Trends in NZ CSR practices

Stewart Lawrence, Eva Collins, Juliet Roper and Jarrod Haar

Waikato Management School, New Zealand

Introduction

There is a sense that nowhere is there as much confusion and hypocrisy than in the debate about CSR and sustainability. Both concepts are supported universally, yet in practice very little seems to change. Despite a great deal of rhetoric surrounding CSR practices, little evidence is available about the extent of practices. Firms do not tend to report their practices, especially small scale companies in New Zealand (Daniels, 2006).

For this reason, the Sustainable Business Network (SBN) sponsored a team of researchers from Waikato University to undertake a survey of ‘sustainability’ practices among members of SBN, and to compare the results with non-members. A survey was conducted in 2003 of all members of SBN and a matched sample (size, location) of non-members. The survey was intentionally simple. We did not mention terms such as ‘sustainability’ or ‘corporate social responsibility’. We merely asked direct questions about practices – “Do you have targets for energy/ waste reduction?” “Do you have a recycling programme?” “Do you report against targets”, and so on. We also covered drivers and barriers to such practices. The survey was repeated in 2006 and an amended survey was used in 2009/10.

The research to-date has covered:

• Changes/trends in practices from 2003 to 2010;
• Responsibility for policy development and implementation of practices;
• Drivers (internal and external) to adoption of practices;
• Barriers to adopting ‘sustainability’ practices, and;
• Businesses’ perception of the importance of such issues in the future.

We report on the extent of practices. Practices increased for all categories of participants between 2003 and 2006 but went into decline for some participants by 2010. The latest survey, in late 2009 and early 2010, captured what happened to sustainability practices during one of the worst global economic recessions in recent history.

We attempt to explain the apparent divide between members of SBN and non-members in the latest survey (2009/10) which was not apparent in the two previous surveys (2003 and 2006). The economic downturn has created a growing sustainability divide. There are businesses whose commitment (reflected in membership of SBN) separates them from businesses that may view social responsibility practices as a legitimising device, and a ‘nice thing to do’
when times are good. In recession, these latter organisations cut back on non-profit oriented practices, focusing on self-preservation.

For explaining the different response to the economic downturn, we draw on a theory of autopoiesis. The theory views organisations as autopoietic systems. These are basically closed systems which respond to outside influences in terms of their own structural features and need for self-preservation and reproduction. The theory of autopoiesis has not been extensively employed to explain social systems. This paper aims to show the explanatory possibilities of this particular form of systems theory especially in regard to the ‘sustainability’ divide.

The paper is structured as follows. The next section will provide a brief review of literature on social and environmental practices. Then the survey itself will be presented and the extent of use of social and environmental practices by firms in New Zealand illustrated. The theorisation of a growing divide is presented drawing on autopoiesis. A concluding section will summarise the essence of the findings and theorisation.

**Literature review**

**Is the concept of sustainability still controversial?**

Recent reports support the view that both demand for and interest in business sustainability is growing. A *Business Week* report, “Beyond the Green Corporation” (January 29, 2007), noted a shift in both practice and attitudes from big corporations regarding sustainability reports. They were reported to have moved from a concern with corporate image to a far greater understanding that there is a strategic advantage in improving both social and environmental practices. Consumers are increasingly demanding action on sustainability issues from business and government. In 2007, the Moxie Design Group commissioned a survey which reported significant growth in consumer concern for action to mitigate greenhouse gas emissions and stop deforestation. Forty per cent of the respondents expressed concern about what corporations are doing in the name of making a profit. In a Business Council ShapeNZ online survey of 3088 respondents, 7 out of 10 said a company's environmental performance had a significant impact on whether or not they would buy their products.

Because of the key role of the economic sector in sustainable development, firms are under pressure to take a responsible approach to their social and environmental impacts (Eccles, Herz, Keegan & Phillips, 2001; Elkington, 1998; Shrivastava & Hart, 1995). Failure to do so requires governments to take regulatory action to mitigate environmental harm (Heath, 1997; Roper, 2002; Roper, 2005), a situation which is typically resisted by business in favour of voluntary action.

In February 2007 a *NZ Management/ShapeNZ* business poll of 190 business decision makers showed that sustainability was accepted as a mainstream business philosophy and that it
could lead to increasing our competitiveness internationally. This suggests a large shift toward planning for the long term benefits of sustainable business practices.

As the Management/Shape survey highlights, adoption of programmes of sustainability or social responsibility today goes further than maintaining organisational legitimacy - it can in fact provide a competitive edge for those seen to adopt them (Shrivastava & Hart, 1995). The number of businesses producing, for example, ‘triple bottom line’ reports (Elkington, 1999; 2001) continues to grow, as does interest in organisations such as New Zealand’s Sustainable Business Network and the New Zealand Business Council for Sustainable Development.

A contrasting view is that while there has been a communicative avalanche in corporate reports, and in rhetoric of corporate social responsibility, the underlying issue of unsustainable growth continues unabated. Papers at the APIRA conference in Auckland (2007) indicated a growing angst among researchers in the area of social and environmental reporting. Papers were variously entitled: “Chronicles of wasted time” (David Owen, 2007); “Environmental accounting–why bother?” (T. Wilmshurst, 2007)); “Exposing organisational rhetoric: the case of James Hardie” (S. van der Laan and L. Moeremen, 2007); “From soothing palliatives and towards ecological literacy: a critique of the triple-bottom-line” (M. Milne, A. Ball and R. Gray, 2007).

As stated in the Introduction, there is much confusion and hypocrisy in the debate about CSR and sustainability. Both concepts are supported universally, yet in practice very little changes. Governments, industry confederations, companies all speak of their commitment to sustainability but the relentless push for growth and competitive advantage better reflects their practices. It has led some strong intellectual protagonists almost to give up the struggle (Grey et al, 2007). Only when the rhetoric is matched by practices at grass roots level will there be a move towards a truly sustainable future.

Clearly, much is being expected of business. The question remains: Are they delivering? A Landcare Research survey of one sector in NZ, the food and beverage sector, suggests that this group, at least, are not yet thinking about sustainability in terms of long term advantages (Stancu & Smith, 2007). Are those groups which are, reportedly, changing their thinking actually changing their practices? If not, why not? What are the barriers to business sustainability in New Zealand?

Such questions motivate our survey of practices among firms in NZ to gauge the progress over the period 2003-2010. A survey is needed because as reported by BT Financial (2006), New Zealand’s top companies lag behind their international counterparts in reporting their sustainability performance. Similarly, a KPMG survey found that 67% of companies internationally reported their greenhouse gas emissions, compared with only 24% in New Zealand (Daniels, 2006). As public demand and organisational interest in sustainability issues develops, how are organisational practices in New Zealand keeping up?

If we can’t rely on self-reporting, the only way to find out is to ask them directly – do you engage in these specified social and environmentally friendly activities? Why? Who decides?
Are they driven by motives other than profit maximisation? If accountants are not reporting, are they engaged in day-to-day operational activities - in setting targets for waste, energy consumption, recycling? Do they incorporate costs and savings from social and environmental activities in their accounting systems and budgets? What pressures are there from the outside? These questions are what we tried to find answers to with our questionnaire and follow-up interviews in NZ between 2003 and 2010.

The survey

The survey of organisations was conducted in late 2009 and early 2010 in order to find out what happened to sustainability practices during one of the worst global economic recessions in recent history. There was a 30% response rate. Out of the 736 respondents, 15% had responded to a similar survey conducted in 2003 (Collins & Lawrence, 2005) and again in 2006 (Collins, Lawrence & Roper, 2007) allowing, not just an overall picture of the nation, but a tracking of individual companies over a 7-year period. The study also analyses the drivers and barriers to adopting environmental and social practices.

The same survey instrument was used in 2003 and 2006. In 2010 it was modified with the addition of some questions to reflect new developments in government policy, international trends, and changing environmental circumstances. These included questions regarding carbon emissions and, with water in New Zealand beginning to be viewed as a limited resource, a question about targets for reduction in water use. They also included specific questions for the New Zealand Chartered Institute of Management Accountants (CIMA) who sponsored the 2010 survey. The key research question that guided each of the surveys was: What is the nature and extent of business adoption of sustainability practices in New Zealand?

Surveys were e-mailed and sent out by post. Respondents could complete the survey online or post a hard copy. Surveys were sent to the Managing Director of each organisation. Surveys were sent to members of the Sustainable Development Network (SBN) and CIMA; participants of the NZ Shape polling panel which is affiliated with the New Zealand Business Council for Sustainable Development (NZBCSD); and companies from the Kompass database. The composition of the respondents by organisational membership was:

- 38% SBN
- 9% CIMA
- 7% NZBCSD
- 54% None of the above

Findings: Environmental Practices

Figure 1 illustrates the changes in the adoption of environmental practices by New Zealand businesses since 2003. Despite the economic downturn, there has been a general increase in
environmental practices. Interestingly, considering the positive short-term economic benefits, waste and energy targets were two practices that decreased in 2010.

The 2010 survey found that the most common environmental practice was recycling, with 79% of firms indicating that they have a recycling programme. While 66% of respondents consider the environmental impact of its products, processes and/or services, only 28% have measurable waste targets and 26% energy targets. Only 17% of respondents stated that they have water reduction targets while 16% had carbon reduction targets.

Nationally and internationally, some media reports have challenged New Zealand’s “clean green” branding, questioning New Zealand’s commitment to the environment (Cumming, 2010; The Economist, 2010; Pearce, 2009). The survey results show, however, that the number of companies basing their marketing on environmental claims such as “clean, green New Zealand,” continues to grow steadily, from 17% in 2003 to 30% in 2010. This growth makes it even more important that there is substance behind the marketing claims.

![Environmental Practices 2003-2010](image)

**Figure 1**: Environmental Practices 2003-2010

In the 2003 and 2006 surveys we found that firm size was the primary predictor of the adoption of environmental practices and the 2010 results are consistent with these earlier

---

1 The following is a complete list of environmental practices a respondent could choose from: Has a recycling programme; Has a company environmental policy statement; Produces a public environmental and/or sustainability report; Considers the environmental impact of our products, processes and/or services; Develops product and service innovations based on environmental benefits; Marketing or image based on environmental claims (e.g. clean, green NZ); Has measurable targets for: Employee training programs related to our environmental goals; Reducing waste; Reducing water; Reducing carbon; Participates in a voluntary environmental program; Has an environment-focused supplier program; Has environmental management systems; Don’t know; None; Other (please specify)
findings. In every category, the larger the firm, the larger the uptake was of environmental practices. An ANOVA indicated significant differences. These results are consistent with international findings related to firm size (Gerstenfeld and Roberts, 2000).

The challenge for New Zealand is that the majority of businesses are small businesses, as stated above. To achieve any national environmental policy objectives, or indeed to lend substance to sustainability-based national branding, small business practices must be consistent with the brand. The difference in uptake between small and larger firms is more acute when viewed through a comparison of the 2010 figures with those of 2006. Although overall there was a slight increase in the uptake of environmental practices between 2006 and 2010, the practices of small firms shown in Figure 2, shows a decrease of all environmental practices except participating in a voluntary programme. The results for small businesses are the opposite of the profile for medium businesses which shows an increase in the uptake of all but one environmental practice.

![Figure 2 Environmental Practices of Small Firms, 2006 & 2010](image)

A breakdown of the results according to affiliations of the respondents adds further complexity, but at the same time arguably gives a more accurate representation of the situation, given that the 404 businesses with no affiliation are probably more representative of New Zealand businesses generally. The firm size of this sub-group is typical of New Zealand’s economic profile with 62% of the sub-group being small business, 24% medium and 13% large. As shown in Figure 3, few environmental practices are adopted by more than 20% of this sub-group while 17% have adopted no environmental practices at all.
Comparisons made between non-SBN in 2006 and those with no environmental affiliation in 2010 show a stark contrast in business attitudes during a time of economic recession. In 2006, the survey results showed that while all companies across the sample increased their uptake of environmental practices compared to 2003, SBN members had a significantly greater increase than non members. Although the 2010 survey results overall showed a slight increase in environmental practices despite the recession, those with no affiliation to an environmental organisation registered significant decreases in all but two of the environmental practices. This would indicate that the two groups have diverged in their priorities, with one increasing sustainability commitments, the other decreasing. Table 1 illustrates the statistically different results for firms affiliated to SBN and the group not affiliated.

Table 1 – Business Engagement in Environmental Activities by Affiliation

<table>
<thead>
<tr>
<th>Business engages in the following activities related to the environment:</th>
<th>Affiliated N=350</th>
<th>Non-Affiliated N=402</th>
<th>T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a recycling programme</td>
<td>87%</td>
<td>70%</td>
<td>5.436***</td>
</tr>
<tr>
<td>Has a company environmental policy statement</td>
<td>54%</td>
<td>24%</td>
<td>8.919***</td>
</tr>
<tr>
<td>Produces a public environmental and/or sustainability report</td>
<td>23%</td>
<td>6%</td>
<td>6.935***</td>
</tr>
<tr>
<td><strong>Considers the environmental impact of our products, processes and/or services</strong></td>
<td>84%</td>
<td>47%</td>
<td>11.341***</td>
</tr>
<tr>
<td><strong>Develops product and service innovations based on environmental benefits</strong></td>
<td>52%</td>
<td>17%</td>
<td>11.061***</td>
</tr>
<tr>
<td><strong>Marketing or image based on environmental claims (e.g. clean, green N.Z)</strong></td>
<td>47%</td>
<td>14%</td>
<td>10.602***</td>
</tr>
<tr>
<td><strong>Measurable targets for employee training programs related to our environmental goals</strong></td>
<td>15%</td>
<td>5%</td>
<td>4.358***</td>
</tr>
<tr>
<td><strong>Measurable targets for reducing waste</strong></td>
<td>39%</td>
<td>18%</td>
<td>6.310***</td>
</tr>
<tr>
<td><strong>Measurable targets for reducing energy</strong></td>
<td>35%</td>
<td>17%</td>
<td>5.662***</td>
</tr>
<tr>
<td><strong>Measurable targets for reducing water</strong></td>
<td>21%</td>
<td>12%</td>
<td>3.242**</td>
</tr>
<tr>
<td><strong>Measurable targets for reducing carbon</strong></td>
<td>27%</td>
<td>6%</td>
<td>7.826***</td>
</tr>
<tr>
<td><strong>Participates in a voluntary environmental program</strong></td>
<td>46%</td>
<td>19%</td>
<td>8.233***</td>
</tr>
<tr>
<td><strong>Has an environment-focused supplier program</strong></td>
<td>39%</td>
<td>11%</td>
<td>9.453***</td>
</tr>
<tr>
<td><strong>Has environmental management systems</strong></td>
<td>33%</td>
<td>13%</td>
<td>6.448***</td>
</tr>
<tr>
<td><strong>None</strong></td>
<td>1%</td>
<td>14%</td>
<td>-6.928***</td>
</tr>
</tbody>
</table>

*p< .05, **p< .01, ***p< .001. All tests are single-tailed.

**Findings: Drivers and barriers to the adoption of sustainability practices.**

To get a better understanding of why environmentally sustainable practices are adopted or not, the survey included questions on drivers and barriers: are companies receiving internal and/or external “pressure” to improve environmentally; and what motivated or prevented companies from adopting sustainability practices? The results are shown in Figures 4 and 5.
The biggest increase was external, with slight increases in companies feeling pressure from customers and competitors. With the passage of the emissions trading scheme and the resistance to the legislation by a lot of businesses, we expected companies to report increased pressure from government, but in fact, companies reported a decrease in pressure in 2010 compared to earlier surveys.

The results were sorted by affiliation. Companies with no affiliation, who we reported earlier as being less engaged in environmental practices, feel less internal or external pressure to adopt these practices. On the other hand, 46% of NZBCSD respondents report feeling
pressure from customers. NZBCSD members tend to be larger companies, many of whom operate directly in international markets.

Findings: Drivers and Barriers

Cost was reported as the most common barrier (56%) to adopting sustainability strategies. However, cost was also reported as one of the top drivers (30%). This result reflects the complex nature of the perceived costs and benefits related to sustainability, which fundamentally links to the degree of acceptance of the ‘business case’. Companies can often get quick payback from some sustainability strategies. For example, investing in an energy audit and making the necessary changes to save energy can lead to immediate savings to the bottom-line. However, extensive capital investment, for example installing solar panels, may have positive long-term financial benefits, but may be too costly in the short-term for most firms to adopt.

Figures 6 & 7 show the changes in drivers and barriers from 2003 to 2010. There might be a presumption that there are increased barriers to adopting sustainability strategies during a recession, but the fluctuations are only minor. For example, cost being cited as a barrier only increased 5% from 2006 to 2010. Similarly, there are not many differences in drivers, with reputation and brand continuing to be a strong driver. There is an overall downward trend in most of the drivers with a 15% drop from 2006 to 2010 in companies citing risk management as a driver, followed by a 12% drop for those same years for employees as a driver and 11% decrease for regulations.

![Figure 6: Barriers to Adopting Environmental Initiatives, 2003-2010](image)
The Impact of the Recession on Social Practices

The decline in social practices is greater than the decline in environmental practices.

From 2003 to 2006 there was a general increase in the uptake of social practices, but in 2010 there was a marked decrease in every social practice, with most below 2003 levels. Figure 8 is a stark illustration of which sustainability strategies take a hit during an economic decline.
The 2010 survey results most likely reflect the fact that there is no longer a tight labour market. Recruitment and retention of employees was a top driver for adopting sustainability strategies at 32%, but in 2006 that figure was 44% and 2003 it was 47%.

**Social Practices by Affiliation**

In light of the importance of affiliation to the results of environmental practices, we analysed social practices by affiliation in Figure 9.

![Figure 9: Social Practices by Affiliation](chart.png)

Figure 9 illustrates CIMA members who responded to the survey as the most engaged in social practices. Similar to the results related to the environmental practices, companies with no affiliation rank the lowest for uptake in every social sustainability category.

Overall, New Zealand organisations that are affiliated with sustainability networks are significantly more likely to engage in ALL socially-related activities compared to organisations that are not affiliated. Overall, only one percent of affiliated firms engage in no socially-related activities compared with 11% of non-affiliated organisations. T-Test results are shown in the Table 2 below.
Table 2: Business Engagement In Socially-Related Activities By Affiliation/Membership

<table>
<thead>
<tr>
<th>Business engages in the following socially-related activities:</th>
<th>Affiliated N=350</th>
<th>Non-Affiliated N=402</th>
<th>T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides job training</td>
<td>62%</td>
<td>50%</td>
<td>3.104**</td>
</tr>
<tr>
<td>Provides assistance for employees to obtain tertiary education</td>
<td>38%</td>
<td>25%</td>
<td>3.674***</td>
</tr>
<tr>
<td>Gives time, money, products or services to local community projects</td>
<td>74%</td>
<td>44%</td>
<td>8.608***</td>
</tr>
<tr>
<td>Contributes time, money, products or services to charity</td>
<td>69%</td>
<td>55%</td>
<td>4.177***</td>
</tr>
<tr>
<td>Considers diversity in hiring decisions</td>
<td>45%</td>
<td>21%</td>
<td>7.247***</td>
</tr>
<tr>
<td>Has family-friendly policies</td>
<td>69%</td>
<td>52%</td>
<td>4.841***</td>
</tr>
<tr>
<td>Has stress management initiatives</td>
<td>44%</td>
<td>23%</td>
<td>6.477***</td>
</tr>
<tr>
<td>Has ethical purchasing policies</td>
<td>51%</td>
<td>26%</td>
<td>7.380***</td>
</tr>
<tr>
<td>Measures outcomes/impacts of socially-related initiatives</td>
<td>22%</td>
<td>7%</td>
<td>6.069***</td>
</tr>
<tr>
<td>Develops product and service innovations based on social benefits</td>
<td>33%</td>
<td>10%</td>
<td>8.357***</td>
</tr>
<tr>
<td>None</td>
<td>1%</td>
<td>11%</td>
<td>-5.591***</td>
</tr>
</tbody>
</table>

*p< .05, **p< .01, ***p< .001. All test are single-tailed.

Internal and External Pressure to Improve Socially

Although New Zealand businesses were more engaged in socially responsible activities, they reported less pressure to adopt these strategies compared to environmental practices. Seventy-two percent of companies reported no pressure to adopt social practices and, similar to environmental practices, 29% of managing directors reported the main pressure to be their own values and beliefs.

Figures 10 and 11 report on the changes from 2003 to 2010 on internal and external pressure to improve socially.

Similar to environmental practices, there is a significant decrease in managers reporting values as a driver to adopt social practices. As we stated regarding environmental practices, values appear to shift during tough economic times. Several managers wrote on the survey
“we are just trying to survive.” It seems when managers are fighting for the survival of their business the values shift from treating their workers and community well, to trying to keep the business afloat.

Figure 10: Internal Pressure to Improve Socially  2003-2010

Overall, New Zealand organisations that are affiliated to sustainability networks are significantly more likely to feel internal and external pressures toward engaging in socially-related activities compared to organisations that are not affiliated. However, there is no
difference in internal pressures from a parent company and from external pressures from government or pressure groups. Overall, 41% of affiliated firms felt no internal pressures towards improving socially-related activities compared to 66% of non-affiliated firms. Furthermore, 7% of affiliated firms felt no external pressures towards improving socially-related activities compared to 11% of non-affiliated firms.

Table 3: Institutional Pressures Toward Socially-Related Activities By Affiliation

<table>
<thead>
<tr>
<th>My business is getting internal pressure to improve socially-related activities from...</th>
<th>Affiliated N=350</th>
<th>Non-Affiliated N=402</th>
<th>T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent company</td>
<td>3%</td>
<td>2%</td>
<td>1.471</td>
</tr>
<tr>
<td>Shareholders</td>
<td>7%</td>
<td>3%</td>
<td>2.596**</td>
</tr>
<tr>
<td>Employees</td>
<td>25%</td>
<td>9%</td>
<td>6.105***</td>
</tr>
<tr>
<td>Personal values, beliefs and/or commitments of management</td>
<td>41%</td>
<td>17%</td>
<td>7.636***</td>
</tr>
<tr>
<td>No one</td>
<td>41%</td>
<td>66%</td>
<td>-7.339***</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>My business is getting external pressure to improve socially-related activities from...</th>
<th>Affiliated N=350</th>
<th>Non-Affiliated N=402</th>
<th>T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>16%</td>
<td>8%</td>
<td>3.570***</td>
</tr>
<tr>
<td>Competitors</td>
<td>7%</td>
<td>2%</td>
<td>2.889**</td>
</tr>
<tr>
<td>Government</td>
<td>4%</td>
<td>3%</td>
<td>.956</td>
</tr>
<tr>
<td>Pressure groups</td>
<td>4%</td>
<td>3%</td>
<td>.956</td>
</tr>
<tr>
<td>No one</td>
<td>7%</td>
<td>11%</td>
<td>-1.868*</td>
</tr>
</tbody>
</table>

*p < .05, **p < .01, ***p < .001. All test are single-tailed.

One of our key research questions was about the drivers and barriers associated with adopting environmental and social practices. Not surprisingly, cost was reported as the most common barrier (56%) to adopting sustainability strategies. However, cost was also reported as one of the top drivers (30%).

Again cost is a complex issue. On the social side, companies may find that offering flexi-time is a low-cost family-friendly strategy that lowers turnover of workers trying to balance work...
and family. However, assisting employees to obtain tertiary education, while giving a company a more educated work force, may again be too costly for many firms.

As shown in Figure 12, the most common driver to adopting sustainability strategies was reputation and brand.

Adopting these strategies as a way to recruit and retain staff was the second most common driver (32%), followed by cost management/reduction (30%). Government regulation was reported by only 14% of the respondents as a driver.

Figures 12 and 13 show the changes in drivers and barriers from 2003 to 2010.

There might be a presumption that there are increased barriers to adopting sustainability strategies during a recession, but the fluctuations are only minor. For example, cost being cited as a barrier increased only 5% from 2006 to 2010. Similarly, there are not many differences in drivers, with reputation and brand continuing to be a strong driver. There is an overall downward trend in most of the drivers, with a 15% drop from 2006 to 2010 in companies citing risk management as a driver, followed by a 12% drop for those same years for employees as a driver and 11% decrease for regulations.

Figure 12: Barriers to Adopting Environmental and Social Initiatives 2003-2010
We expected that because non-affiliated companies adopted significantly fewer environmental and social practices, they would also be more likely to cite barriers such as cost or management time. But just the opposite was true. Non-affiliated companies cited fewer barriers, except for one telling one: they were more likely (26%) to say that sustainability was unimportant, compared to NZBCSD and SBN respondents, both with only 8% citing lack of importance as a barrier and CIMA at respondents at 17%. On the other hand, members of the NZBCD were more likely to cite drivers, particularly attractiveness to employees at 62% and a 78% cite reputation and brand as a key driver. Table 3 reports statistically on these findings.

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Affiliated N=350</th>
<th>Non-Affiliated N=402</th>
<th>T-Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost implications</td>
<td>54%</td>
<td>54%</td>
<td>-.063</td>
</tr>
<tr>
<td>Knowledge and skills</td>
<td>29%</td>
<td>24%</td>
<td>1.641</td>
</tr>
<tr>
<td>Not seen as important in the organisation</td>
<td>9%</td>
<td>27%</td>
<td>-6.438***</td>
</tr>
<tr>
<td>Other priorities are more important</td>
<td>29%</td>
<td>30%</td>
<td>-.286</td>
</tr>
<tr>
<td>Management time</td>
<td>43%</td>
<td>31%</td>
<td>3.273***</td>
</tr>
<tr>
<td>Lack of metrics to establish business case</td>
<td>17%</td>
<td>11%</td>
<td>2.349*</td>
</tr>
<tr>
<td>Culture of the organisation</td>
<td>8%</td>
<td>7%</td>
<td>.682</td>
</tr>
</tbody>
</table>

Drivers:

| Cost management/reduction          | 34% | 24% | 3.079** |
| Improved shareholder value         | 18% | 6%  | 5.194*** |
| Investor pressure, including socially responsible investing | 6% | 3% | 2.016* |
| Board influence                    | 17% | 7%  | 4.224*** |
| Outside pressure groups            | 5%  | 4%  | .585  |
| Attractiveness to employees        | 43% | 20% | 7.026*** |
| Reputation and brand               | 68% | 43% | 7.149*** |
| Risk management                    | 18% | 10% | 3.220** |
| Government regulations             | 9%  | 16% | -2.969** |

*p< .05, **p< .01, ***p< .001. All test are single-tailed.

Overall, New Zealand organisations that are affiliated to sustainability networks are significantly more likely to view management time and lack of metrics to establish a business case as barriers towards environmental and socially-related activities, compared to organisations that are not affiliated. Non-affiliated firms are more likely to see these activities as not being important than affiliated firms. Towards drivers, affiliated firms perceive the drivers as significant over non-affiliated firms except towards outside pressure groups (same), and government regulations, where non-affiliated firms see these drivers as significantly higher than affiliated firms.

Theorising the divide: Autopoietic view on CSR practices

Scepticism about business organisations and their motives permeates the accounting literature (Adams, 2004; Milne, Tregidga and Walton, 2009). A common view is that the continued pursuit of economic growth means that organisations are destroying the social and ecological
environments on which we all depend. One theory that explains such myopic behaviour of organisations is that of autopoiesis. With origins in biological sciences, according to this theory organisations may be viewed as autopoietic, self-serving, ‘closed’ systems. It originates with the work of two biologists, Humberto Maturana and Francisco Varela, who argue that all living systems are organisationally closed, autonomous systems of interaction whose only concern is self-reproduction. Niklas Luhman (1986) has argued that autopoiesis applies equally to social systems; and there is a growing literature of its application to organisational research (Magalhaes and Sanchez, 2009).

Gregory (2006), following Polanyi’s (1944) arguments, explains that since the break-point of the industrial revolution, the previously integrated systems of economic, social, religious and political functions disintegrated. Luhman, sees society as approximating a self-producing or autopoietic system that is comprised of six sub-systems – the economy, politics, the law, science, religion and education (Rempel, 1996). Without an overall co-ordination and control function within society, the disintegration has led to sub-systems and organisations that are self-serving or pathologically autopoietic (Gregory, 2006, p.962) potentially destroying the social and natural systems that sustain them. Robb (1989, p.348) warns of:

The subordination of all human aspirations and ambitions, values, and welfare to the service of preserving the unity of such systems, and not to any human end. Once formed such organisations appear to be beyond human control; indeed to be real-world systems

Autopoietic systems respond to environmental pressures and signals only if the response is in the interest of the organisation. Yet, they do have to engage with the environment. It has been suggested (Vanderstraeten, 2005) that there is a tension within the theory of autopoiesis between the notions of self-production and the closure of the system with the coupling of the system to its environment. The autopoietic system is neither determined by its environment nor by its internal operations alone – it is a product of the interaction of the two. Maturana and Varela (1987) refer to this relationship of mutual influence as structural coupling thus:

the structure of the environment only triggers structural changes in the autopoietic unities (it does not specify or direct them), and vice versa for the environment. The result will be a history of mutual congruent structural changes [. . .] there will be a structural coupling.

The structural coupling between an organisation and its environment means that organisations (as autopoietic systems) cannot be controlled or determined from the outside; nevertheless, they have to connect, or resonate, with their environment. The term resonance means that systems can react to environmental events. They may do so in accordance with their own structure but they are always changing. They constantly scan the environment for signals. Resonance is achieved whenever signals in the environment are translated into the system’s self-referential operation mode.
The question is: are organisations ‘real’ in this biological sense, with a dna programmed for self-preservation only. Decision makers in autopoetic organisations could be characterised as leaving their personal ethics at the door (Brocklesby, 2009). The alternative view is that organisations are social constructs whose core decision structures can be changed by human values and aspirations. It may be possible that organisational strategic decision making can become interpenetrated with personal values of decision makers (Rempel, 2005).

The recently released Kings 3 Report from the South African Institute of Directors on corporate governance promotes the total integration of social and environmental considerations into the core of the firm’s response mechanisms.

Sustainability is now the primary moral and economic imperative and it is one of the most important sources of both opportunities and risks for businesses. Nature, society, and business are interconnected in complex ways that need to be understood by decision makers. Incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves. (http://www.pwc.com/za/en/king3)

The Report promotes the institutionalisation and internalisation of social values in profit seeking business firms. Signals concerning social and environmental well-being will be picked up by organisations if they are both socially acceptable and in the system’s interest.

So what do we know about the values and behaviours of people in business organisations?

It seems from our survey that many firms revert to autopoietic self-reproduction, self-preservation mode as soon as economic conditions deteriorate. These firms may respond superficially to signals about sustainability and adopt practices as a ‘nice’ extra in good times. But the practices do not penetrate their core being. They are add-ons, that can be discarded when economic conditions tighten. On the other hand, there are firms that have internalised and institutionalised social and environmental concerns so that decision structures are a part of their dna. They continue to practice socially responsible and environmentally friendly practices because they view organisational survival in terms of a bigger system- a system of relationships in which its own long-term survival is interconnected with communities and ecological well-being.

Discussion

The internal information collecting and processing systems of the organisation have important effects on what signals are received (Scott,1981, p.173). Organisational scan, search the environment and information processing facilities determine the organisation’s perceived environment to which it relates. Accountants can affect the understanding of what to attend to and how to interpret the environment. Most accounting emphasises the monetary impact of external transactions with the environment and these gain dominance, possibly at the expense of social and environmental factors. If this is the case, accountants are
encouraging autopoietic processes. They may be missing a big opportunity to become part of value-based, ethical senior management teams. Increasingly, Directors of companies are required to report on social and environmental impacts (UK Companies Act, 2006). Accountants could play a key role. Some firms are more proactive and the argument presented in this paper is that the structural coupling that organisations make with their environments affects their long term survival. Some business organisations are more open than others to environmental factors. We have noted a growing divide in this autopoietic response. Some organisations have a value-driven culture that is less susceptible to short term variations.

New Zealand firms that are affiliated to environmental networks such as the NZ Sustainable Business Network (SBN) are significantly more likely to engage in all environmental activities and socially-related activities compared to firms that are not affiliated. Moreover, New Zealand organizations that are affiliated to environmental networks indicate that they are significantly more likely to feel internal and external pressures towards engaging in these activities compared to organizations that are not affiliated. It is not that the pressures are different but that some businesses ‘feel’ them more. In other words, they are more ‘open’ to their environments. They maintain activities even in times of economic recession, placing a priority on value-based motivations.

As a longitudinal study that spans times of economic growth and recession, the survey results presented in this report are set to have significant impacts, both in practical terms as well as theoretical. The implications are important for businesses as well as for governments, nationally and internationally. For New Zealand, the results also have long term implications for the nation’s international sustainability positioning.

While New Zealand industry has been ready to accept and indeed profit from the country’s clean, green branding, as seen in the continued upward trend in sustainability-based marketing, it would appear that in spite of the high value placed on reputation and brand, maintaining the integrity of the brand does not appear to be a collective priority.

Reputation and brand has consistently rated at the top driver for adoption of sustainability practices. However, the survey shows that rates of reporting on those practices are very low, although higher for large firms than for smaller ones. It will not be by coincidence that the NZBCSD, comprising predominantly large companies, requires its members to produce sustainability reports. The role of accountants has not been a stand-out feature. Reporting on and accounting for sustainability issues are not driven by accountants. Follow-up interviews will explore in more detail the role of accountants in the active firms.

*The authors would like to gratefully acknowledge the funding support of CIMA and the Marsden Fund, administered by the NZ Royal Society.
References


Polanyi, K. (1944). *The Great Transformation*


