

FORTIFYING THE CASTLE: BRIDGING CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL IMPACT ASSESSMENT

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INTRODUCTION

Corporate social responsibility (CSR) and social impact assessment (SIA) share foundational values; that is, to address the social implications of corporate activities with concern for human rights, livelihoods, community engagement in decision-making, ethical behaviour and the valuing of local knowledge and the environment. Even where a single corporation espouses CSR and carries out SIA, however, the practices often appear as two keeps to the same castle. Each practice may be strong in its own right, bolstered by internal policies or external regulations (or both), each may have its dedicated guardians within the firm, each its champions who espouse its values and ensure its regular practice, yet they remain unbridged.

Three key areas of divergence in the relationship between CSR and SIA are explored here: the policy-practice gap; formal versus informal regulation; and internal versus independent implementation. Examples are drawn from case studies in the mining sector, especially operations managed by Australia-based companies. The paper uses these examples to reflect upon whether and how CSR and SIA could or should merge. Can these towers be bridged, creating a more fortified company, better able to serve its community and shareholders?

This paper rests on a few key assumptions. First, and perhaps most importantly, the paper assumes that, for the most part and in many regions of the world, CSR and SIA remain distinct practices with their own domains and uses by corporations, governments and communities. Secondly, the paper presumes that there is value to be gained in exploring the similarities and divergences of the two practices to suggest means of improving cohesion. Finally, the paper assumes that the two practices are informing one another in their current states, but that this dialogue remains mostly 'subconscious' or indirect and that there is value to be gained from a more purposeful and direct interaction between CSR and SIA.

CONTEMPORARY CSR PRACTICE

Contemporary corporate social responsibility is challenging to define, as it manifests in a mixture of approaches, each of which has dominated practice at particular stages in its history (Frederick, 2008). Furthermore the style and timbre of contemporary CSR policies and practices differ between industries, nations and cultures (Birch & Moon, 2004). Despite these differences it is possible to set out a few perimeters which distinguish leading contemporary practice in CSR. First, the corporations which espouse it see it as essential to business success. Best practice CSR is no longer an added extra, but a foundational component of a firm, as crucial as financial management and potentially just as impactful (Orlitzky & Benjamin, 2001). Secondly, contemporary CSR sees corporations taking direct and sometimes proactive responsibility for their actions and impacts. While certain scholars are beginning to argue that the responsibility of the firm may have been stretched too far (Husted & Allen, 2011), it is the willingness to admit culpability and take responsibility which signals leading practice. Thirdly, stakeholder views are not only acknowledged by the firm but are considered and responded to and, in best cases, may inform corporate policy and practice (Jamali, 2007). Related to this, contemporary CSR focuses on corporate-community partnerships, long-term community investment and the creation of sustainable communities through concentration on adding value throughout the supply chain (Porter & Kramer, 2008; Wood, Logsdon, Lewellyn, & Davenport, 2006). Finally, contemporary CSR builds on the existing strengths of a firm to optimise its capacity to contribute to communities efficiently, effectively and appropriately (Porter & Kramer, 2011).

CONTEMPORARY SIA PRACTICE

There is neither space nor scope to detail fully the tenets of leading, contemporary SIA. But like CSR, it is possible to delineate a few central points. First, leading practice SIA is not static and one-off, but a dynamic and responsive process which is integrated throughout project life. Secondly, it centres on stakeholder engagement, identifying and involving key stakeholders in both assessing impacts but also informing recommendations for mitigation or avoidance. Thirdly, best practice SIA is principled and values-based. It is ethical and transparent, holding respect for communities and local environments most dear. Finally, leading

practice SIA is characterised by progressive professionalisation in which practitioners employ proven assessment methods, robust measurement tools, critical analysis and strong theoretical linkages to social science.

WHY DO SIA AND CSR LACK COHESIVENESS?

Even from a brief summary, it is immediately clear that contemporary, best practice corporate social responsibility and social impact assessment share essential concerns and deploy similar methods and values to address them. Certainly, the two practices inform one-another, if only indirectly. So why do SIA and CSR lack a cohesiveness that could ultimately generate holistic improvements for both communities and companies? The following sections delve into three key areas of divergence, identified through a decade of research and practice in the Australian mining industry, at both on- and off-shore operations.

The policy and practice gap

Both CSR and SIA suffer from a phenomenon new institutionalist scholars term ‘decoupling’. In brief, decoupling occurs where an organisation’s on-ground practices diverge from its formal policies, values, mission or ethics, usually as delineated in key company documents (Meyer & Rowan, 1991). Decoupling between formalised policies or procedures and actual practices is both ubiquitous and problematic. It creates divides between corporate intention and corporate behaviour, but its general acceptance as part of corporate life—the ‘eh, what can you do?’ factor—also means that it can reinforce behaviours or practices which are less than ideal.

In the case of social responsibility in mining, decoupling appears most prevalent among major multinationals which have a decentralised management approach where CSR policies are crafted and approved at a corporate level but individual business units bear implementation responsibilities in whatever manner on-ground (usually community relations) staff deem appropriate. Theoretically, this should be a workable model. In practice, even where community relations staff hold good intentions, attempt to uphold corporate policy and are knowledgeable about best practice CSR, they are hobbled by resourcing and time constraints, coupled with immediate community demands and ‘fire fighting’. This leads to CSR program choices which are less than ideal. In certain remote Australian mining communities, for example, such decoupling has led to companies rolling out whatever programs they are able, sometimes to the detriment of community benefit or even their own reputations (Bice, 2013). Such programs are frequently *ad hoc*, reactive and fail to address priority community needs. As CSR has become more mainstream and general understanding of its tenets and intentions has improved, both community members and CR staff recognise such actions are less than optimal, but feel stuck in a cycle of expectation, giving and corporate oversight which does not support the time, resources or strategy necessary for change (Bice, 2012).

In the case of SIA, decoupling is particularly complex because it may operate externally *and* internally to the company. First, there may be discrepancies between an SIA practitioner’s beliefs, values and ideals concerning what constitutes best practice SIA and her ability to implement such practice given the client’s brief, scope of work, budget, timing, openness or resources. Personal experience and anecdotal evidence suggest that such tensions are part and parcel of an SIA consultant’s life. This type of decoupling is challenging both at a professional and personal, ethical level. For example, organisations like IAIA define best practice while, simultaneously, Association members may find themselves forced to practice in ways misaligned (to varying degrees) with their professional body’s values and ideals. Such experiences also suggest that much work remains to be done on the client side of SIA to build understanding and acceptance of best practice SIA.

Secondly, it follows that decoupling in relation to SIA is more likely to involve a divergence between ideal practice and regulatory requirements. The philosophies and methods which underpin leading SIA, such as genuine community engagement, attention to human rights and valuing of local knowledge (to name but a few) are being pursued by thought leaders and star practitioners but requirements for such considerations are only just beginning to surface in regulatory requirements. In Australia, for example, Environmental Assessments in New South Wales now require the SIA to involve ‘effective stakeholder consultation’. A draft national regulation harmonisation framework for the coal seam gas industry focuses on a ‘social licence to operate’. While these examples suggest a movement towards regulation which reflects what practitioners know to be best practice, too often corporate policy and regulatory requirements are still playing catch-up to methodological, value and practical advances in SIA.

In terms of linking CSR and SIA, decoupling shows that the challenges inherent in pursuing best practice in each field, independently, can leave practitioners with little time and energy to devote towards constructing improved linkages. Thus, connecting CSR and SIA may seem a bridge too far. And, as the next section suggests, divergence in regulatory oversight does little to encourage connections.

Informal vs. formal regulation

CSR and SIA also remain largely separated due to the nature of policies and regulations which guide their requirements and implementation. In most instances, CSR is guided by informal (i.e. voluntary) regulation, while SIA is required through formal (i.e. legislated) regulation, whether in standalone licensing requirements or under the umbrella of environmental impact assessment (EIA). Such positioning also influences disconnections between CSR and SIA, as CSR is ultimately viewed as a 'should do/nice to have' while SIA is a 'must do/need to have'.

With regulation comes legitimacy (Power, 1997), and it is certain that the growth of voluntary auditing frameworks and legislation which at least references CSR is prompting many resources companies (like their counterparts in other industries) to invest significant funds in the practice. Yet these investments, however earnest, remain primarily voluntary. Furthermore, the voluntary nature of CSR regulation means that mining company staff are confounded by a still-growing plethora of frameworks and initiatives from which to choose. As recently as 2008, David Vogel identified over 300 global auditing frameworks which aim to guide the implementation of CSR. For the most part, mining companies look to their peers or industry bodies to help determine which frameworks are most appropriate, with the Global Reporting Initiative (GRI) and UN Global Compact leading the pack. Importantly, the GRI's 'mining and metals sector supplement' includes a performance indicator concerning assessment of social impacts, possibly offering one of the few direct connection points between CSR and SIA.

Conversely to CSR, SIA usually falls within the realm of formal compliance and is used to progress licensing applications and respond to government directives. The formalised nature of SIA regulation affects how the practice is treated by companies. In the majority of cases, SIA is or must be completed by individuals independent to the company. Regulatory compliance can result in SIA being located in sections of the organisation separate to those which may deal more directly with CSR. For example, in Australia, the majority of SIA requirements fall under EIA regulations, making it more likely for SIA to be located within the remit of a company's environment department or, on occasion, to be handled via auditing and governance. CSR, meanwhile, is frequently positioned alongside community relations or sustainable development (Kemp, 2010). Thus, differences in the types and degrees of regulation governing CSR and SIA seem to play a key role in keeping the two apart, at least at an organisational governance level.

The internal/external divide

Finally, and consequent to all of the above, CSR and SIA maintain separate keeps due to the internal/external way in which work for each is commonly carried out.

In the majority of large, Australian mining companies, responsibilities for implementing CSR programs rest with community relations staff, with guidance from the Sustainable Development (or similar) department at the corporate level. SIA, meanwhile, is mostly completed by independent consultants specialising in the practice. The use of external consultants to complete SIAs is seen as a key means of ensuring the credibility and legitimacy of assessment results (Vanclay & Esteves, 2012). Recent research suggests, however, that the outsourcing of SIA may lead to a lack of understanding or integration of results into a company's community relations planning (Bice, 2012). Where companies find it difficult to integrate SIA findings into strategy, planning and staff activities, assessment findings and recommendations relevant to CSR are unlikely to find their way into the light. This means that valuable SIA information which could inform and improve CSR practice is often lost.

Better integration of the work of SIA consultants and CR staff, and of SIA results to directly inform CSR planning and programming would enrich and strengthen both practices. Especially where SIA is completed according to best practice, resulting in a dynamic assessment which provides ongoing insight into community concerns, the potential to transform and improve CSR may be revolutionary. CSR programs would be less *ad hoc* and more proactive. They would be more likely to target research identified community needs. A robust, social scientific evidence base would support programming, and the work of SIA consultants would be valued not only for its contribution to meeting regulatory compliance, but for its potential to add value to the CSR work in which major miners invest billions.

Fortifying the castle: Bridging CSR and SIA

In order to fortify the castle by bridging CSR and SIA, three types of changes are necessary.

First, a **cultural shift** in which the values delineated in CSR policies and frameworks are better understood as relevant to and integrated within SIA planning and implementation is necessary. An improved culture around CSR and SIA would see the practices linked based on their shared values and consequent ability to influence company behaviours. For example, values and

expectations resting in CSR documents could be used as a check against SIA findings. Furthermore, as SIA methods improve and integrate the philosophical approach emphasised by IAIA, SIA holds the potential to influence CSR related values, ethics and behaviours.

Many companies currently see SIA as compliance, while they see CSR as necessary but voluntary. The semantic differences between the two practices can influence the disconnection between them. An **attitudinal shift** in which CSR is valued across the organisation to the same degree as compliance-based SIA would advance good practice and contribute to a stronger linkage of the two. At present, those staff whose roles are dedicated (in full or in part) to CSR tend also to be the ones most likely to value it. In Australia, garnering organisation-wide buy-in for CSR remains one of the biggest challenges faced by CSR Managers, across all industries (Australian Centre for Corporate Social Responsibility, 2013). Attitudes to CSR must change to strengthen its links with SIA.

Behaviourally, a re-evaluation of the ways in which SIA and CSR are carried out is necessary. CSR's lack of formal regulation and boundaries for activities can mean that sometimes companies go too far, extending into quasi-governmental roles (Bice, 2013). It is in these situations that perhaps the most important opportunities for a merging of generations lies. If the results of SIA were better incorporated to inform CSR program planning, these programs could be better coupled with headquarter level policies and, equally, SIA results would be more meaningful. Such a linking of SIA findings with CSR policies, planning and programming would also necessitate regular SIA reviews – SIA would need to become more than a one-off, beginning-of-project practice for regulatory compliance. It would, instead, become both a regulatory measure but also a key monitoring and evaluation component of CSR programs. Given that many companies must now undertake SIA on a fairly regular basis due to regulatory requirements concerning mine expansions, licensing checks, etc., this approach offers an effective, efficient and thorough means of deploying the rich data gathered through high quality SIA to craft better targeted, more meaningful CSR programs. Ultimately, this allows companies to achieve the much sought after status of 'going beyond compliance', shapes and influences a company's social licence to operate and improves the return on investment for CSR programs.

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