community and variable community engagement.
Note on Method

Recognising its limited length, this thesis is bounded in scope across several dimensions. The ASX Top 50 is chosen as the pre-eminent corporate profile with directly Australian relevance rather than a more broadly scoped set such as a greater number of Australian companies or a set of international companies. Company statements for 2006 were chosen to contain the research volume and because there was no intention of performing a longitudinal study.

Reinhold Niebuhr’s theology is selected amongst a range of candidates to be the lens of Christian ethics through which to perform the analysis. Niebuhr’s work contains a mix of social anthropology and theology. The former has been particularly popular as an explanation of human social behaviour and was instrumental in bringing Niebuhr to light as a leading social thinker in the mid 20th century and is enjoying a resurgence of interest now. Niebuhr is also chosen because of his Christian realist stance and for the way in which his theology of the Cross and sacrifice is held up against his work on the nature of human fulfilment.

The approach taken was to:

1. Conduct a phenomenological review of the CSR conveyed in the public reporting of the ASX Top 50 companies, that is the annual reports and, where available, their sustainability reports;

2. Select five of the companies from which to draw specific examples, on the basis of their entry in the Global Reporting Initiative (GRI) database: ANZ, AGL, BHP, NAB, Stockland;

3. Discuss the companies' espoused social responsibility based on these public statements;

4. Express these in terms of four categories: Definition of CSR, Community Responsibility and Advocacy, the Financial System and Society, and Stewardship and Authority;

5. Reflect on these four areas from the perspective of social contract theory, to give some grounding in secular ethics, and the social anthropology and theology of Reinhold Niebuhr, to provide a specifically Christian base, and

6. To conclude if the espoused social responsibility of the ASX Top 50 is coherent against the bases set by social contract theory and Niebuhr.

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4 Batten and Birch believe measurement is difficult, pointing to limitations with research methodologies, particularly statistical methods, for determining the relationship of corporate responses to corporate citizenship issues. (Batten and Birch 2005, 294)

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PART I - RESEARCH OUTCOMES

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Social role of the company – expectations
The ASX Top 50 possesses the management talent to construct a comprehensive account of the role of the company in the community’s social fabric, including and beyond its immediate business interests. (Hopkins 2007, xi, xiii, 3) It is expected that in response to the readily apparent impact business has on the fabric of society that it would acknowledge a dependency in the community (a point to be argued in more detail later) and to express that dependence in its actions, particularly those that affect community welfare. It was expected that companies would provide this account of their place in society as the provider of socially demanded goods and services, the social requirement for these, being understood to be the lynch-pin of the company’s ‘social licence’ to operate. The social licence is the authority the community confers on a business to operate, to produce goods and services the community needs subject to certain conditions.

A sophisticated account of social responsibility has two elements. The first is to understand the role of the company in the context of the broader community, based on the approval the community grants the company to operate. Therefore company performance is expected to be analysed more broadly than from perspective of the direct commercial participants of the company and the shareholders who own the company. Second, the company should understand its wider community responsibilities in relation the business it performs. The issue is the authenticity of engagement with wider society.

Findings
For the companies reviewed, the accounts of social role in their Annual and Sustainability Reports are varied. Some are limited to the company’s responsibility to the shareholder; others take a much broader view. Awareness of any social role in terms of a responsibility to respond to community needs are not evident in most reporting. Community responsibility is responsive more to a limited stakeholder set and to corporate philanthropy.

BHP Billiton has a comprehensive programme for engaging with the issue of the role of the company in social context. It has an extensive community engagement programme and participates extensively in social research in co-operation with a range of other organisations. (BHP Billiton, 2006)

AMP describes its role:
‘AMP has a noble purpose. For over 150 years, we have helped people manage their financial well-being so they can enjoy the future they want.’ (AMP, 2006)

In response to this social role AMP targets its assistance in direct relation to the company operation, to: i) increase the effectiveness of retirement income systems, ii) lift the standard of financial advice, and iii) increase the ethical performance of invested companies in terms of their corporate governance, operational, environmental and social practices.

Fosters expresses consciousness of the public need for security of water which is an essential raw material for its operations. Fosters also identifies public concern about the role of genetically modified organisms (GMOs) in their source material (barley, hops, etc.) and maintains GMO-free status of its beer and cider products.

Origin Energy has identified a failure to establish effective carbon pricing (by the Federal Government) as a

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5 Global Warming and the so-called ‘Global Credit Crisis’ of late 2008 are outstanding examples.
social issue for which their response is to use current forum memberships to attempt to lobby government. National Australia Bank (NAB) is representative of the majority of companies in considering its social role in relation to protection of the welfare of the shareholder, subordinating social concerns to business performance. Its competitor, Westpac, in contrast, has signed the Equator Principles that require the company to ‘put the planet and people in the same equation as profit’. (Westpac, 2006)

A smaller number of the ASX Top 50 simply did not address the issue of social responsibility at all – Fairfax, PBL, News Corporation and Aristocrat Gaming are examples. Other companies make claims about remedial action in relation to the inevitable damage to some of their customers or other stakeholders from the use of their products – Tabcorp and PBL on problem gambling, Zinifex on high infant blood lead levels in Port Pirie and Fosters on alcoholism, for example.

While it might be hoped that taking a leadership position is positive, Macquarie Infrastructure’s expressed desire to use the influence of its Board to exercise some level of control over interest rates, regulatory matters related to the environment and social responsibility is noted. Lobbying, to which this statement refers, demonstrates the power of business to exercise social control.

A number of companies identify that their activities are or could be socially negative in some respect, driving them to reduce the impact in line with community expectations. These companies have attempted to achieve a balance between the provision of community demanded goods or services and a limitation of its negative impact. Amcor, the packaging company, is an example; the material they use to package a wide range of consumer goods to enable transport, storage and retail presentation is largely plastic and wood/cardboard/paper. Amcor is actively seeking source materials, especially recycled, with a lower environmental impact. Where Amcor is open about this problem and displays a considered response, many companies do not.

Some companies make the observation that their social responsibility is to be successful and sustainable businesses. This is a good point in relation to a broadly based view of social responsibility because communities need the financial structure of the company to be the efficient provider of goods and services on its behalf. This is the function of the ‘social licence’ of the company to operate.

Awareness of a need for a responsive CSR position is growing. It is clear from the recent economic ‘shocks’ how business affects community welfare and needs to be responsive to community demands in relation to it. Being responsive requires balancing business fundamentals of revenue generation and cost management with shareholder, as principle stakeholder, welfare and other stakeholder concerns, particularly the impact on community welfare. The regulatory environment, the sensitivity of the management of the company to community concerns and competitive pressure (especially recently as CSR becomes in need of more business and community focus) all influence the settings of a company’s responses. The precise settings adopted are dependent on the views and voice of shareholders, and the disposition of management, especially the chief executive and the industry in which the business operates. A bank, for instance, has a relatively low direct impact on the environment but needs to be sensitive to what projects it loans funds for: A mining company has a comparatively direct impact on environment.

Ethically ambiguous companies
Several companies included in the ASX Top 50 have operations that might arguably be considered ethically

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6 'Shareholder' means a person, or an institution that possesses ownership of a company in the form of shares traded, in the case of the companies in this study, on the Australian Stock Exchange (ASX). 'Stakeholders' are any persons or organisations which may validly claim an interest (a stake) in the affairs of the company. Stakeholder is a broad definition, which includes shareholders and covers employees, suppliers and customers of the company as well as those affected in any material way by its operations.

7 Adoption of the Equator Principles is one way of indicating and operationally implementing an approach to critical assessment of funding opportunities in terms of the impact on sustainability issues of the project to be funded. The ANZ does not mention the Equator Principles in its annual Report. The NAB mentions an action to assess the revised Equator Principles. (NAB Corporate Social Responsibility Report 2006, 54)
ambiguous.
Gambling in all of its forms involves the payment of money in exchange for entertainment. For a significant number of people the valuation of the entertainment of gambling is not subject to rational choice because it is done within a state of addiction.8 Gaming operators face the conundrum of balancing operating safely for the majority of customers while consciously damaging a few. PBL, Tabcorp and Aristocrat are examples.

Zinifex is responsible for the smelting of lead in Pt Pirie which has been known for many years to have increased the blood-lead level of children in the area significantly above normal levels, placing their health at risk.9

These companies are nominated because there is known direct damage done to consumers or other members of the community as an outcome of the production or consumption of their goods and services. In each case the people who suffer the damage have relatively low power to control the damage done, either because of low social power or addiction. Further, it is considered that the damage caused outweighs any positive social result from the operations.

The willingness of the community to allow such operations questions whether the concept of the social licence is at all effective or real.

Leadership and Corporate Governance

There is no clear authority within the broader social community nor within business, for CSR, notwithstanding that some industries regulate themselves and create codes of conduct and that governments regulate certain aspects of business behaviour and function. Communities in general approve company behaviours through their purchase of goods and services or by their investment in the companies. Should they be considered responsible to some extent for the resulting damage?

All ASX Top 50 are required to account for Corporate Governance. All reference the ASX Principles of Good Governance and Best Practice Recommendations (ASX PGCG). This guide contains 10 principles that ASX companies are to report on or explain variations from, based on ASX listing rules 4.10.3 (Corporate Governance reporting) and 12.7 (use of an audit committee). The Principles10 are listed in Appendix 1. Cadbury, quoted by Hopkins, provides an altogether different account of the purpose of corporate governance from that of the ASX whereby the corporation has a clear role in the balancing of economic and social goals with a defined responsibility for the welfare of distal stakeholders as well as proximate shareholders, and a responsibility for stewardship of resources. (Hopkins 2007, 33)

In a number of cases the Annual Report includes a detailed table mapping each of the Principles above to a page of the Annual Report where adherence to the Principle is established. In very few cases do companies go beyond these principles, or provide comments that qualify the company’s compliance. AGL is one example where the interests of stakeholders are referenced, as follows, somewhat qualifying its acceptance of the Principles:

‘The Board’s philosophy is to adopt principles, practices and recommendations that are in the best interests of AGL’s stakeholders.’11

Arguably, 5 of the ASX’s 10 Principles of Good Corporate Governance fail to protect marginal members of

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8 The Australian Productivity Commission surveys gambling each ten years. In its last report, in 1999, it was estimated that 2% of the Australian population has “difficulties in controlling their gambling” reported in House of Cards - Anglicare Tasmania Submission to the 2009 Productivity Commission Inquiry into Gambling http://www.pc.gov.au/projects/inquiry/gambling-2009/submissions. (Law, Margie, 18)
9 McMichael and Baghurst provide specific reporting on the effect of environmental exposure to lead and children's abilities. (McMichael and Baghurst, 468-475)
11 AMP Ltd Annual Report 2006. Of the other four companies selected for closer analysis, BHP Billiton, NAB, and ANZ make references in their reporting to the PGCG as the basis for management of corporate governance. Stockland makes no reference.
the community (Principles 2,3,5,7 and 10), which raises the question the effectiveness of these principles as a community instrument.

External Authority
In relation to social responsibility two external authorities are particularly relevant (although there are others): the Corporate Responsibility Index, established and administered by the St James Ethics Centre in Sydney and The Global Reporting Initiative.12

Corporate Responsibility Index (CRI)
The aim of the CRI is to provide a tool for assessment of CSR performance. In their words:

‘Companies are now expected to take into account a broad array of interests in service of the long-term interests of shareholders. The challenge for companies is how do they address these issues systematically. This is where the CRI ultimately assists - by providing a framework for implementation and a means to review management systems and processes thoroughly.'

The CRI framework surveys voluntarily participating companies across four weighted components: Corporate Strategy (10%), Integration (22.5%), Management (incorporating community, environment, marketplace and workplace) (22.5%) and Performance and Impact (35%). The detailed content of these components is set out in the Executive Summary of the 2006 Results. The results are validated by Ernst and Young, a consulting company that deals inter alia with audit and corporate governance.

The following companies are listed in the CRI: Amcor, AMP, ANZ, BHP Billiton, Boral, Coles Group, Fosters, Insurance Australia Group, Rio Tinto, Suncorp, Telstra, and Westpac. The aggregate results of the analysis, done by the St. James Ethics Centre for the 2006 assessment are:

<table>
<thead>
<tr>
<th>Result</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold - 90%+</td>
<td>ANZ, BHP Billiton, Boral, Rio Tinto, Westpac</td>
</tr>
<tr>
<td>Silver - 80 – 89.99%</td>
<td>AMP, Fosters, Insurance Australia Group, Telstra</td>
</tr>
<tr>
<td>Bronze - 75 – 79.99%</td>
<td>None</td>
</tr>
<tr>
<td>Participated - 74.99% and less</td>
<td>Amcor, Coles Group, Suncorp</td>
</tr>
</tbody>
</table>

See:
for details.

12 There is a multiplicity of external ‘authorities’, see Appendix 2. It is an open question how good these are, especially from the perspective of their independence. An analysis of them would be useful, but beyond the physical scope of this study. These organisations were chosen on the following bases: CRI because it is relatively well known as it is a local organisation and it is prominent as a source of public commentary of ethics; GRI because it is international and large, and CERES as it is reasonably prestigious and has an established and comprehensive reporting framework

Global Reporting Initiative (GRI)

The GRI is a multi stakeholder alliance that arose from the ‘CERES’ not-for-profit organisation14 which identified the need for a disclosure framework for sustainability information during the mid – late 1990s.15 GRI is led by a Board and administered by a small permanent secretariat. GRI has evolved the resulting reporting guidelines to a set known as ‘G3’.

The GRI G3 is a comprehensive reporting framework covering disclosure of: Strategy and Analysis, Organisational Profile, Report Parameters, External Assurance (of the report), Governance of the Company, Commitments to External Initiatives, Stakeholder Engagement, Management Approach and Performance Indicators including: Economic, Environmental, Social, Labour Practices and Decent Work, Human Rights, Society, and Product Responsibility.16

The adoption of GRI reporting principles suggests a willingness to be open and therefore publicly accountable on CSR matters.

Codes of Conduct

Thirty one of the ASX Top 50 specifically mention the use codes of conduct, referencing them in the reporting reviewed and often publishing them on company websites. In some cases there are separate codes for the Board, executive management and employees. In the main these are not particularly informative. Usually they are short documents – appropriate to their purpose and readership - and contain material relating to dealing honestly and with integrity, balancing the interests of the company, not trading with inside information, acceptable behaviour, and safety, plus some others.

Comment

The approach of the companies reviewed to a strategy that links company behaviour with a reading of the social responsibility expectations of the community is highly variable.17 Self-regulation by the ASX Top 50 compliments legal controls but has no direct community authority. Implicitly, because it allows it to continue without government intervention, the community is satisfied with this self-regulation. Or is it? Perhaps the problem of co-ordinated action in the absence of community leadership on CSR matters is too overwhelming. While self-regulation seems to be effective in some professions, for instance medicine, companies except in the vehicle of the ASX do not co-ordinate to provide effective leadership on social responsibility.

The use of external reporting is prima facie responsible but there is a need to validate that the external agencies are wholly independent. Can business be trusted to self-regulate on these matters?

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14 CERES is a not-for-profit committed to ‘sustainable prosperity’ and to assisting organisations to manage CSR.
15 See GRI website: http://www.globalreporting.org/AboutGRI/WhatWeDo/OurHistory/OurHistory.htm
16 See Appendix 2.
17 BHP Billiton's Sustainability report provides comprehensive description of a multi part approach to sustainability that includes for example (from a lengthy list) a need to maintain sustainability principles in the face of business pressure; transparency in reporting; the relationship between sustainable development and its long term business viability; recognition and specific identification of a diverse stakeholder population; specific, measurable indicators of sustainability; mapping of products against consumer population and the benefits provided, and appointment of a sustainability committee at Board level. (BHP Billiton Sustainability Report 2006, 2, 9, 10,12, 53, 81, 192) The ANZ reporting does not show the same depth of engagement with the subject. In contrast, the ANZ expresses a desire for the community to trust the bank, argues it has increased its responsiveness to community concerns by opening more branches, states it is managing risk more closely, lists its priorities as: Staff Satisfaction, Employee development, volunteer programmes for staff, and reduced incidence of injury. This set of concerns is much less comprehensive than BHP Billiton’s. AGL and Stockland showed similarly reduced discussion of the issues. NAB was more like BHP Billiton, listing its principles, the areas of its CSR concern, a comprehensive approach to management of CSR, a quantity of organisations with which it interacts to provide CSR leadership and monitoring, specific issues for stakeholders – e.g. customers, and calculates its gross added value to the community in financial terms.
**ENVIRONMENT AND SUSTAINABILITY**

**Performance - recognising the key issues**

Environment and Sustainability are arguably the pre-eminent corporate social responsibility issues at the present time and are regarded so by the ASX Top 50. Within this broad category, business recognises three issues of super-ordinate concern - the current level of emissions of Greenhouse Gas (GHG) associated with global warming, the conservation of water and the management and reduction of waste-based on the attention given to each in reporting. These align with community concerns as made apparent in media reporting.

The ASX Top 50 recognise these as key issues and give space to them accordingly in their annual and sustainability reports. The nature of the primary environmental effect of companies varies and may be divided into two categories. These are categories recognised in GHG reporting legislation. Primary influencers are those whose very operations incur significant environmental degradation, for example miners, oil extractors and energy producers. Secondary influencers are those that use the outputs of Primary influencers and further realise environmental impacts by their operations or have relatively small recurrent environmental influence, for example shopping centres or finance companies and banks. Secondary influencers rely on change in their primary influencer supply chain in order to effect change.

Primary influencers, in particular, are aware of the public concern over their operations and report the key data. They typically include: GHG Emissions (in carbon dioxide (CO₂) equivalents), sulphur and nitrogen oxides emissions, water consumption, waste generation, energy consumption, paper consumption, overall building performance (energy and water), and road and air travel. For both primary and secondary influencers there is a tendency to setting of baselines - which is the outcome of initial reporting - and showing trends over time. This latter kind of report is in most instances at an early stage because the drive to report environmental impact is new.

Many of the companies are looking to, or have already introduced, ‘Green Products’. These are products claimed to have less environmental impact, for example, charging a higher price for power, effectively to subsidise higher cost but lower impact sources of electricity such as wind generation.

Secondary influencers in some cases identified the need to assess the environmental impact they inherit from their supply chain. This will become increasingly important if labelling of consumer products with carbon impact data become widespread, as is suggested by emergent trends in the UK.18

**Actions**

Primary influencers, especially in the mining and other extractive industries, are performing remediation of recent and sometimes older degraded mining sites by rehabilitating soil, removing toxic wastes and replanting indigenous vegetation. Some are making surveys of future sites, assessing biodiversity and acting to protect vulnerable species during the life of operations.

Setting targets for the reduction of the chief environmental factors – energy, water, etc., is relatively straightforward but not always proving to be easy to achieve. In some instances environmental factors per unit of production (called intensity) have declined but the overall emissions or water use or other factor has changed for the worse in absolute terms as a result of the improved economic performance of the company leading to higher productive output.19

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18 A proposal of the UK-based Carbon Trust - http://www.carbontrust.co.uk/
19 For example BHP Billiton exceeded its targets for GHG Emission reduction but incurred a number of compliance breaches resulting in fines as well as not achieving planned site based emissions assessments. (BHP Billiton Sustainability Report 2006, 60) NAB improved its GHG emission performance and its building occupancy intensity (employees/area) while not achieving improvements in air travel, vehicle emission intensity, or paper use. Overall...
Balance of Interests

It is expected that the interests of companies would be seen in a broad context, to balance the direct economic interests of the shareholder with the interests of a more widely defined set of stakeholders. This is not in general the case. Because of the nature of capital investment markets, companies need to give shareholder interests priority and in some instances, companies put the interests of shareholders first and the environment later. Fosters’ annual report, for instance, states:

“The quantity of ODS (Ozone Depleting Substances) purchased increased in 2006 and we will be taking action in the coming year to understand why and correct this trend. Additionally, we will only purchase equipment containing high greenhouse warming potential (HFC 134a and similar) refrigerants if equipment using natural refrigerants is not commercially and practically available.”

Clearly Fosters believes avoidance of ODS is dependent on it being economically advantageous to do so.

While the need to maintain company value and retain shareholder investment cannot be challenged, such thinking reinforces the current paradigm of operation and restricts risk-taking to identify alternative ways of doing the same or better things. Further, as the evidence of the long term impact of environmental degradation is no longer able to be argued, such prioritisation of economic factors reflects focus on the short term and failure to see into the long term, of itself a sustainability issue, both economically for the survival of the company, and environmentally for the global community. It is also a failure of the vision expected from companies of the stature of the ASX Top 50.

The CEO of BHP Billiton points out this possibility of a conflict of business interests when operating with social responsibility by stating:

“The continued growth in demand for our products has assisted us in the delivery of a very strong financial performance. It has also, however, created significant stresses in our operations and the industry more broadly as operations expand to meet demand. Skill shortages are a clear manifestation of this, and we have initiated a number of programs to address the issue. The management team has also stressed that our commitment to sustainability must not be compromised in meeting that demand.”

AGL’s Sustainability report exemplifies where conflicts of business interest arise. It suggests a stable level of atmospheric carbon dioxide of 550 ppm, based on scientific consensus. Yet a supplementary paper to the Garnaut Report suggests that atmospheric carbon dioxide of in excess of 500 ppm is “…likely to experience a massive loss of biodiversity and ecological function.” (Garnaut 2008), (Oxford Economics, 2009) Possibly these reports do not provide conclusive science. Uncertainty of this nature makes the precise setting of targets and business strategies difficult and subject to dispute and misinterpretation. Acknowledged leadership would assist.

Definition of sustainability

A number of the companies defined sustainability in terms of their own continued economic capability,
recognising the importance of environmental factors, but assigning these a value related to the company’s economics or operational viability. Likewise, environmental regulations are seen in some cases as risk factors to be managed, rather than intrinsic goods in their own right.

**Use of External Indices**

Appendix 3 contains a list of the external authorities, including indices that are used as reference points in the material reviewed. Use of these authorities reflects the acknowledgement of some ASX Top 50 companies that they need to be accountable for their environmental performance. Performance indexes such as these provide an immediately accessible form of information for all as they are publicly available. Further, the action of using them provides a baseline against which future performance can be gauged and they provide comparative data between companies.

Without, usually, a precise and confident definition of company role in relation to the environment, it is not surprising then that we see most companies using external indices of environmental and sustainability performance.

**No Comment**

It is interesting to see some companies have elected not to comment on environmental issues at all; usually they have not commented on Corporate Social Responsibility (CSR) in the broader sense either. Three publishing companies are the outstanding example – News Corporation, PBL and Fairfax. Yet each of these has businesses that are significant distributors of paper based newspapers and magazines. The decision to not comment counters the trend of other industries.

**Responsibility and Stewardship**

It might be expected that annual and sustainability reports provide evidence of co-operation by companies with national government and at a regional level. But they do not. The corollary of narrow and inward definition of company interests mentioned earlier is that, notwithstanding substantial press and public opinion commentary including from ASX Top 50 companies themselves about environmental problems and the need for co-ordinated action, there is little apparent effort in the material reviewed to suggest that companies have assigned funds or people to work together or with government to form a plan for future action beyond the incremental improvements described. There is no evidence of any company (for instance oil miners in the case of GHG emission, or Zinifex in the case of effects of lead smelting on the local community) questioning whether their business is sustainable in the medium to long term.

There is limited discussion in the annual reporting of companies reaching out to their related organisations to consider the problem jointly. BHP Billiton and NAB are noteworthy exceptions. For instance, GHG emission from petroleum-based fuel is an issue that should concern oil miners, transport companies, food distributors and road management organisations (government and private) alike. Transurban, a toll-road manager, comments in its reporting that the use of roads is a government issue, not theirs. However that their operations are based on certain minimum levels of traffic to drive toll revenue is well known. Similarly, Macquarie Airports and Qantas do not acknowledge they participate with fuel producers in a fundamentally environmentally damaging industry.

21 Any of these indices and external authorities are quoted within the public reporting reviewed. There is no apparent consistency in their selection, except for the Stock Exchange rules, which are mandatory. That there is no consistency, and such a wide variety of supposed authorities available suggests there is no single authority at all, which will be argued later in this thesis.

22 How far the downstream effects of their operations are the responsibility of businesses upstream in the supply chain is a subject of philosophical conjecture. The Australian Government has in any case set its position in its National Greenhouse Gas Emissions Reporting legislation whereby companies required to report GHG emissions under the legislation’s provisions must count indirect as well as direct emissions. While government legislation is of this attitude, it will be necessary for business to consider their operations in the broadest context. Moore acknowledges
The CEO of Origin Energy noted in both the annual and sustainability reports that there was no effective national carbon pricing regime at the time of writing. He presages the need, inevitably, to ration GHG emissions based on a national or international maximum quota. The comment indicates that not only has no private body effectively addressed the issue, neither has government. While this issue has advanced in the political arena since the time of the writing of the report, the establishment of legislation to control emissions is not yet complete.

the complexity of corporate moral agency and begins to explore its implications for stakeholder theory. While this exploration is preliminary, Moore provisionally concludes that conglomerates linked to the organisation bear some responsibility through the agency of their stakeholder relationship. The extent of this responsibility is dependent, at least in part, on the nature of the rights and obligations that define the relationship. (Moore 1999, 341)
COMMUNITY AND STAKEHOLDER

Identification of Community

Most of the corporations reviewed claim the importance of a link with community in some form. A very few either mention it only in passing or fail to identify it at all. CSL, Fairfax, News Corporation and QBE Insurance give relatively little attention to any linkage they may have to community.

Many of the companies draw this linkage to people with whom they are engaged directly and locally in the course of their business; Stockland is an example. In particular, companies working in remote areas often identify local indigenous and other communities as having a special relationship. In some other instances the company identifies with an overseas community where it operates. BHP Billiton is an example, especially its community programmes which have site specific approaches.

The nature of engagement with these communities varies. Where the community has a particular dependency or association, the response is usually quite clear. For instance, banks provide special products, such as micro-credit or low fee savings accounts for the financially disadvantaged, that are sensitive to the customer’s income or other financial circumstances. Miners in remote areas usually employ local people as much as is possible, for both practical reasons and as a form of ‘give-back’. Some go further and sponsor programmes that increase the possibility of positive engagement. Boral, for instance, sponsors training programmes for indigenous people aimed at bringing the trainees into full time employment.

Time or event based community associations are common. Engagement with Innisfail and its surrounding community at the time of Cyclone Larry features in the reporting reviewed. Bluescope Steel at that time donated building materials, an example of a community benefit driven out of the company’s particular business specialty.

Role of Corporate Philanthropy

Many companies have relationships with organised charities. The amounts given vary widely. Some example annual donations include: NAB $20 million – 0.31% of pre-tax income, Macquarie Bank $14 million, Orica – 0.015% of dividends, Origin $210,000, Telstra $4.3 million, Wesfarmers $5.9 million, St George Bank $1.2 million.

Again the nature and depth of the involvement varies. In its detailed community planning and stakeholder engagement programme, BHP Billiton sets out an account of its customer segments and the sustainability issues for each, identification of socio-economic support activities and its response to the UN Millennium Development Goals. BHP Billiton gave SUS81.3 M in donations to community programmes in the reported year, representing 1.45% of its pre-tax profit. (BHP Billiton Sustainability Report 2006, 139, 420, 426, 428, 464) ANZ’s report contains less detail in comparison. It reports receiving a Prime Minister’s Award for excellence in business community partnerships, activities to involve families in the use of matched savings and financial literacy programme, financial education including a financial literacy programme for indigenous communities, and a staff volunteer and community giving programme. (ANZ Bank Annual Report 2006, 10, 23) AGL’s community activities use a theme called ‘warm winter nights’ and provide shelter for the homeless and others with acute housing needs. AGL’s stakeholder identification revolves around customers and reporting is focussed on customer satisfaction and engagement with its customer council. The report mentions some community engagement on the roll-out of infrastructure programmes. (AGL Annual Report 2006, 2, 9, 12) NAB provides comprehensive detail of its community activities, describing its approach to community and definition of its community engagement programme, the use of AA 1000 Stakeholder engagement standard, the use of a Community Advisory Council (headed by Tim Costello), and an index for monitoring stakeholder engagement. NAB provides charitable donations primarily through leveraged relationships with non-profit organisations. Funding is 0.31% of pre-tax profit, significantly less than BHP. (National Australia Bank Corporate Social Responsibility Report 2006, 14, 17, 18, 23) Stockland defines its community responsibilities in direct relationship to its development projects, working with community representatives directly where its projects are taking place. Its report also mentions involvement in local sporting clubs and activities such as Clean Up Australia Day. (Stockland Corporate Responsibility and Sustainability Report 2006, 9, 21)
The nature of the relationship between the company and the charity it supports is usually difficult to define, however, and it may be simply the whimsical choice of management. (Hopkins 2007, 115) The basis of the relationship between the community and the company is dependent on how the identification is made. It is clear that some companies can identify strongly with a particular community, for instance miners and remote townships where the mines exist, whereas others struggle with the identification and choose broadly based charities with no direct association, for example St George Bank and the Toronga Park Zoo.

Companies claim a need to ‘give back’. The term ‘give-back’ approaches forms of rights and obligations. In the reporting reviewed, the nature of the perceived obligations, the nature of the rights to which they respond and the method of selecting the charities is not made clear. This is not to say that prima facie charitable donations are not a good thing, however there are some potentially negative aspects. It is likely that donations are perceived to contribute to a good community opinion of the company that translates into better economic outcomes (known as Strategic Philanthropy). That is, the philanthropy is entirely instrumental.

Stakeholder Relationships

The traditional view of the stakeholders of a company focuses on the shareholder, the managers and employees of the company and its customers. In the absence of any better advice from the ASX, most companies follow this pattern, often adding suppliers. The ASX Principles of Good Corporate Governance Principle 10 requires listed companies recognise the legitimate interests of stakeholders. The description of the principle defines stakeholders as additional to shareholders and possibly including employees, clients/customers and the community as a whole. Stakeholder rights are also recognised as being additional to legal rights they may have or obligations on the company. They are related to human, social and other forms of non-financial capital. The ASX suggests that due recognition and better management of these rights is a community expectation and will increase ‘value’. The principle does not say how legitimacy might be established. The principle goes on to recommend the development of a comprehensive code of conduct to ensure the company’s legal and social responsibilities are met, without providing any further guidance on how to define a stakeholder, or to assess the rights that stakeholder might legitimately claim, nor how to define the reciprocal obligations on the company.

While these are important stakeholders, modern stakeholder theory, especially that pioneered by Freeman (Freeman 2002), extends corporate stakeholders to include the broader community in a more comprehensive way than that suggested by the ASX’s Principle 10. Freeman and Velamuri suggest a set of ten principles that extend the focus of CSR beyond that of the ASX. Freeman and Velamuri’s list includes (paraphrased for legibility):

1. Link the company and stakeholder interests over time;
2. Identify stakeholders in personal terms as real people with names, faces and children;
3. Seek solutions to issues that satisfy multiple stakeholders simultaneously;
4. Engage all stakeholders in intensive communication and dialogue, not just those who are friendly;
5. Commit to a philosophy of voluntarism, to manage stakeholder relationships voluntarily, rather than leaving it to government;
6. Generalise the marketing approach – to include all stakeholders
7. Serve stakeholders in all activities of the company, not trading off the interests of one against the other;
8. Negotiate with primary and secondary stakeholders;
9. Monitor and redesign processes constantly to make them better serve stakeholders, and
10. Act with purpose to fulfil commitments to stakeholders.

(Freeman and Velamuri 2006, 16-20)

24 Without specifying what legitimate interests are.
25 Freeman and Velamuri's list includes (paraphrased for legibility):
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   10. Act with purpose to fulfil commitments to stakeholders.

(Freeman and Velamuri 2006, 16-20)
have community consultative councils. These councils have no executive power, limiting the full potential of their effectiveness and making them dependent on executive approval of their recommendations.

Full extension of Freeman’s work would recognise that stakeholder’s stakes are in the form of rights, using a deontological schema. Rights, to be effective, need correlating obligations. In this context they are obligations of the company. The companies reviewed in detail do recognise their broader obligations, to the extent that stakeholders are recognised. The opportunity to use Freeman’s model (or something like it) and define rights-obligations correlatives is not taken, or at least is not apparent in the reporting with the exception of BHP Billiton where a comprehensive set of stakeholders is identified. For each stakeholder a description is provided of who they are, their concerns and interests and the dialogue that has been conducted with them.

Macquarie Airports makes a statement about its role in the national economic infrastructure as a provider of passenger and freight facilities:

“Macquarie Airports firmly believes that investment in infrastructure is fundamentally positive. Social, environmental and economic benefits arise from experienced private-sector investment in the construction, development and operation of high-quality infrastructure. This infrastructure underpins social and economic development which helps people to travel, trade and communicate, and facilitates the quality of their lives through the provision of important services. Australia in particular is dependent on its air transport infrastructure as a key provider of the links that bind the nation together.” (Macquarie Airports Annual Report 2006, 32)

A number of companies mention relatively complex supplier relationships where the company’s perceived social responsibility is extended ‘upstream’ to the supplier. Ethical procurement codes are an example. Coles requires clothing products sourced from China to be made under ethical conditions:

‘... designed to make sure everything we sell is made in good, safe working conditions and in workplaces where workers’ basic human rights are respected.’ (Coles Group, 2006)

Coles also recognises its obligations to Australian farmers and sources 97% of fresh produce from them. Rio Tinto in the same manner uses local suppliers in its operations in Madagascar.

The corresponding attention to the downstream effects of company operations is not given. Few companies provide an account of a social assessment of the use to which its products are put. Amcor, for example, is a major supplier of packaging material to the tobacco industry but does not include any assessment of its relationship to potential health issues associated with smoking. ANZ mentions that it does screen the companies for which it provides credit to assess how the funds will be used. Transurban recognises that there

26 BHP Billiton’s Stakeholder community is defined as follows:

- “some 38,000 employees and 66,000 contractors
- local and Indigenous communities, most of which are located in rural and remote areas neighbouring our operations
- a diverse shareholder base
- customers, typically other large organisations
- the global investment community, both mainstream financial analysts and Socially Responsible Investment (SRI) analysts
- business partners, including those organisations with which we have joint ventures
- community organisations that represent local and indigenous communities near our operations
- unions who are concerned about upholding workers’ rights and interests
- non-government organisations
- suppliers that range from businesses local to our operations to large international companies
- governments – local, national and international
- members of the media
- industry associations, including commodity-specific and sector-specific associations at national and international levels.”

(BHP Billiton Sustainability Report 2006, 81)
are environmental impacts from the use of its road infrastructure, but abrogates responsibility to govern use to regulatory authority.

Globalisation and Off-shoring

Most of the companies in the ASX Top 50 are global in some form. Extension of operations offshore creates particular complexities. Use of sources of cheap labour offers particular risks. Labour cost is reduced for at least two reasons that offer ethical risk: i) the labourers are paid less; and ii) the production infrastructure is cheaper – through poor or unsafe working conditions, lower standards of employee protection such as provision of sick or recreation leave, superannuation and employment security. To use such sources differentiates ethically between local and offshore employees and raises a range of problems of fairness and instrumentalisation of offshore workers. Coles’ approach of using a supplier code of conduct and the auditing of it aims to reduce such risks.

Amcor’s code of conduct however, betrays risk. It states:

3.4 Child labour: Amcor recognises the rights of every child to be protected from economic exploitation and respects the laws of each country in which it operates in regard to minimum hiring age for co-workers.

This statement equivocates on what a minimum hiring age is, leaving it to the local government regulations. It is well known that government regulations on such matters in developing countries are often lower than the standards of the Australian community. Amcor risks cultural relativism and instrumentalisation of the offshore labourers. The offshore community is in a similar position to domestic indigenous and remote communities insofar as their bargaining power is concerned. In situations where there are large discrepancies of advantage, where the local infrastructure, education and employment choices are limited there is a dependency on the hiring companies that puts the hirer at risk of exploiting the relatively powerless local.

While most ASX Top 50 companies acknowledge and participate in communities, their view of a social relationship with them is immature. In particular the engagement of communities as legitimate stakeholders, as has been recommended for some years in academic writing, is limited in scope. Where there is closer engagement, the community involvement is only advisory without power to influence operations directly.

It could be argued that companies should exist as dependents of and for the benefit of communities. Where business does harm to the environment or acts unethically then various community groups might be expected to call the business to account. Indeed the relatively recent focus on a ‘triple bottom line’ suggests that both the community and business is aware of the need, at least in principle, of business responsiveness to community need. However, in some cases, for instance the problem of infantile lead contamination from smelting operations of Zinifex Ltd (and its predecessor owners) in Port Pirie in South Australia over many years and the recent discovery of the same problem in Mt Isa, suggests the link between adverse community impact and business modification of its operations (to the disadvantage of shareholders) may not be as

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27 That a company is legally responsible to some extent for the downstream welfare of the users of its products is established in the James Hardie Asbestos case

28 It is acknowledged that the ethical field of offshore operation is complex and mixed. While cultural relativity opens the possibility of exploitation, it cannot be denied that the local communities can substantially benefit from a local multinational operation. India is a primary example. However it is beyond the scope of this thesis to examine these issues in any greater depth.


30 Maturity of stakeholder relationships can be defined by the extent that stakeholders are defined, the breadth of the people, organisations and interests that are included as stakeholders and the depth of the analysis of the nature of the interests of the stakeholder and the rights they have as a result and the obligations that match and respond to the rights identified. See (Freeman 2002)

31 ‘Triple Bottom Line’ reporting is an approach that adds social and environmental aspects of an organisation’s operational outcomes to the traditional financial reporting.
efficient as communities might expect. While many of the public statements\textsuperscript{32} discuss what is being done, there is evidence of the issue reported in one academic medical journal over twenty years ago.(AJ McMichael, PA Baghurst, et al. 1988) How long should the community be expected to wait for a response from business? A model of social engagement such as that suggested by de Wit and Schouten in Jonker and de Witte may have prevented this situation ever arising. (de Wit and Schouten 2006, 19)

EMPLOYEE AND OCCUPATIONAL HEALTH & SAFETY

Of all the contributing matters to corporate social responsibility, employee welfare in its broadest sense is probably the most regulated. Regulation takes the form of legislation and related regulations plus the implementation of employee contractual arrangements in their many and evolving forms. Employee safety, in particular, is a key issue and is accompanied by extensive controls within the working environment and penalties for employers who do not meet the standards or are found in breach as a result of an incident causing injury or death.

Employee as a Resource

In 2007, at the time of the issue of the reporting reviewed, Australia was in the course of a long running positive economic cycle, the outcomes of which include long term low unemployment. In an economic environment where demand domestically and globally for mining products and manufactured items is high, employers had a management problem in attracting, motivating and retaining high quality employees. Wages and domestic consumption were high as a result, reinforcing economic growth. Companies responded by developing better relationships with employees and improving the employment climate in order to attract the relatively fewer available people and retain those they have.

Overall, employers realise they needed to engage their employees more closely and to create a working environment that is attractive and rewarding in the medium to long term. The NAB and its competitor Westpac both remark in their reports that creating the right culture is important to secure needed employees to support the welfare of the company. Changes were apparent in the attitude of the ANZ in its frontline (tellers and call centres) environment which once had a poor reputation for employee satisfaction. AXA Asia uses terms such as ‘fulfilment, respect, empowerment, training and development opportunities’ in relation to its employees.

The changes made to achieve these attractive employment environments include increasing the security of employment. Employers have had to reduce the frequency of redundancy based workforce restructuring simply because of the need not to shed already trained employees plus the ability now for employees to demand more attractive redundancy benefits which act as a disincentive.

Most of the companies reviewed described their employee welfare programmes in detail. Initiatives such as more flexible arrangements for parents, particularly mothers, for working at home, for part time work and to work flexible hours are examples. Many employers, such as AGL, have employee benefits programmes such as health assessments, exercise programmes at lunchtime, and access to advice and counselling at no employee cost. Centro reports the provision of professional counselling and critical incident management (following robberies at its shopping centres), and annual health and wellbeing assessments.

Despite the extensive coverage in reporting of employee programmes, there are examples where the actual performance does not accord with the stated objectives. The data on safety and diversity achievement set out in the next sections demonstrates this. The following comment in the NAB Report:

*Happy, talented and skilled people enable us to develop great relationships with our customers and other stakeholders. They are the foundation of our business success.* (National Australia Bank Corporate Social Responsibility Report 2006, 24)

suggests that the employee benefits of happiness, talent and skill are means only to the objective business success, and not goods in their own right.
Employee Welfare

Safety
Safety is a universal workplace issue and most companies reviewed report on it in some form or another. While the need for focus is relatively low in the services sectors, in mining and construction the potential for harm and correspondingly the attention given is much greater. Measures are usually in the form of the volume of lost hours or the number of recordable cases against the total employee hours. Lost Time Injury Frequency Rate (LTIFR) – the number of injuries per 1 million hours worked is common across the companies reviewed. The measures used vary somewhat and comparisons between companies are problematic because of their different operating environments. Trends are important indicators of the attention given to safety. Most of the companies reviewed show reductions over the reporting period, some dramatic. Examples include:

- Boral – 26% lower LTIFR
- Brambles – 38% lower LTIFR
- Coles – 25% lower LTIFR
- Insurance Australia Group – reduction
- Lend Lease – 39% lower LTIFR
- Mirvac – 42% lower Workers Compensations claims
- NAB – reduction
- Newcrest – ‘best ever injury statistics’
- Origin – 10% lower LTIFR
- Zinifex – 56% lower LTIFR

It is tempting to applaud companies for their performance; however, it is useful to consider their regulatory position. The heavy penalties imposed for breaches of safety regulations mean that every company is compelled to compliance rather than needing to adopt voluntarily. It may be churlish to say so, but it is not possible from the reporting to separate willing safety consciousness from mere regulatory compliance33.

Diversity
Recognition and embracing of diversity within the workforce has become a significant contemporary theme. Within the scope of the reporting reviewed, diversity was primarily an issue of the inclusion of women in senior and executive management. Most companies report the participation of women within the workforce across a number of measures. These include representation at various levels and in different occupational fields within the company’s operation, their relative salaries in comparison to men and their representation at various age levels.

The outcomes show that generally women remain underrepresented in senior and executive management and are not paid as well as men. Women are often over represented in clerical roles.

<table>
<thead>
<tr>
<th>Company</th>
<th>Women in Management</th>
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<tbody>
<tr>
<td>AGL</td>
<td>Leadership team 13%, Senior Management 20%</td>
</tr>
<tr>
<td>ANZ</td>
<td>Executive 19%, Senior Management 24%, Management 36%</td>
</tr>
<tr>
<td>BHP</td>
<td>Management 8%</td>
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<tr>
<td>NAB</td>
<td>Senior Management 20%, Management 34%</td>
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</table>

33 It may be argued that the ethical outcome is the same irrespective of the motivation to act. Utilitarians would argue ‘no’, deontologists would argue ‘yes’. Whether it is an important distinction in the context of a Christian outlook will be addressed subsequently in the thesis.
Comparative salary data was not available at the same level.

Other matters of concern for diversity are the employment of disabled and indigenous people. These receive relatively little attention compared to the participation of women; however, there are several instances where companies operating in remote regions conduct indigenous employment programmes, in some cases including training schemes. Boral is one example.

The inclusion of disabled people is not mentioned. Possibly the frequency of instances is so low that separate mention is not considered necessary in the reporting reviewed. Another possibility is that inclusion of the disabled has become routine in workplaces where the facilities allow, obviating the need for a special mention.

Whistle Blowing

Most companies provide avenues for employees to escalate concerns over rights, complaints and grievances. In their most developed form these are whistle blower provisions, which provide employees confidential access to an employee advocate with the power to have complaints formally investigated and acted upon if substantiated. The key objective of these procedures, apart from the ability to have a complaint investigated, is to protect the employee from subsequent harassment and discrimination, potentially by the people responsible for the original issue.

Performance Management

All of the companies reviewed use some form of performance management for at least some of their staff. Performance management is the definition of performance measures, the setting of the expected performance outcome and the measurement of actual performance. It is a standard procedure for executive management and is reported under stock exchange regulations. Use of performance management associated with a remuneration incentive is widely held to be a powerful determinant of employee behaviour. Remuneration usually includes: fixed cash salary; at risk cash salary, and share options, the latter two being subject to performance. Usually the performance is divided into Short Term Incentives (STIs) and Long Term Incentives (LTIs). Most Annual Reports go to some length to explain how these are structured. The STI and LTI components for the the selected five companies were:

<table>
<thead>
<tr>
<th>Company</th>
<th>STI</th>
<th>LTI</th>
</tr>
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</table>
| ANZ     | • Economic Value Added, Revenue, Earnings Per Share, Net Profit After Tax  
|         | • Customer Satisfaction, Market Share  
|         | • Environment, Health and Safety, Community measures | • Total Shareholder Return |
| AGL     | • Financial  
|         | • Strategic/Risk  
|         | • Leadership | • Economic Profit (3 year rolling average) |
| BHP     | • Health, Safety, Environment and Community  
|         | • Shareholder Value Added  
|         | • Net Present Valuer Added | • Total Shareholder Return, against peer organisations |
STI relates to the immediate financial performance of the company and is tied to near term strategic business objectives which may vary year on year. Candidate examples include, using Fosters as an example:

- **Earnings** – Earnings Before Interest and Tax for 05/06 and Earnings Per Share for 06/07, reflecting a strategic change;
- **Cash Flow** – cash from operations after accounting for working capital (the money required to run the business day to day) and capital expenditure (investment in longer term assets such as plant and equipment), and
- **Return** – Return On Capital Employed, which measures the income of the business in relation to its overall size.

In some cases, e.g. Origin Energy, safety is also a component of the STI mix.

LTI is related to Total Shareholder Return (capital performance of shares on the stock market plus the dividend distribution performance) as is the case for Fosters, for example. LTI is compared to the relevant company performance of other companies, to correct for economy and market performance that affects the whole business environment.

The principal observation from the perspective of corporate social responsibility is the absence of CSR factors in long term incentives. It is observed that programmes of change for social responsibility, such as large scale environmental remediation from mining operations, cultural change within an organisation, development of community-wide welfare improvement, or re-balancing of employment participation by disadvantaged groups, would be expected to require a long term approach and action in the order of more than several years. It might be expected that the absence of CSR factors in LTI plans will limit meeting these objectives, and indicates the low priority of CSR factors as long term objectives.

An outcome of these performance incentives is, most notably from a public scrutiny perspective, the salary of the highest paid employee – the CEO. The approximate average (not all remuneration is completely visible in reporting) for the review period was $5.846 million annually.

That this group of companies weights performance expectations on financial criteria perhaps should not be a surprise given that the group is by definition financially high performing – the ‘Top 50’ refers to market capitalisation, the total market value of the company measured by share price by the number of shares issued.

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<tr>
<th>Company</th>
<th>STI</th>
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<tr>
<td>NAB</td>
<td>• Financial</td>
<td>• Economic Value Added</td>
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<td>• Customer</td>
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<td></td>
<td>• Process Improvement and Quality</td>
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<tr>
<td>Stockland</td>
<td>• Business/Financial Results</td>
<td>• Earnings Per Share</td>
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<td></td>
<td>• Stakeholder Management</td>
<td>• Total Shareholder Return</td>
</tr>
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<td></td>
<td>• People</td>
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<td></td>
<td>• CSR and Sustainability</td>
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ANALYSIS OF PRINCIPLE THEMES

The four issues suggested by the review will be examined in the light of social contract theory and current secular literature on CSR.

DEFINITION OF CSR

The evidence of this review of the ASX Top 50 companies is that the only common authority for social responsibility quoted across the sample was the ASX PGCG. That there is a limited definitional material available is supported in the literature, McWilliams, Siegel and Wright observe:

“Numerous definitions of CSR have been proposed and often no clear definition is given, making theoretical development and measurement difficult.”

(McWilliams, Siegel et al. 2006, 1)

Following are some examples of the views from the reporting reviewed.

In 1960, prior to more recent popular inquiry on the theme, Davis raised the question of whether there is any responsibility at all. He decided in CSR is the duty:

“To fulfil the human dignity, creativity, and potential of free men (sic).” (Davis 1960, 70,74)

In 1970, in the New York Times Magazine, Milton Friedman asserted that the social responsibility of business was to make profits. (Friedman 1970, 122-136)

Schwartz and Carroll seek the core questions defining CSR, setting Friedman’s advocacy of only shareholder profit maximisation and legal compliance at one end of the debate and Davis at the other, advocating a broader set of obligations to society. (Schwartz and Carroll 2003, 503), (Davis 1960, 70-76)

Some have suggested that CSR undermines the objectives of business, that is, to provide economic goods and services to society. Another, equally pragmatic view is that acceptance of some responsibility is necessary, if only to avoid public regulation. (Davis 1960, 72-73)

Batten and Birch surveyed Australian companies, coming to the same conclusion. They found that the overall view was narrowly cast, focussed on provision of community aid, but specifically excluding company activities and the products and services produced, that is lacking centrality in corporate affairs. (Batten and Birch 2005, 297,300)

Of the sample group, only BHP Billiton shows sustained effort to work on social responsibility as a central task of the business rather than as a complicating regulatory factor. The lack of commonality accords with the separate observation that there is only limited co-operation between members of the sample group on CSR matters.

Range of Views

Not only is there no common agreement in the business community or within the academic community, the range of views and issues is wide. Black and Härtel, for instance, provide a very narrow definition of CSR limited to attending to stakeholder engagement, value attuned public relations, capacity for dialogue with stakeholders, ethical behaviours - primarily internally - and accountability. (Black and Härtel 2004, 129-131)

Schwartz and Carroll raise the risk of cultural relativism where a multi-national company has to choose between the cultural norms of different operating environments. Amcor's commentary on child labour is such an instance. (Schwartz and Carroll 2003, 520-521) Further, if you can decide what qualities comprise CSR, how would you go about measuring performance against them? Black and Härtel’s article attempts to do this, but fails to establish a cogent regime for definition or measurement. (Black and Härtel 2004, 125-144)
Buchholz and Rosenthal observe that the limited view, where responsibility extends only to the provision of
goods and services at a profit, has an alternative which recognises the claims of stakeholders beyond the
immediate friends of the company – the owners, employees and management. Buchholz and Rosenthal also
make reference to ethics of care suggested by relatively recent feminist ethical theory, observing that care of
the community is a key ethical consideration as are aspects of character, sympathy, compassion, fidelity and
friendship. Such forms of reasoning are a foil to the relatively more utilitarian outlook of business practice.
They give greater priority to the individual within the group and prefer relationship to notions of contractual
rights and obligations that form the pervasive infrastructure of modern business practice. (Buchholz and
Rosenthal 2002, 314)

Garriga and Melé provide a useful tour de horizon of CSR theories. They note a problem of terminology
such as the meaning of the term CSR ranging from purely legalist conformance to the law to a less structured
responsibility for charitable contributions. However, they are able to formulate a classification regime for the
theories they review, based on an observation that three aspects of social reality govern the formation of the
type: i) economics, ii) politics and iii) social integration and ethics. From this regime arise four
classifications of theories: a) instrumental, b) political, c) integrative, and d) ethical. Simply by considering
these classifications, it is easy to see the range of bases for forming theory and the possibility for divergent
viewpoints. In the much less structured (in terms of theory formation) corporate environment, the avenues
for divergence are even greater. (Garriga and Mele 2004, 51-57)

Development of CSR

The definitional range within the literature and within the practice of the ASX Top 50 companies suggests an
environment still in the early stages of development. The role of leadership is not conferred on any particular
group or organisation and an established authority is yet to be recognised.

The ASX Principles of Good
Governance seek to do this in part. Similarly, the providers of gambling services control the boards of
‘responsible gaming’ such as the Australian Gaming Council. Self-regulation as practised by organisations
like the AMA, medical specialist colleges or the bar councils is aimed at providing control over regulatory
matters.

The Australian Federal Government has attempted to play a role in the form of the Prime Minister’s
Community Business Partnership; however this was not mentioned frequently nor in significant roles in the
ASX Top 50 reporting. It is concluded this body is yet to have a significant influence.

Coherency of the Corporate View

The reports examined reveal some common themes of ASX Top 50 reporting: the environment; community
and stakeholder relations; philanthropy; corporate governance; employee welfare and sustainability
generally.

Focus on these matters is acknowledged, however they do not represent the full definitional range of what
might be considered CSR.

Davis suggests a range of areas to consider which include:

1. Attention to the long run self interest of the company, on the basis that in the long run the interests of
   the company and the community align more closely than in the short run. Most of the ASX Top 50
   reporting was clearly focussed on the short term, that is one to three years;

2. Enhancement of public image of the company because the community is a good arbiter of social
goals (this line of reasoning is contentious!);

3. Focus on the viability of the company – society provides the licence to operate so if the goods and
   services provided are valued (and the company is successful) then the company must be performing
to society’s expectations. (Davis 1973, 313)

It is observed that both the academic and the business community is yet to converge on common themes of
definition of CSR either in their own communities or between them. The incoherence arises at three levels. First, academics work to sift and synthesise the abundant information. Second, business operates widely within their bounded rationality but is wary of drawing conclusions on CSR matters that may have definitional importance because of the risk of uncertainty of future consequences. Third, as a consequence, there is a free-for-all to establish the social principles and so social contracts are being formed in a definitional vacuum.
COMMUNITY RESPONSIBILITY AND ADVOCACY

The notion of social responsibility highlights the relationship between business organisations and the community at large. Clearly, the responsibility aspect references the responsibility of business back to the community and any increase in the focus on social responsibility suggests that the level of responsibility has not been set as some group (the community) thinks it should. This thesis is prompted by the evolution of community expectations about business responsibility toward matters that are of concern to the community, apparent, for instance, in the press.

Community Expectation

While nowadays it might be a normative assumption that business owes the community a range of obligations, it has not always been so. The rise of business as the economic powerhouse which has delivered accelerating levels of industrial production and consumer goods and comforts has separated business concerns from the concerns of the community. In 1994, Freeman drew attention to a ‘Separation Thesis’ which provides that business decisions have no moral content and moral decisions have no business content. (Freeman 1994, 412)

Davis, in 1973, observed society provides business a charter to exist. The term ‘social licence to operate’ is now found within the annual reporting of a number of the companies reviewed. For instance, the CEO of Orica makes the point a number of times in his report about earning the social licence to operate. It is the social contract that delivers (some of) the principles for the business operating environment. The separation Freeman describes is no longer acceptable in the face of increasing disquiet about the negative effects of business on community welfare and an educated (including in business management) community is increasingly calling business to account on the terms of the licence. (Davis 1973, 314) Batten and Birch observe that the community now expects business to be:

‘... economically, environmentally, and socially sustainable; to be accountable and transparent; to be inclusive; to be ethical and more equitable.’

(Batten and Birch 2005, 293)

This much is apparent from a casual acquaintance with current affairs, however, Batten and Birch go on to discuss an imperative for a more holistic and inclusive pluralism in a more socially cohesive society based on universal membership. As well as its utopian vision, such a regime by being pluralistic demands a set of complimentary responsibilities of the community in relation to business. What might these community responsibilities be? Batten does not attempt to identify them and the literature tends to focus on the reverse responsibility of business to the community. To be effective the social licence must be established on the basis of an agreed, clear and positively expressed social vision of the community.

Such a pluralist stance significantly broadens the scope of who might be regarded as legitimate stakeholders. Black and Härtel note that responsiveness to stakeholder interests may confer competitive advantage on the company. They also observe there is a competition between stakeholders to gain attention to their particular concerns. Competition of this kind is a risk to the effective plurality of the social vision and demands that both the community and the business have mechanisms in place to balance the competing stakeholder claims to ensure equity prevails. (Black and Härtel 2004, 125-140) 34

Community Leadership

Achieving effective consensus is not a simple matter. It raises a question, to be addressed later in this document, of who should be the community’s social responsibility arbiter. Garriga and Melé acknowledge the amount of management attention required. (Garriga and Mele 2004, 59) In addition, it should also be

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34 The effect of lobbying by the coal industry in Australia is discussed later as an example of this.
noted the degree of organisation and effort required in the community to gather, negotiate and maintain a public consensus. The Oxford Declaration on Christian Faith and Economics nominates governments for this role, noting the risk that they are ‘captured by the economically or socially powerful’ and are required to deal equitably. (Rae and Wong 1996, 160-179)

Community engagement and taking account of community opinion requires that the collective opinion of the community is a reasonable representation and directs action towards the truly best outcomes. Black and Härtel, perhaps unconsciously, make this assumption in their article when they address socially responsibility as the competency to respond ethically to societal concerns. (Black and Hartel 2004, 126) The inevitable outcome of such responsiveness, as Davis sees it, is need for business to change as social values change, that is, social responsibility is a purely responsive matter dependent on the changing values of the time. (Davis 1973, 315) Garriga and Melé also come to the same conclusion: that there is no specific action for which business is responsible through time except to scan for the social demands of the time, and to respond accordingly to achieve social legitimacy, acceptance and prestige. (Garriga and Mele 2004, 58)

The practicality and quality of outcome from such a regime seems doubtful. It has been posited that the community has the responsibility to assemble a comprehensive and representative account of the social expectations of the whole community, equitably represented. Validation of the opinion in terms of equitable community representation might be difficult – whose view prevails and on what basis of authority? Potentially the outcome will be overtaken by more socially powerful interest groups, including business itself, and how easily will business strategy be assembled from such a collection of views?

This analysis acknowledges that communities have a responsibility to fulfil obligations in the social contract, to establish, monitor and enforce just outcomes from business economic action on the basis that business serves community interests. Communities need to be able to establish a consensus on what constitutes their expectations of the the social contract. They need to authenticate the agreements they make as the community’s own and to monitor them. Community pro-activity to respond on expectations of business responsibility will challenge how business defines (albeit without organisation) its own boundaries. There may be a competition of activism to prevail in the debate that sets the principles.

Engaging with business in the CSR debate places responsibility on communities they may not yet be equipped to fulfil. The capacity of community leadership is also in doubt, e.g. from the Oxford Declaration. While it might be expected that government fulfils a community leadership role, it shall be argued later that governments have limited capacity to develop and sustain a community voice on expectations of business’ social responsibility.
THE FINANCIAL SYSTEM AND SOCIETY

Business commands the economic power of the community. (Davis 1973, 316-7) In the Australian context the ASX Top 50 represents the peak of the pyramid in this respect. The dominant theme of company reporting reviewed is economic. It is also observed from the review that where social responsibility is discussed in reporting it is in a separate document, usually in the form of a 'sustainability report', or similar. The division of the two themes in the reporting is an example of Freeman's separation thesis in action. Linkages that do exist are limited, tenuous and not constructed with any social sophistication. Sauer remarks that 'economists and ethicists talk across a methodological divide'. (Sauer 2003, 17)

In a number of essays on the position of interest/usury in the context of Christian and Islamic ethics, Sauer argues for the existence of two economic cycles: i) consumption; where transactions are related to subsistence and of themselves do not generate wealth, and ii) production; where transactions are usually in the form of a lease of some valuable good or service for a return – commonly known as interest. He argues the historical religious objection to usury concerns the taking of an interest in exchanges in the consumption cycle which is not related to wealth or value creation in any way. The production cycle is the primary attention of the business community reviewed. The priorities of both the business community and the community at large in the 21st century are on this production cycle; other social responsibilities are of secondary importance.

It would appear that the development of economies that were capable of creating a production cycle did not develop social responsibility with an equal priority. First, the legal structures that surround the control of business activity, in Australia principally the Corporations Act, specifically requires the directors of a company to work in the interests of the company. In particular, the Corporations Act charges directors with a fiduciary responsibility to “act in good faith in the interests of the company”. The company consists primarily of its shareholders and its management and employees. In Woodward et al, the possibility of other stakeholders, such as the community, is discussed but ultimately the shareholders are given primacy. (Woodward, Bird et al. 2003, 222)

The norms of company management are predicated on a systematic preference for economic goods over social goods. Mendonca et al discuss the sustainable investment with prominent sustainability advocates Al Gore and Dennis Blood. Can business as it has evolved from earlier roots be effective in managing problems of sustainability? Blood talks of the ‘tyranny of the three month cycle’, which requires business to report against three monthly rolling performance targets. The only measures that are likely to show change in such a short period are financial and these become the primary basis of measurement, as is evidenced in the performance reporting regimes of all the companies reviewed. Sustainability and social measures are not the same prominence in reporting. Blood observes that 60-80% of the value of a company lies in its long term cash flows. Therefore a short term focus potentially misses opportunities only visible in a long term view, especially aspects of the company’s sustainability, such as resources and environment. Implicitly, an exclusively short term view is bad for business, as well as sustainability. (Mendonca and Oppenheim 2007, 4,7) It can be expected that the short term view also affects social issues other than sustainability, such as how the community is regarded on matters such as the externalisation of costs like pollution. Moir and Kennerley suggest such a longer term approach linked with a more developed stakeholder view. (Moir and Kennerley 2006, 81)

It has already been pointed out that the primacy of financial outcome is entrenched in management thinking through executive remuneration constructs. It dominates Western market oriented society. The Oxford Declaration on Christian Faith and Economics laments that often such world views have shaped the views of even the Church, not to mention the community at large. (Rae and Wong 1996, 169-179)

Theoretically the community has the power to govern business activities, at least in societies with democratic government. However, these systems are imperfect and insofar as business has the resources, the management talent and the capacity for innovation potentially to change the social environment, it has these tools to promote its own economic agenda. Incidentally, Davis questions whether businessmen (sic) have the
perception and skills to do this effectively. (Davis 1973, 318)

Social Control of the Financial System

Potentially, business and the community are disconnected in terms of the ultimate social goals they expect the wealth generated through this productive cycle to be applied to. It is clear that economic rationality drives business to prefer a particular set of principles which have been systematically imposed and now form the principal focal point of modern community life. The economic paradigm is the dominant principle, as O'Donovan alludes to in his reference to modernity criticism, noted earlier. Those who believe in the efficiency of the free market believe companies that operate beyond community expectations will be punished by the market. Possibly there is some evidence that this is the case. If community activism proposes competing principles, some would affect business operations. Business, using the separation thesis, may object that the community has no role in determining the objectives of the business operation. Sauer holds that while the consumption cycle is private, the productive cycle is public, however. Friedman famously contests this point. If social goals are not cost neutral, as Davis believes, and externalisation of costs is well known, then internalising externalities will cause three outcomes: price increases for goods and services with accompanying political ramifications; a loss of competitive advantage, especially in price sensitive markets; and an initial barrier to adoption on the basis of first mover disadvantage. A solution for the third problem could be regulation, if it were not for the political outcome of the first problem. Conceptually the social licence draws together the public nature of the production cycle and any need (as perceived by the community) for production to be responsive to social ends, not the social end. (Sauer 2002, 108) (Friedman 1970, 122-136)

Boatright points out that the legal understanding of financial market structures is based on the concept of a nexus of contracts that structure relationships between the participants. He also points out that the community in general is not contractually represented in the nexus. (Boatright 2002, 160-1) That is, the social licence has no force, rendering its administration dependent on the cohesion and social responsiveness of the economic actors in the market.

Until community preferences for social goods become established through authoritative principles, the instruments of social control are weak. Anecdotally, it seems that economic changes have primacy over social as the teleological paradigm of the community, at least where power and wealth are concentrated. The limited economic rationality of the business community has served to make it so. While there is community pressure to change as Batten and Birch suggested, business might be expected to resist. Some business’ willingness and capacity to do so is evident, for example in the statement in the Macquarie Infrastructure Annual report on its desire to use the influence of its Board on government, or the expressed desire of the CEO of Origin Energy to play a leadership role in determining the national approach to a carbon trading scheme, both already mentioned. It is a present question whether preference for economic goods is the real normative will of the community or an outcome of ineffective leadership.

It is quite clear there is a separation between the social standards exhibited by business and the community's (poorly co-ordinated and expressed) expectations. What has not been addressed in this thesis (due to limited scope), is the conundrum that the community contains the people in business who are making decisions and exhibiting behaviours the community apparently objects to. Another task would be to understand the dynamics of the plural society of the community and how the person qua community member and qua business person resolve these apparent inconsistencies. That there is an inconsistency at all is well documented in theories of duality and Freeman's separation thesis, referenced elsewhere in this thesis.
STEWARDSHIP AND AUTHORITY

If it is suspected that social principles are yet to have force in the community and the community wants it otherwise, what needs to change; what are the features of an effective social licence? At least two matters must be resolved. The first is to define the content and approach of the project of defining the social principles in order that there is at least a reasonable majority consensus of what the principle consists and how to establish and maintain it. Second is to identify who should be given the position of leadership. Garriga and Melé identify the issue of what ‘corporate social responsibility’ means and the need for convergence of a range of definitions, for which leadership will be necessary. (Garriga and Mele 2004, 51-2)

Definition of the task

The literature contains many theories about what the content of social responsibility might be from which a potential business leader might take a cue for what the task involves. Some are quite limited. Black and Härtel, for instance, argue that a primary part of social leadership is part of the public relations function of the company. This seems to be an impoverished view, suggestive of the cynicism for which the business community is sometimes blamed. (Black and Härtel, 2004)

Garriga and Melé identify a number of forms of leadership which they call stewardship, in two sets: political theories and ethical theories. There is insufficient space to deal with them in detail. However they include the Integrative Social Contract Theory (ISCT) of Donaldson and Dunfee. (Donaldson and Dunfee 1994; Garriga and Mele 2004, 252-284, 56)

It is posited that a steward owns the task of determining the content of any business-community social contract. What might be the objectives of the steward’s mission? Miroslav Volf in his book on the theology of work – Work in the Spirit, seeks a normative theology of work and arrives, inter alia, at a range of ethical responses starting at a ‘just minimum’ and proceeding to an ‘ethical maximum’ as an illustrative concept. (Volf 1991, 82) In the ideal world, according to Volf, the community should require at least the just minimum and prefer the ethical maximum, however these are defined. One of the tasks of this steward will be to identify what constitutes the just minimum and the ethical maximum. Then the steward will need to negotiate the target point between them to which business and the community can agree. This might be called the ethical optimum, after Volf.

A number of authors stress the need for business to be responsive to the community. Sauer, in discussing the evolution of economic structures, especially the evolution of the productive circuit, highlights the need for the community to be sensitive to technological and societal change. (Sauer 2002, 107) Mendonca and Oppenheim affirm this view in their article when they state that business recognises the need to be responsive to ‘increasingly intense demands from society’. (Mendonca and Oppenheim 2007, 5) But is this the best approach? Is the community capable of formation of a consensus view of the community good? Surely the community cannot spontaneously do so but needs strong, capable and articulate leadership; leadership that knows how to read the community and has the capability to construct then articulate a consensus view, the principles, and the political acumen to make that view prevail, including the capacity to manage the moral rationality of business to the general benefit. It seems that a steward should at least have the knowledge, reach, funds, authority, mandate, accountability and will to prosecute the task.

And if the community did establish such principles, how could they be monitored to ensure they remain faithful to the community view; how could they be measured? Batten and Birch believe measurement is difficult, pointing to limitations with research methodologies, particularly statistical methods, for determining the relationship of corporate responses to corporate citizenship issues. (Batten and Birch 2005, 294)

A wide variety of literature attempts to address whether responsiveness to social issues is good for business, but there is no conclusive outcome. Again, issues of measurement methodology become factors. Margolis and Walsh conclude that the relationship between financial and social performance cannot be established
with certainty, even after thirty years of academic research. (Margolis and Walsh 2001, 13)

Assigning the role of Steward

It has been argued that business believes it has the resources to define and manage social leadership. Buchholz and Rosenthal conclude that business is incapable of leadership as it is without aggregate power in unity with other businesses. Business is not collective, not organised and without any method of re-directing power to meet pressing issues of society. They question if business is even motivated to do so. (Buchholz and Rosenthal 2002, 305) Davis warns that business already has enough power, to give it more risks an over-concentration that would destroy the pluralism of society and threaten the viability of its freedom. (Davis 1973, 320)

In the Oxford Declaration, the possibility of workers being treated instrumentally is raised. While this argument is not used to counter a proposition of business leadership of social affairs, it suggests business is capable of threatening one of the critical bases for community living – that business is servant to the interests of the people, not the reverse. Further, it suggests there is inequity in the distribution of wealth and resources projecting a need for a broader definition of business stakeholder than their shareholders alone. (Rae and Wong 1996, 169-179)

Davis queries whether business people are equipped to take on this role, given their focus on economic matters and relative lack of necessary familiarity with ‘social matters’. He also predicts business would be reluctant to be distracted from its primary purpose, suggestive of a bounded moral rationality. (Davis 1973, 318-9) Schwartz and Carroll develop a three domain (ethical, legal and economic) model for CSR. If Davis is correct, then this additional complexity of the task is more likely to take business out of contention on the basis of the level of distraction involved. (Schwartz and Carroll 2003, 503-530)

So, identifying an ideal is problematic. The issue will be addressed later in this thesis.
PART II - ANALYSIS

In the remainder of this thesis the four categories outlined in the first half will be analysed. The CSR outlook of the ASX Top 50 will be examined from the twin perspectives of Niebuhr’s theology and social anthropology and from the base of Social Contract Theory, as presented by John Rawls in his Theory of Justice. The analysis examines, on the basis of the four categories devised earlier, the research outcomes to test if business' self-conception of its social responsibility as conveyed in its public documentation is coherent. In order to be coherent, business' account will need to meet specific criteria for each of the categories.

In defining social responsibility, business' account will need to provide concrete guidance on how it conceives the good of the community and how it contributes to its realisation. Further, it must say something about the nature of success in terms of public goods acceptable to the community and in terms of the nature and location of personal and organisational fulfilment.

In terms of stewardship and authority, business must identify what are the authoritative sources of its conception of the community good and the mechanism by which these conceptions are checked against community preference over time and modified in response to change in preference. Because it implicitly claims a role of authority, business will need to identify the mechanism by which its authority is assigned.

In order for any form of contractual relationship to be effective it must be apparent that there is an active, effective and authorised voice of the community which is able to gather the preferences of the community for its good and represent those interests effectively in the business community. The impartiality of the intermediaries of that process (expected to be government) must be guaranteed, in real terms.

Responding to the nature of the western social and economic environment as it is found, the analysis seeks an argument from business why its system of economic rationality is an effective vehicle for provision of community good over the competing systems provided by Niebuhr and Rawls.

John Rawls and Social Contract Theory

Social Contract Theory has a long philosophical history which is comprehensively set out in Rawls' Theory of Justice. Rawls bases his theory on two principles and two priority rules:

- First principle: Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.
- Second principle: Social and economic inequalities are to be arranged so that they are both:
  - to the greatest benefit of the least advantaged, consistent with the just savings principle
  - attached to offices and positions open to all under conditions of fair equality of opportunity
- First priority rule (The priority of Liberty): The principles of justice are to be ranked in lexical order and therefore the basic liberties can be restricted only for the sake of liberty. There are two cases:
  - a less extensive liberty must strengthen the total system of liberties shared by all
  - a less than equal liberty must be acceptable to those with the lesser liberty
- Second priority rule (Priority of Justice over efficiency and welfare): The second principle of justice is lexically prior to the principal of efficiency and to that of maximising the sum of advantages; and fair opportunity is prior to the difference principle. There are two cases:
  - an inequality of opportunity must enhance the the opportunities of those with the lesser opportunity
  - an excessive rate of saving must on balance mitigate the burden of those bearing this hardship

(Rawls 1999, 266)

It is worth reinforcing that Rawls places considerable dependence on the difference principle which forms the first case of his Second Priority Rule, above.
These principles avoid accidents of natural endowment and contingent social circumstance, according to Rawls. (Rawls 1999, 26) The principles are determined in constitutional form by a set of ideal legislators who adjudicate competing claims of the good of the community from its members. They do this from behind a veil of ignorance designed to avoid the partiality of the legislator's personal social circumstances and their particular conceptions of the good. (Rawls 1999, 118) In constructing this theory, Rawls acknowledges its assumptions:

- no envy between people
- mutual disinterestedness
- preferences of the parties to the contract for justice and a willingness to work for its principles having voluntarily opted in.

(Rawls 1999, 124)

Rawls also acknowledges that altruism is limited and will limit willingness to abandon interests. (Rawls 1999, 248)

An important feature of this theory is its avoidance of evaluating the merits of different conceptions of the good, which are seen to be in the hands of the claimants for the good and to be prioritised by the rules provided under the guidance of the ideal legislator(s). However, Rawls does suggest that rational men (sic) will seek wider liberty and opportunity, greater wealth and income and greater self respect and and confidence in their self-worth. (Rawls 1999, 80, 348) In seeking self interest in this way, the principles require that the interests of the other are not diminished. (Rawls 1999, 117) In so determining the common good the ideal legislator must represent the basic moral features of the social structure. (Rawls 1999, 80) The outcome must be, then, a plurality of competing ethical principles the complexity of which defies a complete and singular account. (Rawls 1999, 35)

It seems clear that such contracts are not explicitly created between business and the community, although some argue that this theory, in the absence of dissent, holds and that government regulation of business is an effective representation of community preferences in the economic environment. Contract formation depends on the agency of an ideal legislator, implied to be government. The incapacity for government to effectively remain behind the veil of ignorance, a necessary qualification, is argued below and the mechanism for conceiving the good, without an ideal legislator of any real form is open to question.

Summary of Niebuhr’s Theology

Reinhold Niebuhr’s theology was deeply influenced by his historical context, specifically, his work with relatively poor factory workers in Detroit in the early 20th Century and his experience as an observer of the escalation of hostility in Europe in the 1930s.

At the core of Niebuhr’s theology was the principle of the ‘law of love’ and its relationship with ‘justice’. Closely associated with these two is human ‘transcendence’ and historical ‘finitude’. In turn, the tension between the possibility of transcendence and the inevitability of finitude is influenced by the freedom to act in response to comprehension of transcendence and finitude, especially the latter when ‘anxiety’ arises and results in actions in pursuit of self-interest.

Working backwards to summarise this theology simply, Niebuhr identifies human pursuit of self-interest over the interest of others as a primary cause of injustice in society, even in the most intimate familial surroundings. Pursuit of self-interest is an outcome of the human capacity to comprehend the self from without and to understand the tension between the inevitable limit of earthly life (the historical) and the possibility, without concrete assurance, of another existence in eternity. Anxiety over the conundrum is inevitable.

36 In all Niebuhr’s work ‘historical’ refers to place in time, not always in the past.

37 In the manner of his time, Niebuhr always masculinised references to human society. This thesis seeks to be gender neutral where possible but direct references from Niebuhr’s work will remain as written.
Most, probably all, people respond to this anxiety rationally by preferring historical possibilities of fulfilment, subordinating the transcendent. For most, historical success and therefore fulfilment becomes a criterion of the well lived life.

At the same time, Niebuhr identifies the limitations of group morality, understanding it to be incapable of identifying the need of others.

Justice, as the equitable dealing between all people regardless of personal attributes, including capability, is an attribute of love. Justice requires the individual to set aside self-interest, to suspend personal ambition and to give over some of what might have been theirs to the needy other. Necessarily the just person volunteers to limit personal historical fulfilment in material terms, by either taking less, or working more to the other’s benefit. To do so is only rational if the just person’s worldview comprehends goals that lie outside the material world, that is, are transcendent.

For Christians, the coherence of such a worldview is exemplified by the teachings of Christ, the acts of his life and, in particular, his death on the Cross. These things were, for Niebuhr, evidence of Christ’s Divinity over his humanity, although he lived a human life. They point out to us that historical success is not possible for humans and provide a definition of the good or at least a set of criteria for defining it.

So, a Christian response to the world’s political and economic nature would be that such a world needs to attend to justice both in the reality of distribution of resource and opportunity and the structure of the political and economic frameworks on which modern society depends. To do so requires an authentic response to the Law of Love. In turn, an authentic response to the possibility of a transcendent reality beyond history must be made and for Christians, that possibility is conveyed in the Cross. Such responses abandon the conceit of human pride, abandon the expectation of fulfilment in historical time and faith through grace.

Niebuhr addresses head-on the conflict between the contingent need to act faithfully for justice in history versus the ultimate and transcendent objectives of the Passion. He argues that success in transcendental terms is impossible in historical time by human endeavour and that the contingent requirement to confront evil in history requires human responses that fall short of the ideal of the Cross. Therefore evil is to be resisted and some degree of sin in the form of coercion results. Niebuhr repeatedly asserts justice is not possible without some degree of coercion.

Niebuhr speaks primarily of the nation as a contradiction to Christian values. In his vision of national identity he encompasses the social forces of secularism, stemming from his interpretation of the contemporary outcomes of the Renaissance. In the early 21st century business interest and political interest in western nations significantly merged, especially where factors of globalisation are at work. Therefore it is believed Niebuhr’s interpretation of national structures fits reasonably well to the modern business and the political-economic milieu in which it operates.

In the following analysis these two outlooks are compared with the evidence from the business community and conclude that several fundamental problems exist for a Christian. First, contract as a theory and business as a practice seeks no authority that is agreed by all the social participants. Second, conceptions of the good are subject to an unfree market of ideas in which power, from economic power, is decisive. Therefore justice is not served. Rawls' ideal of the least advantaged man is not met, and nor is Niebuhr's ideal of brotherly love in response to the Cross. Last, Niebuhr's account of the Christian conception of justice is more effective than business in practice or social contract in theory because it provides direct guidance on the nature of the good and provides principles to drive mechanisms for the agreeing and dispensing it.

Niebuhr enjoyed particular popular success in his lifetime. The academic world was and continues to be more reserved in its judgement. A summary of the major criticisms of Niebuhr's work can be found in Appendix 4.

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38 And he may even have commented that some humans would say not even for God, reflecting the foolishness of the Cross. John Howard Yoder, a critic, reflects Niebuhr’s theme in his statement that we can only be faithful, not successful. (Wogaman 1993, 234)
SOCIAL CONTRACT THEORY AND NIEBUHR'S THEOLOGY APPLIED

DEFINITION OF CSR

Approaches to Definition

This study has shown the absence of an existing concrete definition of the nature of CSR in both the academic and business communities. Where the academy discusses a range of views, from Friedman to Davis, the Australian business community is not really engaging with the question and defaults instead to the ASX PGCG, about which this thesis has expressed some reservations. This section looks at what Rawls and Niebuhr can offer in setting some fundamental principles from which a coherent definition of CSR can be built.

Rawls argues at a particularly theoretical level for the need for principles of equality of right to the basic liberties and equality of access to them through principles of distribution and access to the offices for their administration. Niebuhr stresses a human response to revelation and the sense of transcendence from which he derives an approach to success and fulfilment. Each approach demands particular responses which will enable the formation of definitions for social responsibility.

Niebuhr does not discuss social responsibility directly but he does talk about success and fulfilment and the alternative visions for these between secular and religious society. Socially responsible action in Niebuhr's terms must include authentic responses to the visions of success and fulfilment arising from revelation. Niebuhr assumes revelation is universal, therefore a response that reflects the demands of revelation is a necessity for all society, not only believers. Fulfilment for Niebuhr is an extra-historical event. Where people locate their fulfilment becomes critical. Success is not measured in terms of material goods or money but authentic identification of the good – equity through charitable love, and sacrifice for the other, a higher standard of love. Charitable love can be correlated with equality of the liberties and access to them. Sacrificial love presents a higher standard.39

Niebuhr argues contemporary secular modernity takes its worldview from the Renaissance’s revived classicism in the form of naturalism and idealism, forming an alternative to the Christian worldview. Renaissance thinking maintains a historical optimism in which reason creates virtue and destroys superstition that hinders progress, reason creates good government, and the rational conquest of nature enhances physical comfort and welfare. Naturalism has no conception of transcendent reality and seeks nothing beyond the perceived world. Romantic naturalism absorbs the individual into the collective, substituting the nation for the transcendent. (Niebuhr 1941, 92) Idealism seeks the transcendental but locates its centre in elevated forms of the thought of the human, deifying the person instead of God. Where these philosophical worldviews are adopted consciously, or by proxy by accepting the ambient social structures, modern humans do not comprehend their full transcendence and inherit these influences as the shape of their world. Seeing meaning in history only in terms of reason or nature, classicism provides no concept of eternity and therefore cannot deliver a complete theory. (Niebuhr 1941, 125)

Through the Renaissance, individualism rose with the advent of bourgeois commercial classes. Entrepreneurial economic activity has always been associated with an individuality that rejects or ignores the authority of religious laws of love, having arisen at a time when the authority of the Church was under challenge in the Reformation. Further, Protestantism’s notion of personal relationship with, and accountability to, God was bypassed during the development of Renaissance modes of thinking in the minds and hearts of the bourgeois middle classes. (Niebuhr 1941, 65) Individualism continues to be a contemporary

39 Gilkey presents a thorough summary of Niebuhr's positions across the range of his theology. (Gilkey 2001)
phenomenon.\textsuperscript{40} (Niebuhr 1941, 92) It fails as an approach because it does not account for the neighbour and therefore cannot achieve social justice.

In Rawls' vision of the Social Contract a hypothetical agreement is made between the participants (neighbours). In the ideal situation this contract will be firmly established on Rawls' two principles of justice and will be moderated by principles that define, \textit{inter alia}, priority rules that enable ordering of competing claims of the good. In a society that has avoided the recognition and response to transcendence justice needs these principles or a similar version of them to be operative. (Rawls 1999, 14, 99, 266) Whether society has actually arrived at the theoretical construct Rawls suggests is not clear, and perhaps it looks more like the intuitionist's version of a plurality of specific interests of groups and individuals, held in some informal equilibrium. (Rawls 1999, 30-36) Rawls expects that society, where the liberties are given equality of priority, will be able to adjust itself to whatever it wants to be based on the good it conceives for itself. Therefore he expects that, in a well ordered society where self-respect is given primacy, status will be based on this good rather than wealth. The importance of status is emphasised in adoption of the Aristotelian principle of eudaimonia. (Rawls 1999, 474-480, 372-380) Rawls does not, however, share Aristotle's teleology to render eudaimonia and therefore makes no claims about what the good that the community conceives for itself ought to be. Indeed, his expectation is that the good can be whatever the community desires, moderated only by the continued operation of the two principles of justice and their priority rules.

\textbf{Response to Revelation and the Nature of Success}

Niebuhr sees disclosure in individual and general revelation as grace and the imperative is to respond to it. Personal revelation is sensing one’s personal transcendence, that is, the possibility of comprehending one’s own life from outside it, for instance the capacity to comprehend the self as a historical being and the possibility of existence outside natural historical life. Self-consciousness is a particular form of transcendence that makes the ego subject not object and self transcendence is ultimately a search for God. (Niebuhr 1941, 14 & 165)

Once revelation is acknowledged there follows implications for responses in the behaviours required by God. One of these is to relocate success as a transcendental event and to demand the pursuit of transcendental objectives, primarily the exercise of sacrificial love. Success is less dependent on the actions of this world and its institutions such as the financial system, and may even be inimical to it insofar as worldly institutions deliver socially unjust outcomes. Avoiding the implications of revelation is self-deceiving. Denying the transcendent usually involves seeking to hide it in pride or in sensuousness. Pride seeks to universalise one’s own self-interest, seeking to convince the self that it is, in some measure, good and universal while sensuousness absorbs the self in the comforts and pleasures of natural life. Avoidance reaches beyond ignorance of transcendent reality and reveals anxiety over the finiteness of natural life. The self deception of avoidance of transcendent reality results in what Niebuhr terms “man’s easy conscience’ and is sinful by not acknowledging sinfulness. (Niebuhr 1941, 120, 157, 182, 215) A coherent CSR theory needs to account for transcendence and the nature and location of success.

Rawls' social contract theory that assumes adherence to the principles of justice constitutes a form of success but he makes no further commitment to what success is except in Aristotelian terms of the achievement of happiness, as human flourishing. Therefore a successfully just system will provide: equality of access to the goods of society, whatever they are; equality of opportunity; and a constitution that provides institutions that deliver justice according to the principles. Where the administration of the constitution is not achieved with equity, justice must have failed. (Rawls 1999, 196, 200)

In describing success in their terms, the business organisations examined in this study do not document an appeal to transcendence in any of their reports; there are no references to purposes that reach beyond the finiteness of this world. The closest instance of such an organisational appeal is AMP's statement of its 'noble purpose' mentioned earlier. In every case the objectives of organisations are to achieve forms of success that

\textsuperscript{40} Individualism remains a significant influence on western society. See Bellah in particular for a comprehensive account of the nature of individualism in the United States. (Bellah et al, 2008)
are defined in temporal terms of self interest. Clearly transcendence is real at the individual level for many people in the business community. How personal belief translates into corporate policy is an interesting topic, beyond present scope.

Further, organisations gave only limited accounts of their relationship with the community in terms of their relationship or role as a provider of social goods. While this may be argued not to be the purpose of an annual report, sustainability reports in many instances give much space to community relationships but these accounts are exclusively operational in nature and content. Success is not defined, for the most part, in community or relational terms.

The correlation of revelation is faith. There are a number of consequences of faith, Niebuhr argues. First is to distrust claims of the accumulation of human knowledge to be able to solve the problems of the world independently of God. Another is to respond to the imperative of divine demand by observing the commandment of neighbourly love on which social justice depends. The actions that form outcomes of these consequences do not necessarily deliver fulfilment or success in temporal terms, however, as far as our limited vision of God's need allows, they provide direction which must be assumed is pleasing to God and therefore are fulfillment to some measure in transcendental terms. As John Howard Yoder observes, our responsibility is to be faithful, not successful, to which it might be added - in this world. (Niebuhr Vol 2 1941, 7, 52-67), (Wogaman 1993, 234) Revelation for Christians and Jews correlates to the expectation of a Messiah. Business does not expect a Messiah, especially one who critiques human freedom or places responsibility in transcendental terms as Christ does. Business, rather, seeks a temporal legalism, especially one that will validate the hopes and ambitions of business in history, not a transcendental faith with ultimate rather than proximate law and not requiring further legal authority. (Niebuhr Vol 2 1941, 35)

Temporal fulfilment in western society primarily uses economic measures as its symbol of achievement of maximised self interest and is achieved by participation in the business and financial system. Necessarily, success is dependent on co-operation with and excellence in achievement of business’ aims and objectives. Such a view of success seeks achievement in the course of historical life and has nothing to say about the possibility of life beyond history. Nor does it acknowledge that some of its stakeholders may have transcendental objectives. Within the business community the chief measures of performance of the company are financial which is apparent from the annual reporting and is a structural feature of the reporting required by the ASX. Every annual report lists the income, costs and profit as the headline success factors of the business. The remuneration of the executive team is always tied to these objectives and that remuneration is symbolic of the personal success of the individual.

A Rawlsian Theory of Justice does not commit to the absolute nature of the good. In the theory the only absolutes are the principles of justice, the priority rules that accompany it which are tied up the overarching principle of the right and the a prior place for self-respect of the individual and the primacy of place of the welfare of the least advantaged. The good therefore is whatever the citizens agree that it will be. There are no standards of rationality to apply and each person is entitled to follow any plan of life that observes the principles. The theory references Aristotelian principles of the way in which self-respect is achieved but does not seek to assert the nature of the good. (Rawls 1999, 79, 392, 397)

Location of Success and Fulfilment

Christian eschatology maintains the end of history as history’s fulfilment and judgement. Human fulfilment must be tied to eschatological events and therefore must be transcendental. The Renaissance and subsequent secular thinking, including Rawls, sees fulfilment only in history. In all cases, attempts at fulfilment in history, seeking to address the anxiety of finitude, are violations of the limits set by God. In modern society the influence of classical and Renaissance culture retains the Platonic confidence in the capacity of human ingenuity. Fulfilment in history is not seen as having also a transcendental element located in and beyond the eschaton. (Niebuhr Vol 2 1941, 166, 184)

Secular and business worlds, in rejecting the transcendental or at least ignoring it, adopt these classical themes of naturalism or idealism. The rational, secular business world does not as a group recognise either transcendent reality nor the imago Dei in its stakeholders or other people it deals with. People are therefore potentially treated as means not ends. Niebuhr takes this so far as to argue that impersonal economic transactions which feature in contemporary business and financial systems exacerbate this de-spiritualisation of the other, equating them with animals. (Niebuhr 1941, 157)

Humanity, not comprehending that its pride and sensuality can violate the limits of the natural world through its freedom, fails to respond to transcendence and revelation, obscuring the existence of these boundaries. Freedom responds to anxiety in violation of God’s will and is sin. Where it is ethically motivated, man’s conception of perfection in history is mutual love. But Christ’s revelation completes (and extends) mutual love to sacrificial love, emblematic in the Cross. Mutual love is partly selfish, sacrificial love is selfless. (Niebuhr 1941, 124) (Niebuhr Vol 2 1941, 81)

Where seeking historical fulfilment involves sensuality, apparent human ‘needs’ can never be satisfied. Appetite, human ingenuity and technical capability combine to create a complex escalation of so-called needs and the capability to satisfy these temporarily and the capability to create more ‘needs’. The ethical risk in sensuality is the possibility of differential access to at least some of these needs. Differential access to the resources to fill these needs is social injustice. One might argue that as the needs are not really needs but wants, that not having them is of no account. What is of importance is the way in which people act to create these differences of access, especially where the person’s differential capability does not match the differential access. (Niebuhr 1932, 1)

These two fundamentally different understandings of the location of success and fulfilment drive the separation of the Gospel and modern secular culture and are expressed in the manner in which different communities express their views of acceptable moral behaviour, in the form of their social contracts.

The person in society risks becoming instrumental for an economic system in which there is no interdependence of individuals and individual value in transcendent terms cannot be recognised. Likewise, CSR risks being a market dynamic that is subsidiary to the goal of financial success or being useful as a contribution to financial success, hence the desirability of ‘being seen to be green’. This is especially so if CSR remains the purview of business and achieves no further elaboration, especially on the (rejected) grounds of transcendent causes. In the dynamic of business enterprise, short term goals are valid. A society that expects a messiah, however, is a community where responsiveness to the needs of the other above one’s own recognises the other’s imago Dei. The economy is instrumental in achieving some form of economic justice. Success in community is measured by the degree to which God’s will is done, insofar as this can be measured through the law of love of the other. The economy, financial systems and business are instruments of society and respond to society’s will to deliver economic goods in a just manner.

Within a Niebuhrian framework the love command and social justice require the business community to do several things: i) identify the good of the community and align its operations to meet some aspect of that good, ii) identify stakeholders more broadly reflecting a just social distribution of resources on the principles of justice; and iii) use its power and resources to lead in, rather than respond to, CSR matters to the benefit of the community.

Niebuhr’s theology claims dependence on the law of love and the consequence for justice is that equity requires positive care when distinguishing between groups of people in order not to discriminate on just
distribution of opportunity and resources. Typically, the business community demonstrates preference for its shareholder’s interests as first priority and these are measured in financial terms. The interests of the broader community are of second order.

Business and Rawlsian social contract theory fail to provide a definition of the good, leaving it to the political process. As this process is subject to power influences (as argued elsewhere) and therefore not equitable, it fails to provide protection for the least advantaged person. A scheme based on Niebuhr’s theology would rectify this based on the law of love.
COMMUNITY RESPONSIBILITY AND ADVOCACY

It has been observed that the control of the definition of CSR and the rules for behaviour of business organisations in relation to CSR are in the hands of business or of political agencies with which business has a relationship. The community at large seems relatively powerless to make effective change on CSR except through the electoral process where the degree of focus on CSR is limited. Because the primary measures of social equity in western society are economic and because business is the primary vehicle of economic activity, business is instrumental in determining the allocation of economic privilege and equity. Social justice requires that privilege or at least its goods in the form of social and economic capacity (for living necessities at a socially just minimum) are distributed equitably. Is it the community intention that business has this power; is there an effective development of a unified community voice on the matter that has practical and direct effect?

The community is responsible for its own ends. While to expect perfect justice is idealism and unrealistic (Niebuhr was a leader in the Christian Realist movement) it seems reasonable for the community to require some accounting for social justice from business. Rawls expects representation in the form of the ideal legislator who arbitrates and prioritises the competing claims for the good. (Niebuhr 1932, 116) (Rawls 1999, 24)

Business' Normative Role

The possession of power always leads to greater arrogation of privilege. Privilege, especially where it is supported by a the national legal system, makes claims of general authenticity of its values and can even invoke scriptural commands to respect divinely ordained institutions – government, law, liberty (as provided by law) and other powers - as Christian duty. (Niebuhr 1932, 132) The nation seeks to give authenticity to its claims by the majesty of its apparatus, making it plausible and credible to the ordinary person. The majesty may be so convincing as to stimulate idolatry. (Niebuhr 1941, 209)

Business seeks the same authenticity and executive role in defining the community good. Such a role demands a level of community trust in the business as an effective representative of its interests before it can be validated. The comprehensive failures of elements of the finance system recently demonstrate the extent to which, potentially, the outer presentation of trust and dependability obscures the partial interests and unreliable capacities of the principles. Development of an authentic and independent community voice faces these combined interests of politics and business.

In social contract theory, the basis for representation in the contract is assumed to be the individual although there are other bases – interests, parties, regions, forms of culture and elements of society, for example, and business interest is a valid member of the list. From this representation, in order to create a well ordered society a public and consciously decided conception of justice needs to be derived. At the same time the institutions that administer the hypothetical contract must also be accepted.

There is a vacuum in community determination on the nature of the good of the community and how and by

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42 The BHP Billiton Sustainability Report from page 81 on (over many pages) makes an exhaustive list of the company's engagement with community groups. It is clear from the nature of this list and the way in which the community organisations are engaged, that the approach is one of seeking to be at least an equal partner in the definition of the community good, if not a leader in this debate. (BHP Billiton Sustainability report 2006, 81 +)

43 The Edelman Trust Barometer reports for 2009 show declining levels of community trust in business worldwide and in Australia, where the survey was conducted for the first time in 2009, the gap between the level of trust of government compared to business was the highest recorded in comparison to other countries. Australia joins North America and Europe in having trust in business among 25-64 year olds less than 50% whereas, in most of the rest of the world it exceeded 50%. Australia scores significantly lower than other countries on the overall level of trust of business. Banks, Insurance and Media companies form the least trusted companies. http://www.edelman.com.au/insights/2009EdelmanTrustBarometer.htm
whom it is to be delivered. Business has stepped into the vacuum, preferring its own interests which may or may not actually reflect community preference.

The average principle of utility (which, it is argued later, business operates under) requires informed and conscious acceptance by the contracting parties. Because the contract is hypothetical, this must not strictly speaking be the case. It can be assumed because of its participation in business activity, the community accepts business as an economic and financial institution, but can the same be said of business' social role? (Rawls 1999, 144, 302, 397)

Rawls notes on a number of occasions that the utility principle will not protect the least advantaged person. Potentially this becomes social injustice in the loss of capability of the disenfranchised to act to overcome absence of privilege. Niebuhr argues the law of love demands those who apprehend it act on it. Groups are, in Niebuhr's view limited in capability to act on the law of love because they are not capable of discerning the need of the other. Prophetic religion has its origins and a long history in the refutation of the claims of group superiority, and a number of the prophets of the Old Testament concentrate on deflating the claims of superiority of Israel, eg. Amos. Christian religion today may accept a task of deflating the claims of universality of the business-economic technocracy. (Niebuhr 1941, 214)

Business' Goals

If business’ goals are determined and prosecuted in the absence of community opinion, can they be regarded in any way as good independent of some form of community validation?

Niebuhr observes group ambition takes the form of group pride and is an outcome of the pride of the members of the group, normally the leaders, who are capable of universalising their self-interests as the group’s self-interest. (Niebuhr 1941, 208) The self-interest and will-to-power of group leaders means claims for loyalty to groups are usually covering claims to support a politically superior sub-group’s universalised interests and values. (Niebuhr 1932, 47) So it is the case with politics and business. Egoism can be observed, anecdotally, as a human motivation in business as well as politics. Under such conditions the good of the sub-group becomes the good of the institution and thereby potentially will be understood, by default, to be the good of the community to the extent that the community has not expressed it preference. Moral rationality does not eliminate class privilege. (Niebuhr 1932, 141) Business’ teleological goals become goods of themselves, independent of community needs. Undirected, business will act to pursue its goals independently of community needs and create artificial community needs to support business goals.44

Rawls argues the difference principle as a mechanism by which any increase in the welfare of the more advantaged is justified only by a proportional increase in the welfare of the least advantaged. The theory of justice holds that inequalities of any political system should be judged from the perspective of the least advantaged and inequality must be exchanged for greater protection of other interests. If the group, as Niebuhr argues, is unable to sense the need of the other, it is difficult to see how such a principle operates, especially where the group is not specifically polling the other on their needs and preferences.

Niebuhr takes this question a step further by arguing that:

‘All systems, rules and laws governing social relations are on the one hand instruments of mutuality and community; and they contain on the other hand mere approximations of, and positive contradictions to, the ideal of brotherhood.’

Justice is a servant of the spirit of brotherhood and it reflects the law of love, albeit imperfectly. Unequal privilege, the outcome of laissez faire business as described above, works contrary to these theological principles. Therefore the business-secular worldview is not an authentic expression, on Niebuhr's terms, of community expectations. (Niebuhr Vol 2 1941, 248) To be fair, this view is not universal, obviously. Perrini, Pogutz and Tencati, in a discussion on the possibility that CSR provides competitive advantage, assert a

44 A recent example is government and business joint efforts of reconstruction in Kinglake, Victoria following the February 2009 bushfires, where development work was initiated without community consultation and not in the community's publicly expressed interests.
dynamic role for business in society, accountable to a stakeholder network. (Perrini, Pogutz et al. 2006, 74)

Community Interest

It has been argued that business does not have the capacity to be an agent of social justice, that justice is an outcome of disinterested love requiring preference for the other before one’s own self-interest. Hopkins addresses the question of whether business even wants this role. (Hopkins 2007, 17) Business structures assume they will work to maximise profit in the interests of the narrow community of shareholders. Therefore business cannot act in a disinterested fashion and so cannot by its own volition ensure equality. If the community accepts Rawls’ principles of justice then its authorisation of its institutions carries obligations to administer justice within the institutional framework. The community must find its common voice to direct business in terms of just operation, according to the principles.

There are a number of factors which inhibit the creation of an authentic community voice. Human collective life is never able to match the ideals of the individuals. While the power of the group to do more than any one individual must be admitted, the collective is not an effective mechanism for sensing the needs of the individual and acting in a just manner to meet those needs. (Niebuhr 1941, 213) Large groups find it difficult to collect and unify the moral preferences of their members, and are subject to momentary impulse, for example recent world stock exchange responses to economic threats. (Niebuhr 1932, 49)

If the community is to assert its voice, what are the modes in which it can do so authentically and effectively? In some cases business provides significant opportunity for community engagement. For example the Christian community, in particular can and does find many opportunities to argue for the full realisation of social justice requiring the disinterestedness of sacrificial love. On this basis, the Christian voice needs to oppose egregious claims of historical optimism such as those preceding the recent so-called global financial crisis (GFC). These are diametrically opposed to the Christian eschatological vision and do not recognise the historical reality of unjust social structures.

Indeed, for the Christian, the moral ideal stands in and outside history. The Christian voice, if it is to be an effective contributor to CSR, needs to convince people that the demands of morality are not a futile ambition despite difficulty of trying and at the same time to prick the easy conscience of people who evince over-confidence in their historical capacity for the universal, their self-interest and proud and sensual attempts to cover their anxiety. (Niebuhr 1941, 23) (Niebuhr Vol 2 1941, 181, 247)

Social contract theory conceives mankind socially, where people have shared final ends and value their common institutions as goods in themselves, offering the potential of a fuller version of life where the potentialities of the group are combined and leveraged. Rawls observes society is not held together by public conviction of the value of the stabilising arrangements but by a calculus of the best way within the system to maximise advantage. Therefore there is an absence of determinate common will of people in deciding what kinds of people they will be. However, it has been assumed that people are determinate and have orders of will and preference beyond the basic liberties and will act to secure them. (Rawls 1999, 152, 456-464)

The target of social responsibility is the middle class view of the power of human rationality over nature and capitalism, and the irreverent exploitation of nature with a confidence of the possibility, through it, of ultimate universalisation of the self. (Niebuhr 1941, 20) At its core this is an argument over the validity of Christianity’s eschatological vision. Where theology anticipates the eschaton as the end of history and its fulfilment, non-eschatological schemes have fulfilment occurring in history and historical realities are appropriated into this fulfilment. In the Christian worldview such schemes are invalid because they reject God as the source of fulfilment. (Niebuhr Vol 2 1941, 287)

Niebuhr’s theology in the context of community speaks at length about the personal relationship between individuals, and their responsibility to each other; the faithful response to the law of love. Tillich argues

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45 That is, love which seeks no interests of the lover, only the interests of the loved one.
46 For example the considerable list of community interactions mentioned by BHP Billiton in its 2006 Sustainability report.
ethical attitudes are dependent on personal intimate relationships. (Tillich 1987, 248) Reflecting Tillich, the Christian voice needs to emphasise the importance of the individual \textit{qua} person within the community, not as an instrument of community partial self-interest, of which business is a primary focus. In emphasising the importance of the person, each member of the community is connected to its social framework. Without connection to the social framework necessary to deliver support, the socially dispossessed never have a voice. (Niebuhr 1932, 185)

Niebuhr’s theology requires that the community establishes an authentic voice to make claims on the business community of its expectations of business’ social responsibility. These claims would argue for greater distributive justice, that is, the reduction of the disparity of privilege, to reflect the capacities and preferences of people better. Such a scheme requires the suspension of ego and self interest to some degree in preference for sacrificial love on which social justice is based. Inevitably tension will arise. Where Rawls' social contract theory provides the social framework, Niebuhr's theology provides guiding principles for deciding the good, on which contract theory is silent.

At a corporate level the Church, as the institutional embodiment of the Christian voice, can argue that justice, of which Corporate Social Responsibility is a kind, depends on love of neighbour. As the self denial required for sacrificial love depends on the absence of anxiety over earthly finitude it depends on faith in the transcendent God. (Niebuhr 1941, Ch 10) Rationalism, despite its optimism, cannot achieve this claim. The Church’s particular capability arises from its apprehension of self-transcendence made possible by grace. (Niebuhr Vol 2 1941, Ch4) Business, because all its ambitions are centred upon itself, has no visibility or use for the transcendent.

Regrettably the historical disconnection of the Church and business enterprise and the Church’s confidence in the power of grace accorded it and its conceit has left its reputation diminished; an outcome of Augustinian pride in sanctification. (Niebuhr Vol 2 1941, Ch5) The Church has the tools and the potential to act on social justice issues but the confidence of the community at large to allow it to do so is limited.

It is concluded that community representation is limited by structural factors of capability to self organise and to be effective in assessing the need of others beyond the self interest of the representatives. It might be argued that business does not readily concede the right to the community to govern its operations. It is argued in the next section that business’ moral agency is doubtful given the structure of its interests in preferring the owner. The capacity for government to fill the apparent regulatory vacuum is taken up later.
THE FINANCIAL SYSTEM AND SOCIETY

It has already been argued that the inherent structures of business organisations affect their capability for delivering social justice. In this section, aspects of the capacity for justice in the financial system as a whole will be examined in the light of Social Contract Theory and Niebuhr’s theology.

The nation in Niebuhr’s time was the significant social group, overtaking the Church of the middle ages. Contemporarily, aggregated economic interests such as multi-national or globally integrated companies challenge some nations in the extent of their financial resources and the freedom they have to use them, not being responsible democratically, only to the shareholder. Balancing the potential Palmisano and others see in a global business complex, is the unpredictability of high complexity, global spread and deep interrelationship, as the events of the global financial systems in mid to late 2008 have spectacularly demonstrated. The question is whether the accumulation of power and responsibility by this system has been matched by the acceptance of a role in assurance that justice is done from either a social contract or Niebuhrian theology or the capability to perform it. The fallout of the GFC is that individuals’ savings and income security are at risk of loss in the hands of ‘trustees’. Any expectation of the rationality or freedom of the market providing a safety net would appear misplaced. (Niebuhr 1932, 83) (Palmisano 2006, 127-136)

Economic Rationality as a Method for Ordering Community

The evident philosophical underpinning of the free market approach is utilitarian. Utilitarianism must answer if the greater advantages of the many are justified by the imposition of disadvantages on the few; is utilitarianism just? Alternatively the principles of justice require equal liberty for all while permitting limited inequality where it is in the interests of all. (Rawls 1999, 29)

The argument for utility as an organising concept is its efficiency. There may be multiple schemes of distribution that are equally efficient but are not equally just – efficiency does not infer justice. (Rawls 1999, 60, 315-318)

There are, from the principles of justice, a number of arguments against utility:

- Utility does not guarantee equal liberty – which, fairness argues, should be limited only when it is needed for social change that will eventually secure equal liberty. (Rawls, 1999, 127, 185)
- Classical utility models do not seek distributive equality; justice as fairness provides some support to the average theory of utility. (Rawls 1999, 139, 143)
- Utility does not guarantee that everyone benefits, therefore some, usually the less well off, have to forgo some benefits for others. (Rawls 1999, 155)
- The public nature of the principles of justice increases the self esteem of society and promotes self-respect – reducing envy, on Aristotelian principles; society having a better understanding of justice makes a polis and therefore a better society. (Rawls 1999, 155, 214)
- Utility risks isolation where many isolated uncoordinated decisions provide a worse outcome for everyone than some other decision despite the rationality of the original decision. (Rawls, 1999, 237)
- Utilitarianism does not assume any accurate measure of utility. (Rawls, 1999, 78) If it cannot conceive a measurement scheme then there will be always a question over how good and how just the outcome of utilitarianism is and potentially poor structures will survive when otherwise they would be overtaken by better structures.48

47 For an example of the potential scale of the globally scaled enterprise, see Palmisano in Foreign Affairs Vol 8 No3. Palmisano is the Chief Executive of IBM.

48 Sen, in the second of his three Royer lectures in 1986, argues that utility, in defining the good of the individual as personal well being is too narrow. He goes on in his third lecture to add freedom as a measure component of well-
The difference principle of the theory of justice serves to manage at least the issue of inclusion for consideration of the needs of the least advantaged person.\textsuperscript{49} (Rawls 1999, 136)

Utility locates its concern with economic distribution matters entirely in the temporal. Niebuhr's theology places universal values and fulfilment outside history and is not concerned about economic and technical achievement \textit{per se} as long as their goods are impartially shared. The individual person is recognised as an image of God, as having a dependent relationship with God and as the point where moral obligations are focussed. The financial system demands loyalty to political groups rather than individuals. It distinguishes and is partial about individual interests, for instance where the interests of shareholders are preferred over other stakeholders. (Niebuhr 1932, 53)

Progress of modern thought and the impersonality of money and credit transactions have served to destroy this notion of human value and the person's relation to God, further separating the relationship of business from religion. Industrialism now subordinates the individual to economic process and people have become structurally separated from personal economic exchanges, a feature of past agrarian economies. Trade now depends more on exchanges that are impersonal and hinge on calculated relative advantage. Economic advantage is transmuted by will-to-power and subject to self interest.\textsuperscript{50} Will-to-power involves the sub-ordination of the wills of competitors and therefore increases the insecurity which is resolved by more power in a vicious cycle. Will-to-power recruits the ego to injustice. (Niebuhr 1941, 66, 67, 192) The financial system potentially stands between person and person and between person and God.

Further, Renaissance thinking which influences the contemporary viewpoint does not recognise the degree to which freedom of the spirit enters into the natural vitalities. (Niebuhr 1941, 28) Human technical achievement in mastery of nature obscures and seeks freedom from dependence on God. This is humanity’s sin. Whereas the Christian religion seeks a dependent relationship with God, Renaissance thinking urges confidence in human capacity and inflates man’s pride. Paradoxically pride is confounded by anxiety over human sense of finitude. (Niebuhr 1941, 139) Anxiety grows from the seeming limitlessness of human possibility but always over-reaches itself by seeking to overcome the contingent elements of finite life. Any achievement raises the possibility of still greater achievement. While anxiety can drive progress, confidence in progress and its deification is sinful because it seeks fulfilment in history and denies eternity. (Niebuhr 1941, 185)

\section*{Partiality of Business}

Milton Friedman famously asserted business’ social role is to increase its profits. Business response to social problems should be the minimum to maintain effective operation while maximising long term shareholder interests. Business’ resources should be applied only to economically justified (that is profitable) projects. Success then is a historical possibility in economic terms and business avoids responsibility for the social

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\textsuperscript{49} Rawls acknowledges that an objection to the difference rule is the possibility of exceptionally large advantages to the most advantaged that are not balanced by sufficiently large advantages to the least advantaged. The operation of the just system behind the Veil of Ignorance is expected to limit the likelihood of these differences. The difference principle seeks to modify the effects of, \textit{inter alia}, self interest. Sen in his first Royer lecture, challenges the assumption of mainstream economics that self interest is a primary and exclusive motivating factor in western economies. Sen argues that people recognise that while self interest provides benefits, there is also good to be gained from benefiting the nation or state and explains, using the Prisoner's Dilemma as and illustration, how departures from self interested behaviour can provide benefit. He also cast doubt over the assumption that maximisation of self interest is ever entirely rational. Finally Sen, argues that the popularly held belief that Adam Smith's thesis was in support of this view of self interest overlooks the arguments Smith provided in his Theory of Moral Sentiments. (Sen, 1987, 2-22)

\textsuperscript{50} It should be understood that will-to-power and self interest are not the sole contributors. Sen highlights the possibility of a person's agency in a moral transaction, for the benefit not only of the person acted for but also for the agent themselves. Sen argues that such agency operates for the well being of the agent. Well being in such a conception must be rather more broadly based than direct and calculable interests of the agent and include less easily measured factors as happiness. (Sen, 1986, 41, 43, 46)
\end{flushright}
welfare of the community. (Friedman 1970) In this comprehensively criticised assertion Friedman has taken a limited view of business in the community, defining stakeholders to a limited set which includes primarily business shareholders, the executive of the business and suppliers and customers. No account is given to the claims other parts of the community may have on the business or the outcomes of its operations. Friedman implies the broader community is a resource pool of labour and locus of consumption of the goods and services the business produces. He suggests the role of the community is sub-ordinate to the function of the business.

Where the economic world is able to universalise its values, it becomes synonymous with society. Niebuhr believes imperialism of economic institutions is a hypocrisy also exhibited in the institution of the nation. It is a version of the moral self deception by the individual reflected in the capacity of the nation to hold the loyalty of the individual by universalising the interests of the privileged as the interests of the nation. Economic institutions also do this by preferring the partial interests of their privileged few; the shareholders, their political patrons and those whom they have given the favour and remuneration as stewards, the managers, as Friedman proposed. (Niebuhr 1932, 95)

Acquisition of privilege is not necessarily based on merit or contribution. One of the roles of social justice is to mitigate the arbitrariness of natural contingency and social fortune. The principle of equal citizenship arises from equal opportunity and liberty. Flowing from this is the principle that undeserved inequality, through the accident of social contingency, deserves redress. (Rawls 1999, 82, 86)

The principles at their very creation achieve equality in part through the concept of the existence of a veil of ignorance which conceals the particularities of the personal circumstances of those determining good and making the contracts. In this way it corrects arbitrariness. However, people never sit fully behind the veil so there is an inevitability that some level of partiality will arise. While partiality may be positive, as in the case of preference for one's own family, decision making without ignorance of one's particular circumstances will inevitably lead to unequal advantage. (Rawls 1999, 122)

Partiality gives rise to inequalities in power and inequalities in power almost always work against the least advantaged where they allow for a range of opportunities to act from positions of unequal advantage. Examples include the avoidance of external costs, such as pollution, which need to be funded by parts of society other than those directly benefiting from the production and consumption of the goods generating the externality, and the lobbyist access to government of specialised powerful interests which are able to influence decision making in minority favour, such as the mining industry.\(^51\) (Rawls 1999, 237) The just principle of equality breaks down through the structure of the economy and business and government's particular ways of participating in it. (Rawls 1999, 85)

It may be observed that a majority of people in western society are willing participants in this economic system. Participation implies, as a simplifying assumption, agreement with the principles and rules. Rawls draws on Sidgwick's principle of deliberative rationality and assumes that such rationality is exercised in the formation of the rational plans of life by each person. Deliberative rationality requires the agent to make choices under conditions of perfect knowledge and reasoning, full understanding of his wants, acceptance of his wants' consequences, and the factoring in of all relevant circumstances. It is doubtful these conditions really apply for the representative person. (Rawls 1999, 366)

Niebuhr argues that growth of economic power has lead to economic injustice and that democratic political power responds to rein it in. Contemporary economic power has occupied or recruited political power to its purpose or seeks to do so.\(^52\) Niebuhr’s faith in the democratic process seems, these days, ill placed as the evidence for its capacity to be corrupted, and therefore not democratic, grows and the confidence in its ability to manage complex economic processes declines, especially more recently. (Niebuhr Vol 2 1941, 262)

\(^{51}\) Pearse's Quarterly Essay, referred to elsewhere in this thesis, is entirely devoted to the methodology employed by the Australian coal mining industry to influence public policy decision making in its favour.

\(^{52}\) Pearse's Quarterly Essay provides a most comprehensive account of how this is done by the Coal Industry in Australia. Direct references for the need to influence government thinking are found in the reporting of Macquarie Infrastructure and Origin Energy, quoted earlier.
Business institutions and the financial system were created separately from the religious institutions around them and at a time when the Renaissance success of business and science led to human confidence in the capacity of rational thought. Business has inherited the Renaissance outlook. An economically oriented society has evolved at the same time as the individual’s relationship with God is threatened through lack of discipline of individualism, which business actively promotes and the loss of influence of the Church, and perhaps the loss of community in which to sustain faith. (Niebuhr 1941, 66)

Businesses, like nations, exist entirely to serve their self-interest and lack corporate intelligence to perceive the need of the other and, like nations, have mechanisms to prevent dissent that might criticise or support the interests of another system in preference. The financial system and businesses are not democratic institutions, no matter how much they make such claims. Further, love, especially sacrificial love, is not seen to be relevant to the business operation; creation and the person are not valued for their intrinsic worth and are subject to exploitation. Like Renaissance thinking, contemporary bourgeois thinking sees nature as an instrument for exploitation rather than a divine trust. Instrumental exploitation of divine creation offends divine purpose. (Niebuhr 1932, 84-88)

**Competition**

Competitive performance orientation is seen as a normal organising principle of the community. Competition is an expected social behaviour and differential ownership of resources is a valid way of providing incentives to individuals for better performance. Business uses in some respects the difference principle of social contract theory to provide incentive to those who are able to make an extraordinary contribution to the business or community good. By driving better performance, business will attain ultimate goals. Ultimate business performance may be independent of community social goals.

Competition in a just society is a vehicle for achieving human excellence, and excellence is a good on Aristotelian principles. Competition in this positive form compels competitors to seek to outdo each other in the excellence of their particular aptitudes and capabilities. Competitors rely on each other to provide the reference points to compare their competitive activities. This form of competition is congruent with the law of love.

Competitive action as it is conceived in contemporary business is potentially anti-competitive where its zero sum game approach actually reduces choice and reduces the imperative for excellences such as product quality and efficiency of manufacture. (Rawls 1999, 49) Business participants seek to render the other competitor unable to compete on an equal footing, giving one an advantage that is not an outcome of better capability. Business competition prefers the interests of the self over the other. Further, in forms of business competition practised in the financial system where limited resources are at stake, competition often requires the obliteration of the opponent as a competitor to reduce competitive threat. The cost of managing this form of competition is not explicitly accounted for. It includes all of the marketing and promotion budgets, much of the governance and legal costs in addition to the social costs of running the corporate legal system. These costs add to the price of goods and services and impact the socially dispossessed more severely than others. Business competition in the form described is opposed to the law of love.

The economy, as a utilitarian system, assumes perfect competition in the market. The more usual form of business competition risks market failures. Market failures will result in an unjust allocation of goods requiring remedial action by the allocation branch of the economy. (Rawls 1999, 240-241)

In contrast to this economic culture is the messianic vision of Christ on the Cross. The Christian ideal of sacrificial love in the pattern of Christ is apocalyptic; the requirements for achieving its basic tenets seem hopelessly impractical in known social and economic terms; Christianity aims to achieve justice by universalising the law of love. Christ lives out the expected response to spiritual realisation in sacrificial love by dying on the Cross. Christ is not the messiah who is expected in secular economic society. Jesus’

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53 Marketing is highlighted as a mechanism by which business promotes public enrolment in its consumer culture.

54 Where the objective of the players is to remove the other players from the game in order that all the winnings accrue and there is no sharing.
messianism affronts the ego of the proud and as suffering servant, Christ is not the expected symbol of power. (Niebuhr Vol 2 1941, 44) Christ condemns history in which the hope and pride of nations and business is placed. Business and the financial system miss this point of the need to sacrifice one’s interests for the other. (Niebuhr 1941, 164)

To expect society, especially the financial system, to completely abandon its fundamentals to submit to the law of Christ is naive and to hope is sentimental. (Niebuhr 1932, 75) The radically different outlooks of business and religion prompt business to hold that religion has nothing to say to business. However, justice is not dependent on culturally held views, therefore avoids relative partiality and context dependent forms; that is, justice is universal not relative. (Niebuhr 1932, 32) Therefore the argument that religion has nothing to say of value to business is wrong at least on the question of justice.

While universalisation of the law of love is an unachievable objective, to acknowledge and promote a few who are able to express a form of sacrificial love leavens social life and challenges the excesses of the rest. (Niebuhr 1932, 72) Niebuhr believes society needs the extra-rational hopes and passion of religion to avoid despair of hope limited by the possibilities of this world.

Niebuhr’s theology reverses the relationship between business and individuals in the community, prompting business to be responsive to the law of love and to be a servant of the community rather than its exploiter. Business is encouraged therefore to marshal its resources in support of community needs in an equitable and just manner. The usual forms of competition are discouraged on the basis of their opposition also to the law of love and because they divert resources from just distribution. Competitive excellence is encouraged as a community good. These responses, reflecting the imperatives of private and general revelation, make Niebuhr’s theology more coherent than the scheme of the present financial market system.

The practical difficulty, especially for social contracts, is the balancing the interests of the community that is transcendentally aware and that which is not. More difficult still is the need for the transcendentally aware to manage in a larger community that is focussed on historical fulfilment. In the Rawlsian system of justice which does not define the good, giving voice to its conception of the good is problematic, let alone in a utilitarian system where the good is more competitively asserted by the potentially unrepresentative holders of the majority of power.

The financial system fails to be an effective vehicle for providing just and equitably distributed community good. Impersonality of the structure loses connection with the human in the transaction. Therefore utility on which business is based does not answer for the welfare of the least advantaged person. According to Niebuhr the response to the Cross is to seek sacrificial love for the other person. The financial system, being blind to transcendence, cannot attend to human success of fulfilment in these terms – which is a criterion for being effective and coherent. Competition as it is known is not competitive and moves well away from the Aristotelian ideal from which it might be concluded to have arisen. The role of modern competition is to embed partiality.
STEWARDSHIP AND AUTHORITY

Challenge for leadership

Motivating social change is a perennial problem. A large segment of the population will put up with much economic hardship because of the fear of revolution where they would lose what they already have; whereas the dispossessed have nothing to lose. (Niebuhr 1932, 189) It is easy to assume in rational secular society that better education will bring greater justice through better intelligence and rationality but this complacency ignores the power of economic interests to keep people focussed on their limited economic domain. This is something economic rationality cannot eliminate. (Niebuhr 1932, 212) (Rawls 1999, 137)

It was earlier argued that the business and financial system faces impediments in working for just outcomes of its own accord. Niebuhr questions, on historical evidence, the sensitivity of privileged leadership to the needs of the dispossessed, notwithstanding impulses of self interest can be effective in driving social cohesion, e.g. preference for family. While self interested preferences for family are good, these only partially satisfy a need for more general equality of privilege. The question is how to bring to bear equality in society without destroying that which is good in it. (Niebuhr 1932, 167)

Who or What Should Lead

A more developed response to the externalisation of controls over business’ CSR might seek to make an external party, a steward, responsible in some way. Where community gives control of resources to a business it expects accountability on the part of the business in relation to community expectations. Who occupies that leadership position to which accountability is owed is the present question. Stewardship of the community’s interests is necessarily a difficult role to assign, as mentioned earlier, because of the political challenge of identifying the impartial or least partial steward to accept this role. The role itself would be difficult to perform because of the task of gaining consensus of the diverse partial interests at play and exercising any reasonable manner of control.

What mechanisms of social change might be employed to provide a kind of stewardship that is superior to the seemingly loose alignments of government, business, media and public opinion that dominate the thinking of western society today?

In the administration of a justice system and the establishment of authority, Rawls suggests the role of an ideal legislator. He expects this leader to base the approach and process on the raising of a child in that the child is assured of the love of the parent and of the child's personal worth; through the administration of the rules under these conditions the child will come to accept the authority of the parent and eventually to accept and adopt the rules. Implicitly, for Rawls government takes on this task in a democratic society. (Rawls 1999, 405-409)

Niebuhr looks to more revolutionary means, concluding any political philosophy that accepts that self-assertion and will-to-power cannot be completely controlled by reason must accept that a degree of coercion is required to do so. Niebuhr argues that the uncompromising equalitarian has a moral advantage over those who propose slower methods of social change because in the latter approach society always settles for something less than the ideal. (Niebuhr 1932, 190) Indigenous disenfranchisement in Australia is an example. Therefore coercion and self-assertion become necessary parts of social redemption even though coercion risks the possibility of tyranny where over done and contradicts the concept of brotherhood. (Niebuhr 1932, 231) He finds that social conflict which aims for greater justice has moral justification. (Niebuhr 1932, 234) (Niebuhr Vol 2 1941, 258) Further, he considers the necessity in the case of a proletarian revolution, of civil disobedience to political authority against the constraints it has erected in pursuit of partial economic interests. Niebuhr concludes, however, those revolutionaries cannot guarantee that the system they replace the current power order with will be any less abusive of the power they acquire. (Niebuhr 1932, 192) He challenges claims that non-violence is an expression of goodwill and violence an
expression of ill-will exclusively and argues that some elements of coercion are acceptable in the name of justified social ends; that is, those that enhance social justice.

Nevertheless, forms of non-violent resistance appeal to Niebuhr. Rawls also contemplates a level of civil disobedience under strict restrictions, notably of non-violence. (Rawls 1999, 320) Niebuhr sees non-violent and spiritual resistance is considerably effective as it leaves open the possibility of dialogue after the conflict. (Niebuhr 1932, 248) Non-violence nullifies the oppressor’s claim that only his interests align with the peaceful social status quo. (Niebuhr 1932, 250)

Niebuhr's and Rawls' proposals have similar features of independence, authority and equality as defining principles. Leadership in the form of stewardship implies authority of control. In order to be effective in managing CSR issues, the authority of the steward must include the authority to issue business’ social licence to operate and to police it. This role is already given to government in its regulatory power. Community might expect that government by default will work in the best interests of the community in a democratic fashion and should at least be aware of the intention of some businesses to use their influence to manage political outcomes, and to be aware of the ethical weakness of government. Several examples have already been cited of business express intention of influencing government – Macquarie Bank and Origin Energy, for example. The bribery of the Prime Minister of Japan by the Lockheed Corporation is a most egregious example of how business can divert government decision making to its own interests. Democratic institutions are not separated from the partial interests of the commercial classes that created them as it may be in their interests to limit political restraint on economic power. Political institutions are vested with responsibility but have relatively little economic power while economic interests are powerful but not responsible. (Niebuhr 1932, 14)

Need for an Independent referee

Equal justice is the most rational social objective but requires an equilibrium of interests to define social goods/ends. There is always competition of partial interests; the degree to which one is willing to change is dependent on the degree to which one is willing to trade one set of injustices for another thus it is relative and depends on the extent of dispossession. (Niebuhr 1932, 230) Practicality therefore demands participation in a political process that achieves equilibrium in the competition of partial interests. Teller and Goddard describe one attempt to achieve such a process in Melbourne. (Teller and Goddard 2006, 106)

Our imperfect historical social groups do achieve some degree of justice, albeit imperfect. There is a duality of the ideals of rationally conceived just social structures and those actually achieved in history, including for instance civil law which is itself compromise. (Niebuhr Vol 2 1941, 253) The norms of the law and the actual historical outcome (the law is rarely perfectly enforced) are usually compromises of the rational ideal and the possibilities of the specific social situation. (Niebuhr Vol 2 1941, 257) The competition will lead to a cycle of social conflicts and an uneasy equilibrium of competing social forces. This political realism does not work and requires the involvement of a moral voice. Conflict does not resolve conflict. (Niebuhr 1932, 232)

Any scheme requires leadership to differentiate the social justification of the competing ends of partial interests. (Niebuhr 1932, 237, 172) Social justice requires leadership that is independent of and capable of

55 That government has the capability and honesty to fulfil the role of steward in this manner is challenged by Pearse, most emphatically in his account of the deliberate misrepresentation of ABARE statistics by then Prime Minister, John Howard, on the economic impact of halving GHG emissions by the year 2050. Whereas ABARE had estimated a GDP growth of 247% if emissions cuts had been made, rather than 281%, Howard claimed publicly the cuts would lead to a 10% reduction. (Pearse 2009, 23)

56 a) The influence of government policy by the mining industry from the creation of a lobbying initiative called the Lavoisier Group through to the systematic corruption of reporting by ABARE is set out in Pearse's Quarterly Essay (Pearse 2009, 31-36)

b) Israel's kings traditionally responded to the advice of prophets rather than rely on their own interest-laden judgment or suffered the consequences. (O'Donovan 1996, 73-30) While the term 'prophet' probably does not help, the need for independent advice that can withstand audit is a necessary accompaniment to contemporary business leadership.
discerning partial interests, and politically effective enough to hold these in peaceful equilibrium.

On principles of justice an independent steward must argue for broadened stakeholder recognition so that shareholder interests, normally prior to other stakeholder interests, will be re-aligned for the sake of equality. Acknowledgement of other stakeholders' interests and responding to their needs implies recognition of additional authorities and provides a mechanism for those additional authorities to influence community, including business, decision making. An authentic approach to a business social licence to operate reflects such broadened stakeholder recognition and more closely approximates the spirit of brotherhood. Acknowledging external authority entails surrendering of some control, especially where the beneficiary of the change does not have accountability, against business preference for *laissez faire* freedom.

Christian notions of the good will add further demands to independent regulation, such as an extra-historical view of resource sustainability and lower precedence of historical achievement of success.

At the core of social contract theory is the independence of the community representatives tasked with the development of the constitution (the principles), the legislation (the rules) and the regulations that operate to administer the rules. The device of the Veil of Ignorance is employed conceptually to deliver independence of the participants. (Rawls 1971, 315-318) Within the role of assembling the components of the apparatus of justice, there is a need for contribution of ideas, preference and belief to inform the construction of the content of the apparatus. Rawls sees a period of reflection on the diverse interests of the participants after which an equilibrium representing the consensus position would be arrived at. (Rawls 1999, 315-318)

Rawls refers to the ideal legislator as the one who from behind the veil, can balance the multiple claims of the good and rights and arrive at a normative position for the community without nominating this legislator nor suggesting how one might be recruited. By default, government takes on this role. (Rawls 1999, 24)

Does the Church have an interest or a role in being a faithful steward? Many business people will not see the relationship between Church interests and those of business. The key issue at stake is the recognition of and response to the transcendental. The contemporary Church’s key problem of relevance is relating to unbelief within the community it seeks to influence, beginning with the failure of people to sense the transcendental or, having sensed it, recognising it for what it is, in the Church’s view. Were the Church to be a steward of social responsibility one of its first tasks could be to bring people to recognition of the transcendental in their personal lives, to convey the Christian sense of meaning of transcendence, and to demonstrate the meaning of transcendence beyond individual or personal life, that is to business and other social life as well. Such an imperative action seems likely to render the Church unacceptable as a leader to wider secular interest. While the Church in Christendom time had a view of the pre-eminence of its authority over social affairs, it is not clear this extended to authority over the running of the State. (O'Donovan 1996, 196)

The Church might seek instead to participate in this stewardship, if not be the steward, always recognising and allowing for the probability that the self interests of the Church will be prioritised by it in the process. The Church might claim its knowledge of the interests of people, especially those who suffer the unjust outcomes of business action, and its knowledge of the meaning of transcendence as its qualification. This indeed is the mission of the Church in the secular realm, to be at the disposal of the Holy Spirit to make known the victory of Christ. (O'Donovan 1996, 214)

Niebuhr claims a special purpose for religion in the

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57 A key practical demand is for the Church, if it is to assert any authority, to convince business that any political authority business holds is due not to human accomplishment but to divine providence, and to discover what role the Church has, if any, in mediation of that divine gift. The plurality of authority of God over multiple realms is established in the history of Israel's humiliation in the face of other nations. (O'Donovan 1996, 46-49, 66-73, 196)

58 Ambrose of Milan provided a precedent in expecting Valentinian II, the emperor, to be a good Christian and to expect censure if he was not. (O'Donovan 1996, 200)

59 O'Donovan speaks of the need for an accommodation of the roles of Church and secular society that takes account of the scope of view of each, eternal and temporal respectively. In a post Christendom time, it is recognised that secular society does not need a Church that is in charge of society, it needs leadership that faithfully executes its authority given by God. The social outcome is two kingdoms with two leaderships and common subjects. Secular leadership, which is understood to include government as well as business leadership, is expected to be spiritually impoverished and responsive to God's will. At the same time the Church's social role is to make Christ's victory
Christian belief is founded on messianic expectation. Christ can only be proclaimed in a society that expects a messiah. Business sees the messiah in the one who perfects the market (therefore there are lots of claims to be the messiah) as the absolute financial orientation. But it does not source this messiah in the transcendent but rather in the historical. (Niebuhr Vol 2 1941, 16) Business neither wants nor expects a messiah who diminishes the universality of business’ project of seeking to perfect the market (which is the universalisation of a secular historical scheme) nor the messiah who declaims the pretences of universality of the individual’s self-interests. So where business is looking, Christ will not be found, or where Christ is, business is not looking. (Niebuhr Vol 2 1941, 16)

Business organisations are incapable of sensing the transcendent on the basis that revelation is a personal experience, and to expect an organisation independently of its individual members to be just is illogical. Society must rely on the conscience of the individual. Any Church action must appeal to the transcendent sensibilities of individual people. If the Church is to be successful in recruiting business people to its belief, or at least appealing to business to reflect and respond to the sense of the transcendent, it must appeal to the person, for the person who responds to transcendent insight. Then, the freedom resulting from this insight must be interpreted in transcendent terms, not in terms of the interests of the self or the group to which the person belongs. (Niebuhr Vol 2 1941, 110)

It is expected any proposition to assert direct social control over business will be to some degree resisted. Business prefers on the whole *laissez faire* freedom to operate and uses the bogeyman of proletarian revolution to “convince a timorous community not to grant significant concessions to impatient and sullenly restless labour”. (Niebuhr 1932, 169) Business recruits conservative government to its cause, for example state action under the influence of the dominant economic classes to legislate against strike”

(Niebuhr 1932, 201)

Social change of business political capability is difficult; a minority of the middle classes will conclude that the injustices and inequalities need correction but not enough of them to overcome those driven by self interest. (Niebuhr 1932, 215)

Where business sets out to define its own responsibility, Niebuhr argues that the role of the leader inevitably becomes corrupted by self interest and the human need to universalise partial interests. Any group that has a stake needs representation otherwise self-interest will influence the decision making and only partial interests will be served. For broad community representation, more inclusive stakeholder recognition needs to include all those with valid claims on company responsibility.

Businesses of the ASX Top 50 have set out to determine their own responsibilities. They do not question if they have the capacity to recognise and correct social problems that are validly their responsibility. No independent steward is seen to be needed as self regulation is the acceptable approach to the determination of the social responsibility of business. Business and community (broadly speaking) suggest no role for the Church in determining the social responsibility of business and the rules for social responsibility are contextual to culture and geography. The concept of a social licence granted by community is mentioned but is not operational in part because government is seen as an effective community voice on the social responsibility of business.

Business' stakeholder definition and capacity for detecting the need for the other are both too limited. Business, because of its partial ownership, is incapable of independence and cannot guarantee equality.

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60 See Moore on Corporate Moral Agency – if the Corporation cannot be a moral agent then expecting it to be transcendentally aware is futile. (Moore 1999, 329-343)
Government, the expected repository of independent control, is structurally capable but the system is corrupted by government's availability for influence from business interest that destroys government independence. The obvious and appropriate steward is incapable of performing its role, meaning there is no effective stewardship or authority.
CONCLUSION

The objective of this thesis is to discover if the business community as represented by the ASX Top 50 companies has the capacity to provide an account and system of organisation of its social responsibilities that is at least as coherent as an account and system that might be constructed on the basis of the theology of Reinhold Niebuhr. From an examination of the annual and sustainability reports of the ASX Top 50 companies, four categories: Definition, Stewardship and Authority, Community Advocacy and Responsibility, and Financial System and Society were selected for deeper examination.

Business' account of social responsibility was examined for concrete guidance on how it conceives the good of the community and how it contributes to its realisation. This account was expected to say something about the nature of success in terms of public goods acceptable to the community and in terms of the nature and location of personal and organisational fulfilment. While the businesses examined do in general conduct some form of community consultation, it is not the case that this consultation seeks to or is effective in arriving at a broader definition of the good of the community that the community agrees to. Indeed, the structural and demonstrably preferred partiality of business works against such representation ever being achieved. It was also expected that any conclusions on community preference would provide a model for success and fulfilment that was able to accommodate their location in transcendent terms by some members of community.

Responding to the nature of the western social and economic environment, the analysis sought an argument from business why its system of economic rationality is an effective vehicle for provision of community goods over the competing systems provided by Niebuhr and Rawls. It was found that the impersonality of the institutional structures loses connection with the human in the transaction. Therefore utility, on which principle of organisation business is based, does not answer for the welfare of the least advantaged person, as social contract would have it. Further, business is not capable of responding to the imperative Niebuhr sees in response to the Cross: to expect sacrificial love of the other person. The financial system because it is blind to transcendence cannot provide human success as fulfilment. fulfilment in these terms are required for coherency, in comparison to Niebuhr's theology.

Social Contract Theory was also found to provide a potential structure by which definition might be achieved but avoids any attempt to define the good of the community, beyond a few generalised assumptions of the preferences of humans generally. 61

Niebuhr asserts the primacy of transcendence to the human relationship to God, apparent in private and public revelation. Having accepted the fact of transcendence the inescapable imperative is to respond to it in terms of sacrificial love and what Niebuhr terms brotherhood. The alternative - not to comprehend transcendence - leaves all human fulfilment located in history, which is, generally, the outcome of business action. Niebuhr's theology is more complete therefore as it provides a basis, transcendence, to construct a model of the good that will incorporate the imperatives of transcendence which are inter alia sacrificial love and impartiality. Any model of the community good developed on these criteria will be more effective by providing a more just equality in the distribution of community wealth than can be achieved through business' apparent approach.

In order to be authentically responsible, business must identify what are the authoritative sources of its conception of the community good and the mechanism by which these conceptions are checked against community preference over time and modified in response to change. Because it implicitly claims a role of authority, business must identify the mechanism by which its authority is assigned. This study has concluded that business' stakeholder definition and capacity for detecting the need of others is too limited. In turn any base on which business might claim to have authority is limited by the absence of authoritative community assent. Axiomatically, there can be no effective process for validation and update of the community opinion.

61 O'Donovan makes reference to the paucity of the description of justice as simply the will of the majority. (O'Donovan 1996, 14)
In the absence of any authority directly acquired from the community, government was expected to fill the gap as it has, it is argued, the structure and process capability for performing the representative role. Implicitly government takes on the role of Rawls' ideal legislator. It is found, however, that the availability of government for influence by sectional interests corrupts its independence such that any representation is too partial to meet community needs.

Niebuhr identifies authority in general and personal revelation and ultimately points to the Passion. The Passion is authoritative as an action of God and directly indicates the authorised action of justice and love. Niebuhr generally refers in his writing to transcendence or to the transcendent. For Niebuhr, the Cross was the essence of transcendental revelation and he does not generally distinguish between them. In any practical attempt by the Church to address concerns it may have about business, an appeal to the transcendent seems likely to offer a better ground for initial discussion than the Cross for two reasons. First, the greater complexity of the arguments surrounding the theology of the Cross is likely to distract the potential audience. Second, and more importantly, is the need to avoid assuming Christian knowledge (whereas Niebuhr could assume familiarity with Christian principles), and to allow for knowledge of transcendence possibly from the perspective of non-Christian traditions.

Therefore, while it is not practical to establish it as a sole authority, the Church may have a role as a voice claiming the contemporary relevance and the imperative of the revelation of the Passion and to proclaim its relevance to social responsibility of business organisations in relation to other claims of corporate social responsibility. (Niebuhr Vol 2 1941, Ch3)

In order for any form of contractual relationship to be real and effective it must be apparent that there is an active, effective and authorised voice of the community which is able to gather the preferences of the community for its good and able to represent those interests effectively in the business community with which the contract is made. It is not clear that any authorised voice of the community has been accessed or assembled by business as a whole or by any of the businesses examined by themselves. Business' moral agency is in doubt given the structure of its interests in preferring the owner. The GFC of 2008-2009 is an example of the evidence of history of the incapability of business to represent the broader community.

Community representation is structurally limited by its capability to self-organise and to be effective in assessing the needs of others beyond the self interests of the representatives. Rawls idealises the role of representation in the form of a constitutionally constructed body of ideal legislators. It is not clear exactly who Rawls thought would perform this role, although government is implicit. The inability of government to be representative has already been discussed.

Niebuhr's theology is more coherent because it accounts for transcendent reality and acknowledges and responds to the revelation of the Cross. Niebuhr provides a social anthropology which describes how contingent human behaviour operates in the face of transcendence alloyed by the anxiety of finitude, which, Niebuhr argues, is the lot of all humans. Niebuhr's anthropology and theology provide a more detailed and more practical account, in particular of the dynamics of self interest in the social context.

Niebuhr’s insight is to distinguish community life and norms of behaviour from individual possibilities and preferences that are driven by transcendent revelation. A CSR based on Niebuhr's theology enables better definition of community good beyond the historical and will be more capable of delivering just outcomes than the more limited CSR based on economic politics. A 'Nieburian' CSR will encompass broader community needs, will identify community-based stakeholders and will motivate the community to be more responsible in ensuring its own needs are met. The fundamental problem he raises is how to translate individual faith in the transcendent relationship with God to community, including business, action. The social responsibility of the ASX Top 50 companies is ignorant of the transcendent and its imperatives. It involves a community that is driven by partial interests and desire for power that opposes the Law of love. It is thereby incapable of reliably guaranteeing just outcomes and is therefore a less satisfactory formula for the organisation of community life than Niebuhr’s theology.

62 In Niebuhr's time and given Niebuhr's background, it seems likely that he would not have considered the distinction necessary for his audience.
Appendix 1 - ASX Principles of Good Corporate Governance Practice and Best Practice Recommendations (Guidelines)

1. Lay solid foundations for management and oversight.
Recognise and publish the respective roles and responsibilities of board and management.

2. Structure the board to add value.
Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

3. Promote ethical and responsible decision-making.
Actively promote ethical and responsible decision-making.

4. Safeguard integrity in financial reporting.
Have a structure to independently verify and safeguard the integrity of the company’s financial reporting.

5. Make timely and balanced disclosure.
Promote timely and balanced disclosure of all material matters concerning the company.

6. Respect the rights of shareholders.
Respect the rights of shareholders and facilitate the effective exercise of those rights.

7. Recognise and manage risk.
Establish a sound system of risk oversight and management and internal control.

8. Encourage enhanced performance.
Fairly review and actively encourage enhanced board and management effectiveness.

9. Remunerate fairly and responsibly.
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

10. Recognise the legitimate interests of stakeholders.
Recognise legal and other obligations to all legitimate stakeholders.
Appendix 2 – Global Reporting Initiative

Detail relating to these indicators is available from the GRI website: http://www.globalreporting.org/NR/rdonlyres/ED9E9B36-AB54-4DE1-BFF2-5F735235CA44/0/G3_GuidelinesENU.pdf

The following companies can be found in a search of the GRI online database as having lodged documents – usually their annual report or sustainability report:

- AGL Energy
- Amcor
- ANZ Bank
- BHP Billiton
- Fosters Group
- Insurance Australia
- Lend Lease
- National Australia Bank
- Newcrest Mining
- Origin Energy
- Rio Tinto
- Stockland
- Telstra
- Transurban
- Westpac
- Woolworths
- Zinifex

Only five ASX Top 50 companies mention the GRI Reporting framework:

- Boral
- Brambles
- CSL
- QBE Insurance
- Woodside
### Appendix 3 – Indices and external authorities used by ASX Top 50 companies.

<table>
<thead>
<tr>
<th>Authority</th>
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<tbody>
<tr>
<td>AA1000 Stakeholder Engagement Standard</td>
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<tr>
<td>AS8000 - Good Governance Principles</td>
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<tr>
<td>AuSSI Sustainability Index. (Australian SAM Sustainability Index)</td>
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<tr>
<td>Australian Industry Greenhouse Network (AIGN)</td>
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<tr>
<td>Australian Building Greenhouse Gas Ratings</td>
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<td>Australian Building Greenhouse Rating (AGBR)</td>
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<td>Australian Business Community Network</td>
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<tr>
<td>Australian Business Roundtable on Climate Change (CEOs of: BP Australia, Insurance Australia Group, Swiss Re, Visy Industries and Westpac and the Executive Director of the Australian Conservation Foundation, Origin Energy)</td>
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<tr>
<td>Australian Centre for Corporate Social Responsibility (Stakeholder 360)</td>
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<tr>
<td>Australian National Pollutant Inventory</td>
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<td>Business For Poverty Relief Alliance</td>
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<td>Business In The Community - Corporate Responsibility Index (UK)</td>
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<td>Carbon Banc</td>
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<td>Carbon Disclosure Project - Climate Leaders Index</td>
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<td>Corporate Knights (Canadian Magazine for Responsible Business)</td>
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<td>Corporate Responsibility Index (St James Ethics Centre)</td>
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<tr>
<td>Dow Jones Sustainability Index <a href="http://www.sustainability-indexes.com/">http://www.sustainability-indexes.com/</a></td>
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<tr>
<td>Equator Principles - agreement not to fund projects that endanger communities or the environment</td>
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<td>Extractive Industries Transparency Initiative</td>
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<td>Federal Energy Efficiency Opportunities programme</td>
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<td>FTSE4Good</td>
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<td>Global Footprint Network</td>
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<td>Global Reporting Initiative</td>
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<td>Globally Responsible Leadership Initiative</td>
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<td>Governance Metrics Index</td>
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<td>Green Building Council of Australia</td>
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<td>Green Building Council of Australia.</td>
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<td>Innoves</td>
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<td>International Council in Mining and Minerals</td>
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<tr>
<td>International Council on Mining and Metals - Framework for Sustainable Development</td>
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<tr>
<td>International Petroleum Industry Environmental Conservation Association (IPIECA)</td>
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<td>Investor Group on Climate Change - Australia New Zealand</td>
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<td>Lincoln Scott Triple Bottom Line Award</td>
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<td>London Benchmarking Group</td>
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<td>Millennium Goals</td>
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<tr>
<td>Minerals Council of Australia's 'Enduring Value' code (economic, social and environmental sustainability).</td>
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<tr>
<td>NABERS - National Australian Built Environment Rating System (incorporates AGBR)</td>
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<tr>
<td>National Australian Built Environment Rating System</td>
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<tr>
<td>NSW Building Sustainability Index - BASIX</td>
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<tr>
<td>OECD Guidelines for Multinational Enterprises,</td>
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<td>OECD Local Economic and Employment Development</td>
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<td>PM's Community Business partnership</td>
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<td>Reputex Social Responsibility ratings</td>
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<tr>
<td>UN Environment Program Statement for Financial Institutions</td>
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<td>UN Global Compact</td>
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<td>World Business Council for Sustainable Development</td>
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Niebuhr’s critics take aim at three aspects of his theology. The broadest critique is over Niebuhr’s failure to assemble his theology in the systematic manner some, principally James Gustafson, were expecting. Along with Heather Warren and Ronald Preston, Gustafson rejects Niebuhr’s mixing of theology, sociology and politics.

Gustafson’s critique addresses four principles of theological ethics: account of the procedures used to come to a practical moral or social choice, interpretation of circumstances, anthropology, and doctrine of God. Niebuhr’s procedures are too consequentialist for Gustafson and he dislikes their central approach of drawing conclusions from events rather than arriving at an ‘in principle ought’ against which events can be judged. Equally, Niebuhr references principles of justice frequently without establishing a comprehensive theory of them. Gustafson sees this lack of systematic development as naive and problematic. His approach to development of theological conclusions from observations of everyday events and his approach to dealing with the tensions between the ideal and the actual, that is, by accepting confusion and paradox, also fails to be sufficiently systematic. Gustafson does, however, acknowledge Niebuhr’s success in accounting for the deceptions and illusions that constitute our humanity. (Gustafson in (Harries 1986, 24))

Hauerwas is also offended by Niebuhr’s lack of system, his anthropological basis and his failure to develop an ecclesiology. He observes Niebuhr’s sociology is adopted by secular thinkers without its biblical basis, perhaps in response to its strong philosophical underpinnings, especially Stoicism. Hauerwas criticises Niebuhr for having a view of faith that is constantly formed and validated by life experience making it difficult to separate his theology from his life. In this way Niebuhr's theology is regarded by Hauerwas as simply a complex humanism presented in Christian language. (Hauerwas 2001, 90, 127, 131, 133)

On these points the systematic theologians are unwilling to allow for Niebuhr’s realism or to allow that popular, even secular, adoption of his thinking was Niebuhr’s intention, his genius and the reason for enduring relevance.

Hauerwas, being a pacifist, further objects to Niebuhr’s willingness to accept that some coercion is necessary to achieve any justice. There is much discussion in the criticism of Niebuhr over his approach to American military action at the time of World War II and argument, ultimately inconclusive, over his Just War position. (Berkman and Cartwright 2001, 58)

Feminist critic Daphne Hampson sees Niebuhr’s assessment of the sin of pride overemphasising essentially male characteristics to the exclusion of the feminine sin of sensuality. Hampson observes Niebuhr’s account of pride is based on Kierkegaard and laments Niebuhr’s failure to incorporate completely Kierkegaard’s account of sensuality and the identification of pride and sensuality as essentially but not exclusively male and female characteristics. (Hampson in (Harries 1986, 46-58))

Finally, a number of writers remark, not altogether negatively, on Niebuhr’s acceptance of paradox. Paradox issues out of Niebuhr’s commencement point in anthropology. He follows it with his location of the ideal in the impossible ethic of sacrificial love as exemplified by Christ on the Cross. He does not conclude ultimate and irredeemable fallenness of humanity but that the meaning of the Cross rests in the mercy that joins justice; this being its message and the basis for human hope as well as an explanation the real reality. The same group is not comfortable with Niebuhr’s negative apologetic that, having sensed human transcendence, the person needs to respond authentically to that transcendence. Part of that response is, having established people can transcend their limitations, to not be anxious about them.Niebuhr’s anthropology focuses on the outcome of not doing so. Anxiety manifests itself in the form of pride and sensuality, that is, an attempt to avoid self-contradiction. Most people are caught in this self-contradiction to some degree. At issue is how humans deal with their freedom in transcendence and the transcendence of reason. The ethic of sacrificial love is the impossible ideal. This ideal cannot be achieved fully in everyday life because it can never be conceived without contamination by our partial interests. Malotky argues that Niebuhr never resolves the paradox satisfactorily. The problem with this position is that it assumes humans can be completely
knowledgeable about the meaning of transcendence, a proposition Niebuhr would reject. (Malotky 2003, 101) (Lovin 2003, 489)

These critics fail to arrest the popular relevance of Niebuhr’s work which has risen even as a result, according to Lovin, of September 11, 2001. With the exception of the pacifists, the criticisms are as much commentary on form and approach as finding fault with any deep element of Niebuhr’s theology.

**Using Niebuhr’s theology to enable Church-Business engagement**

Niebuhr’s critics take aim, effectively in some instances, at Niebuhr’s theology and his project essentially from the standpoints of their own theological predispositions and preferences for method and system. This account of Niebuhr’s theology seeks another purpose, which is to see if the outcome of Niebuhr’s work will enable the building of a resource that will explain to the Christian community why business does what it does, what drives it, what factors are important in decision making and what are the primary influencers of business participants in various roles. It seeks to discover this resource in terms that will enable a Christian response that is meaningful both to the business community it seeks to understand as well as to the Church and provide the Church with (at least in an elementary fashion) some tools with which to frame and deliver a response based on Christian belief. It seeks models which will provide the Church with some conceptual understanding of the operative norms of business that might enable informed and constructive engagement and avoid critical exchanges based on mutually opaque concepts such as sin. Finally it seeks to equip the Church with a vocabulary of business that will enable discussion.

Niebuhr’s anthropological account delivers a basis for such an understanding. Insofar as it fails to resolve many of the questions and paradoxes it describes, his work dissects the sources and drivers of these problems of human behaviour in a way that is both readily understood and which relates historical human behaviour to the transcendental relationship of God to humanity and this temporal historical life we seek to understand.

This account is a criticism of the bases of the development of the principles of CSR by the ASX Top 50 companies. Niebuhr’s theology and anthropology provide ample material on which to make this criticism, and to begin to address and engage with the problems identified. An account of CSR based on Niebuhr’s work will be more coherent than the view of CSR apparent in the source research material to the business community, to society at large and to the Church. Such an outcome reflects Niebuhr’s own project to account for everyday human behaviour in a contingent, historical world.
Bibliography


