1-1-2002

A comparison of perceived social responsibility standards with perceived social responsibility performance in the Australian banking industry : A stakeholder analysis

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A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy in Management at the Faculty of Business and Public Management, Edith Cowan University, Churchlands, Western Australia, 6018

Date of submission: April 2002

USE OF THESIS

ABSTRACT

The purpose of this study is to investigate the extent to which Australian banking corporations embrace social responsibility. It endeavours to establish the meaning of social responsibility generally and corporate social responsibility (CSR) in particular. In view of the multiple definitions of the concept of 'social responsibility' offered by various authors such as Boatright (1993), Freeman (1994), Walters (1977), and Wheeler (1998), the views of power dependent Australian bank stakeholders were solicited to form an operational definition for the study. This created a collective conception of social responsibility as it is applied to Australian banks, allowing corporate social responsibility standards to be established against which perceived social responsibility performance of Australian banks could be compared.

In broad terms, CSR involves corporate management voluntarily assuming responsibilities that are not just concerned with the objective of earning a satisfactory level of profit, but also with achieving non-economic goals. It is bound up with the interests of stakeholders. However, as the definition of a stakeholder can be all embracing, it was decided to include only power dependent stakeholders, characterised by Mitchell, Agle and Wood (1997 p.877) as "stakeholders who lack power... because these stakeholders depend on others...for the power to carry out their will".

According to Czcechowicz (2001) as the role of management extends beyond maximising profits for the benefit of one stakeholder (the shareholder) the focus of corporate strategy and performance measures is changing to include all

stakeholders. This approach embraces the concept of triple bottom line, which not only accounts for financial measures of corporate performance, but also social and environmental outcomes. Consequently, managers now need to take into account the diverse needs of various groups that may have an interest in the activities of the company. However, Armstrong, Mitchell, O'Donovan and Sweeney (2001) have discovered, that while Australian banks claim they have a commitment to focus on all stakeholders (triple bottom line), not just shareholders, there is little evidence of the commitment being put into practice.

Carroll (1979) believes that the appropriate definition for social responsibility of business should acknowledge the economic, ethical, legal, and discretionary responsibilities of corporations. This concept provides the basis for the research design for this investigation focusing on a specific industry (Australian Banking), and upon specific stakeholders of Australian banks - the 'power dependent' stakeholders, notably: customers (personal, senior citizens, rural and small business), and employees. Mitchell, Agle and Wood (1997 p.877) see the power dependent stakeholders as those who lack power "but who have urgent legitimate claims" on corporations that can only be satisfied by others who exercise the power necessary to influence the corporations to act in their interest.

The research investigates power dependent stakeholders perceptions of Australian banks' social responsibility using both qualitative and quantitative research methods. The qualitative research was based primarily on focus groups, which informed the design and content of the quantitative component: a telephone survey of 400 randomly selected respondents.

Seven focus groups were conducted consisting of 49 participants in all. The focus group discussions and comments were electronically recorded and the outcomes analysed using QSR NUD*IST - a qualitative research programme.

The random sample of 400 bank customers for the survey was drawn from the metropolitan and country Western Australian White Pages telephone directory. The results of the survey are analysed using SPSS 10 quantitative research programme and the hypotheses were tested using analysis of variance (ANOVA) and t-tests.

The study found that Australian banks should be more aware of social responsibility and its central role within their corporate strategies and operations. It is argued that the requirement for the banks to act in a socially responsible manner flows from a charter granted to them by society to undertake commercial activities. In exchange for that charter to operate it is expected that they will act legally and ethically.

In the case of the Australian banks their social responsibility was found to extend to addressing the requirements of dependent stakeholders for a cost-effective, efficient, and accessible banking service. Detailed analysis of the data concerning the social responsibility performance of Australian banks clearly establishes that across the designated sample of dependent stakeholders the

Australian banks were not perceived to be meeting their social responsibility obligations to their dependent stakeholders against a number of measures, notably, community support and participation, public integrity, focus on profits and service standards.

The Australian banks were seen as too focused on profits and driven by a regime of fees that is excessive. They were also perceived to have demonstrated varying ethical standards as evidenced by advertisements with ambiguous core messages, and fee structures that were inadequately communicated. Much of the perception about the Australian banks' poor social responsibility can be related to the level of profit that Australian banks have achieved.

The perceptions about Australian banks' social responsibility standards and performance were qualified to some degree by differences found to exist between groups of respondents. These differences show that there is potential for the Australian banks to improve their social responsibility performance by recasting their limited view of 'customer' towards the development and delivery of services which meet the needs of identified 'stakeholders'.

With respect to internal stakeholders, the limited sample of Australian bank staff showed that they believe their employers could perform better in the area of staff relations. Banks may have overlooked the importance of interacting more positively with their staff when introducing new structures, systems, and products and seeking market niches.

As a result of the study, a conceptual model*: Future environment of banking social responsibility in Australia* has been developed. It attempts to provide a basis for narrowing the gap between the perceptions that banks have of their social responsibility performance and the perception that their stakeholders have of that performance. The model illustrates the dichotomous nature of the banking stakeholders, their interrelationships, and their complexity.

The study identifies opportunities for further research to investigate the impediments to free competition between banks and the means by which competition between Australian banks can be extended with benefit to the power dependent stakeholders. Whilst the impediments to such an action are complex and rooted in the existing economic, legal and political systems, the evidence presented in this study suggests that a shift to a more balanced stakeholder focus would significantly enhance the reputation and survival of the Australian banking system.

CERTIFICATE

I certify that this thesis does not, to the best of my knowledge and belief:

i incorporate without acknowledgement any material previously submitted for a degree or diploma in any institution of higher education,

ii contain any material previously published or written by another person except where due reference is made in text, or

iii contain any defamatory material.

Signatur[redacted]

Date 08. 04. 2002.

ACKNOWLEDGEMENT

This research project would not have seen the light of day without the support and encouragement of many people to whom I owe a great debt of gratitude.

I have been fortunate to have had the guidance, understanding and commitment of my supervisor Dr Scott Gardner who was always available to discuss progress, read drafts and offer constructive advice. Barry Chapman, who encouraged me to undertake this study, and took an on-going interest in my progress, made an inspirational choice when he suggested Dr Gardner would be an appropriate supervisor for my PhD research.

Mention must also be made of Edith Cowan University, itself, which provided excellent facilities in form of office space, equipment and access to library staff and services. The university created an environment most conducive to study and research.

Thanks are also extended to the participants in the focus groups. They generously made their time available to travel to the meeting locations and take part in the discussions. The special effort undertaken by Mr Maurie Turner in organising the country group is acknowledged with sincere thanks and appreciation.

I must acknowledge and thank my fellow PhD students for their stimulation, assistance and companionship during the compilation of this thesis. They will always be remembered by me along with the camaraderie and good humour developed through shared experiences.

Finally and most importantly I must thank my wife Helen for her support and encouragement without which I would never have embarked on, or continued with, this journey. Helen and my children have been a constant source of inspiration. They have been genuinely interested in the project and they have never failed to offer encouragement when the long road ahead seemed to be without end.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND

The practice of corporate social responsibility (CSR) as a basis for dealing with corporate stakeholders is being adopted increasingly by corporations in their daily operations, but the banking industry has been criticised for its perceived failure to embrace the concept. How well corporations (including banking corporations) adopt CSR and integrate it into their policies; procedures; and culture may ultimately determine how successfully they are able to avoid societal pressure for regulation and control of their business to enforce the implementation of socially responsible practices.

This study endeavours to establish the meaning of social responsibility generally and corporate social responsibility (CSR) as it applies to Australian banks in particular. In view of the multiple definitions of the concept of CSR offered by various authors, including Boatright (1993), Freeman (1994) Walters (1977) and Wheeler (1998), the views of corporate stakeholders are solicited to establish their perception of CSR. It is accepted that the stakeholders of different industries may perceive social responsibility differently from each other, so the investigation focuses on one industry only: the Australian banking industry.

As stakeholders provide the basis of the research it is necessary to clearly understand the concept of the stakeholder. The definition of a stakeholder according to Freeman and Reed (1983) can be all embracing and very wide, although Freeman (1984) subsequently modified this definition by proposing that a stakeholder includes all parties who are influenced or affected by, or who can influence or affect the corporation. Throughout this study Freeman's 1984 definition is accepted when speaking about stakeholders generally, however, for reasons elaborated below the primary focus of this investigation is on power dependent stakeholders. Power dependent stakeholders are those characterised by Mitchell, Agle and Wood (1997 p.877) as "stakeholders who lack power...because these stakeholders depend on others...for the power to carry out their will". This identifies power dependent stakeholders as those who, while lacking power "have urgent legitimate claims" but must rely on others for the power necessary to carry out their bidding.

Although stakeholders include a wide representation of parties who have an interest in a corporation it is frequently the shareholders who are the focus of attention and who appear to have some level of primacy, but this may be changing to allow consideration of other stakeholders. Bruce (1998 p.51) states that "directors' duties are owed to the company" and she supports this with reference to case law (Percival v. Wright (1902) 2 Ch 421). But Bruce goes on to say that because of the "complexity of companies and the many legal and economic relationships that exist with other parties", the previously accepted view of the directors' duties has been extended, because "in some circumstances [the general principle] may be considered too restrictive".

Nevertheless, corporate directors and managers still make the accumulation of shareholder wealth, through increased profits, their prime responsibility, as evidenced by the statement made by the chief executive of the giant Swiss food corporation at the World Economic Forum that their corporation had only one basic responsibility and that was to deliver long term shareholder value (Agence France-Presse, 2002). Executives must report to shareholders, at least annually, and give account of their stewardship. They do not have to do this with any other group that may have an interest in the welfare of the corporation. This thesis has significance for Australian banks that appear to treat shareholders' interests as the cornerstone of their corporate philosophy and approach to business management. The research considers this position with respect to 'stakeholder management', which is sensitive to the demands of all stakeholders not only shareholders. Directors of corporations and their managers may see the need for increasing profits as the foundation for the accumulation of shareholder wealth. However, in doing so they often fail to acknowledge that this policy, pursued without concern for the wider beneficiaries of their companies' output, may sow the seeds of decline and disintegration of their companies.

This unravelling of big businesses over time can be precipitated by a number of factors including: loss of core customer support; declining employee commitment and service; or through introduction of restrictive or 'punitive' government legislation in response to public outcry. Two decades ago, Bradshaw and Vogel (1981) argued that, whilst there may be a conflict between profits and social responsibility, if businesses do not accept that their fundamental purpose is to deliver goods and services and jobs, the business system as we know it may no longer be found to be essential. This argument, when extended to Australian banks foreshadows increased regulation and direction from external agencies such as government and banking regulators (a situation which has not arisen in the past decade) beyond reactive legislative responses to collapses and scandals in the banking and financial sectors.

This focus, by managers, on shareholders' prosperity, through generation of profits, has meant that these other groups of stakeholders are neglected or totally ignored. Stakeholders can include a very broad range of individuals and groups, if not the entire community. It can include stakeholders who do not necessarily regard profit as the only measure of efficient and effective management. Indeed, according to Kloot, Sandercock, Meigs and Meigs (1995) other stakeholders have different sets of ratios for measuring the efficiency and effectiveness of a company.

The everyday view of stakeholders is that they are customers, employees, suppliers, lenders, government at all levels, competitors, trade organisations and the environment. Wheeler (1998 p.205) - confirming the contention of Freeman and Reed (1983) that the definition of a stakeholder can be all embracing and very wide and coming very close to the later definition of Freeman (1984) - defines the stakeholder as "any individual or entity who can be affected by an organisation or who may, in turn, bring influence to bear". This is very similar to the concept expressed by Chryssides and Kaler (1993 p.259) that stakeholders are groups or individuals "who benefit from or who are harmed by, and whose rights are violated or respected by, corporate actions". Logsdon and Yuthas (1997) point out that the conventional identification of stakeholders has its basis in economics and law but changing attitudes seek to identify stakeholders on the basis of respect for others and therefore can embrace local communities, the environment, the poor, and the disabled.

This thesis addresses stakeholder perception of the extent Australian banks act in a socially responsible manner in fulfilling their economic and social role in society. Investigation of the current literature has not revealed any study that has been undertaken into this area of banking relationships. The Australian banks have effectively managed the technological aspects of change in their industry but the human dimension has been called into question as stakeholders have perceived a reduced commitment to what they view as Australian banks' social responsibility.

1.2 RESEARCH FOCUS

The research investigates the perception of the Australian bank's social responsibility in fulfilling their economic and social role in society and the level of performance in this respect. It focuses, in particular, on the social responsibility performance in relation to the social responsibility standards identified by the power dependent stakeholders. In view of this, stakeholder theory has particular significance for the study as it forms the basis for the hypothesis that corporations, with particular emphasis on Australian banks, should have a social conscience. More precisely, they should acknowledge that they must act in a socially responsible manner. Being socially responsible embraces the idea that if a company benefits from its existence within a community it must act in a way that is not detrimental to or neglectful of any part of that community following Beaver (1996 p.52) who asserts that "by narrowly focusing on shareholder value, many... stakeholders have been harmed".

The research questions aim to establish: (i) What the power dependent stakeholders identify as the elements that constitute the social responsibility standards of Australian banks; (ii) How effectively Australian banks are perceived, by those stakeholders, to have addressed those social responsibility standards and (iii) The extent to which changes in banking practices and procedures have affected the Australian banks' relationship with their staff.

1.3 THE AIMS OF THE STUDY

The aim of this study is to investigate power dependent stakeholders' perception of social responsibility within the Australian banking industry. It will seek to ascertain the issues that these stakeholders see as significant and then endeavour to establish the Australian banks' performance in terms of social responsibility perceptions. It will test the popular, and frequently reported, view that Australian banks do not act in a socially responsible manner (Thornhill, 2000; Burbury, 2001; McCrann, 2001), and, in doing so, it will explore the notion that Australian banks have an obligation to act in a socially responsible manner towards their dependent stakeholders. Whilst there should be no discrimination amongst stakeholders, there will be some prioritisation of the relative importance or salience of stakeholders at given points in time. Thus social responsibility is not to be treated as inclusive to the point that all stakeholders must be involved equally in all processes and decisions (Donaldson & Preston, 1995). Nevertheless, Birch (2001a p.12) stresses that while companies have to prioritise stakeholder needs the challenge is how to manage those priorities "while at the same time finding ways of speaking on behalf of disempowered stakeholders". These so-called disempowered stakeholders can be broadly equated with the power dependent stakeholders described in this study.

So far as the Australian banking corporations are concerned it will be proposed that support of the stakeholder theory can have a significant element of self-interest for them. That is to say, if a corporation acts as a responsible corporate citizen it will be to its advantage. It will receive benefit in the form of customer support; less government regulation; greater supplier confidence and support; and reduced pressure from environmental lobby groups. All these factors allow a corporation to focus on its raison d'être - producing and delivering goods and services that the community needs and wants (McCarthy & Perreault, 1990; Miller, 1998a). Clarkson (1995) is of the opinion that any evaluation of corporate social performance must be done on an industry-by-industry basis. This view supports the intention of this dissertation to focus on the Australian banking industry.

CSR has been the subject of increasing interest as a philosophy for better management. Wheeler and Silanpaa (1997) suggest that two centuries of industrial capitalism have created a declining trust in the ability of those responsible for driving the management of economic development. The outcome has been the emergence of a whole range of well-organised advocates representing such stakeholders as consumers, individual shareholders, the environment and the community generally. The case for management of stakeholder pressures through presentation of a socially responsible attitude has gathered strength in the face of these developments.

The level of attention being given to the actions of Australian banks in closing branches, introducing user-pays fee structures, discriminating between manual and electronic banking transactions, and vigorously pursuing a policy of downsizing employment has led to perceptions of diminished social responsibility on the part of Australian banks. It is therefore timely that some investigation is undertaken to support or reject the existence of these perceptions.

It is anticipated that the findings of this investigation will establish a body of knowledge about social responsibility as it applies to the Australian banking industry and provide management, within that industry, with a basis to understand their stakeholders' desires and requirements. Stakeholder theory will be enhanced by establishing reference points identifying the uniqueness of groups of stakeholders that should be consulted before the introduction or elimination of services without consultation.

1.4 STUDY CONTEXT: THE AUSTRALIAN BANKING INDUSTRY

Australian banks could be described as rent seeking organisations. Rent seeking organisations are those that use their political influence to seek economic rents from the government through, among other things, favourable regulations (Lipsey & Courant, 1996; Sethi & Sama, 1998). Firstly, Australian banks are licensed, which restricts competition. Secondly, they have sought to reduce competition further through mergers. The Australian government has resisted this pressure for concentration of the finance and banking industry by limiting the extent to which the large banks and insurance companies can undertake strategic mergers throughout the period since deregulation in 1985. The government has done this through the maintenance of the six pillars' policy, which prevents the four major banks, with two major insurance companies, from merging (McLean, 1998). The government has continued to hold the line against mergers of the major banks and insurance companies, even though the Wallis Report (1997) recommended that the policy should be removed. The Westpac Banking Corporation, for example, in lobbying for the removal of the policy (Australian Associated Press, 2000), is indulging in rent seeking behaviour to strengthen its market positioning. It should be noted that this policy is not designed to prevent banks merging with insurance companies. It only seeks to prevent the major banks and major insurance companies in Australia from merging. Merges between Australian Banks and insurance companies have occurred as evidenced by the Commonwealth Bank merging with Colonial, a life insurance, banking and finance company, which was the largest merger in Australian history at A$9.4bn. Also, the National Australia Bank has completed the acquisition of MLC, an insurance and fund management business previously owned by Lend Lease (Financial Times Survey, 2000).

It is necessary to be able to establish the perceived social responsibility standard that Australian banks should accept and deliver in their business relations with all the stakeholders with whom they transact business, or over whom they exert an influence, or who can exert an influence over them. As well, there should be an assessment of Australian bank's perceived social performance compared to the standards. This study does not focus on economic performance as an outcome of being socially responsible. There are studies (Sturdivant & Ginter, 1977) that show there is some relationship between social responsibility and positive economic performance. But what is more important for this study is: *the establishment of the stakeholders' perception of what constitutes Australian banks' social responsibility standard and how effectively Australian banks achieve those standards.* What needs to be established is that there is a social responsibility performance expectation. An expectation that firms, particularly Australian banks, will operate in a socially responsible manner. This expectation can be accepted as emanating from the charter granted by the community through their legislature that Australian banks, and corporations generally, will operate in a socially responsible manner in the conduct of their business. Indeed, there is the suggestion (Walters, 1977) that if business does not behave responsibly, regardless of any economic goals, the community, acting through governments, will impose legal constraints on their corporate operations.

1.5 THE RATIONALE FOR THE STUDY

Australian banks are the primary focus of this dissertation due to their pivotal position within the economic framework of the Australian community. They cannot selectively structure their business objectives to benefit only their shareholders. Australian banks are oligopolies as demonstrated by the fact that they have a similar product range; there are barriers to entry and exit from the industry; they seek to act in concert – as evidenced by a common industry group (the Australian Bankers' Association); and there are only a few major players (four major banks). Lipsey (1996) asserts that although there may be many sellers (referred to as the competitive fringe) the description 'oligopoly' is still consistent if the market is dominated by a big few. Sethi and Sama (1998) see oligopolistic markets giving rise to limited competition and, by the oligopolies' nature as usually very large corporations, can impose their own conditions and ethical behaviour on their members which, by implication, may not be to the advantage of all stakeholders.

This research will raise awareness within the Australian banking industry of the need to proactively manage stakeholders and reputation if they are to avoid interference in their business by outside parties. Australian banks may have' unintentionally, created an environment that invites criticism from the press, politicians, and stakeholders of their social responsibility performance, even though some of the changes that they have introduced may have increased convenience and extended availability of banking services to those customers equipped to embrace the changes. Gardner (1999) stresses that it is necessary to maintain an ongoing strategic dialogue with stakeholders if planned changes are to achieve positive outcomes.

The research aims to inform future banking policy and practice through generation of a conceptual model which illustrates a new banking awareness which embraces shareholders' and other stakeholders' needs and the underlying principle of corporate social responsibility.

1.5.1 Special position of Australian banking industry

The fact that the Australian banking industry has a special position within the community strengthens and reinforces the significance of this study. Australian banks are licensed by the Reserve Bank, which restricts competition by making it difficult for new entrants to become established. The Australian banking industry provides a public service, which means that their services must be available to all. An efficient financial system, of which banks are a key component, is essential to the economy. The Australian banking industry provides the primary means for the commerce and trade of the nation to proceed effectively and efficiently, and allow for the ease of funds transfer and settlement of commercial transactions. The number of government inquiries that have occurred over the last two decades have highlighted the importance of the Australian banking and financial industry to the Australian economy. The outcomes of these inquiries and the impact on Australian banks through legislative changes are dealt with later under "Legislation" in Chapter 2.

1.5.2 Impediments to competition within the Australian banking industry

There are significant costs of, and impediments to, changing banks in Australia which effectively inhibit competition and reduce the imperative for Australian banks to act in a socially responsible manner in delivering services at reasonable cost, in the form that their stakeholders require and at locations that are convenient and accessible. The types of costs and impediments that power dependent stakeholders must confront if they wish to change banks because they believe the service, the fees, the location or the accessibility are not appropriate, include:

Costs in Money: Loan application fees to be paid to the new bank, valuation fees, stamp duty and fees on discharging and re-registering mortgages, (possible fees payable to the discharging bank for early repayment); and even government bank charges. Government imposts such as Bank Accounts' Debit Tax which taxes every transaction including those generated to transfer an account; and a Financial Institutions' Duty (abolished on 1 July 2001) which levied six cents per $100 on every deposit made, including credits arising from transfer of business between banks, conspire to make banking uncompetitive.

Costs in Time: Attending at the new lending bank to make application for an advance to pay out the existing bank loan; attending at the discharging bank to complete documentation and authorities for repayment of the loan and discharge of mortgage documents; writing to all creditors to whom payments are made under direct debit to inform them that the account has been transferred, and re-establish all those authorities with your new bank; writing to all debtors who make payments under direct debit to you to inform them that they must contact their bank to make these payments to your new bank; advising all companies from whom you receive dividends, interest, wages, salaries, contract payments, pensions or any other payment whatsoever that these must be directed to your new bank.

Legal requirements: In Australia all customers must identify themselves. The most common basis of identification is a point system based on driver's licence, passport, credit cards, or other documentation. The customer opening the account must accumulate 100 points but no one piece of identification is enough in itself. Many elderly customers do not have a driver's licence, passport, or credit card: transferring banks is a most traumatic experience for them.

Uncertainty: Having transferred to the new bank, there is no certainty that the new bank will maintain their interest rates, charges, fees, conditions or any other inducement that may have attracted one to that bank. If the bank adversely changes the interest rates, fees, charges or conditions attaching to the account one still has the right to withdraw your franchise; but how many times can one do this? Changing one's banking business is not the same as changing shops because one does not like the former shop's prices or service.

1.6 METHODOLOGY

The methodology combines key concepts and theories from an extensive review of the literature on social responsibility, stakeholder theory, ethics, financial and strategic management, and corporate and organisational strategy, supported by both qualitative and quantitative primary research data.

The primary research investigated the power dependent stakeholders' perception of Australian banks' social responsibility and included both qualitative and quantitative research methods. The qualitative research involved focus groups with the quantitative research encompassing a telephone survey of randomly selected respondents. There were seven focus groups consisting of 49 participants in total. The telephone survey tested customers' perception of Australian bank services and the manner in which those services are delivered. It also sought perceptions about the acceptability of the costs of Australian banking services, and the range of services provided by Australian banks. The questionnaire was administered to a random sample of 400 Australian bank customers.

Focus groups were used for the qualitative research because, as Zikmund (1997b) points out, they allow participants to freely express themselves in an unstructured manner without having to be personally identified. This facilitates weighting of the relative importance of the issues without artificial or regimented bias based on the preconceived perceptions of the researcher, and thereby provide the basis and key themes for a quantitative investigation of the subject through survey questionnaires.

The participant-stakeholders directly interface with Australian banks, thus eliminating media and political bias that may result from the pursuit of an agenda that is not representative of power dependent stakeholders' attitudes to changing Australian banking service. The outcomes of the focus groups were analysed using QSR NUD*IST, a qualitative research programme which allows ideas to be clarified, themes to be discovered, and memoranda about the data to be stored (Qualitative Solutions and Research Pty Ltd, 1997). . The issues raised by the focus groups are incorporated in Table 4.1. The survey was analysed using SPSS (Statistical Package for the Social Sciences) 10, a data management and analysis product that is capable of a variety of data analysis and presentation functions including statistical analyses and graphical presentation of data (SPSS, 2002).

1.7 SUMMARY

The study investigates the current perception that Australian banks are not socially responsible in their dealings with their power dependent stakeholders. It seeks to confirm or disprove that there is a perception of diminished social responsibility within the Australian banking industry referred to in recent media articles (Anthony, 2000; Bank changes, 2000). This research aims to establish not only how power dependent stakeholders view the Australian banks and their policies and actions with regard to social responsibility, but also, to determine the strength of the respondents' perceptions of the issues that they see as contributing to the constituent elements of social responsibility standards in an Australian banking context. With the establishment of the issues, the respondents provide an indication of their perception of the Australian banks' performance against those standards.

1.8 THESIS OUTLINE

This thesis follows the traditional style of presentation. Chapter 1 provides the introduction to the research and outlines what is proposed and the procedures to be followed in achieving the research objective.

Chapter 2 sets out the literature review which has been undertaken to investigate the range of literature encompassing CSR, stakeholder theory, and current Australian banking practices and attitudes. It investigates the level of social responsibility that Australian banks accept and deliver in their business relations with all their stakeholders and introduces the concept of power dependent stakeholders, defined as being those lacking in power to exert influence or bring pressure to bear to establish their claim upon corporations. These are stakeholders who have to look to dominant stakeholders such as the government to provide them with advocacy or guardianship because their power relationship is not reciprocal. This concept provides an important aspect of the overall research.

Chapter 3 relates to the methodology. It develops the research questions, generates the hypotheses, establishes the model and theoretical framework and outlines the research design involving qualitative research through focus groups and quantitative research using survey questionnaires, and confirms the validity and reliability of the data.

Chapter 4 presents the results of the qualitative data gathered through the seven focus group sessions embracing the main power dependent stakeholders of Australian banks. Included in this chapter is the analysis of the data using the qualitative research programme QSR NUD*IST which allowed the researcher's ideas to be clarified and themes to be developed thereby providing a meaningful analysis of the material that was gathered in the focus groups.

Chapter 5 details the structure of data gathered through the survey of 400 power dependent stakeholders of Australian banks operating in Western

Australia, provides descriptive statistics and factor analysis, and ultimately leads to a full analysis of the data gathered through the survey.

Chapter 6 presents the hypotheses, which are divided, into three sections dealing with hypotheses conceming social responsibility standards, social responsibility performance, and relations between the Australian banks and their staff.

Chapter 7 discusses the overall results and highlights the key issues that were identified through the research process. It clarifies and summarises the information provided through an analysis of the findings delivered by the results of hypothesis tests.

Chapter 8 draws conclusions about the overall investigation and provides details of the implications, constraints and limitations of the results, while presenting suggestions for further investigation and future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 SCOPE

The literature review examines the research that has been undertaken into the social responsibility of corporations and the applicability of that research to the social responsibility of Australian banks. It looks at how writers have scrutinised the relationship between the various stakeholders of corporations and investigates how the interests of one stakeholder, the shareholder, are favoured through a focus on profits, whilst appearing to give insufficient attention to the interests of the broader group of stakeholders. It has been found that there are benefits in being aware that the decisions and actions of the company affect more groups than just the shareholders. Writers have suggested that the goodwill of the stakeholders can be important to the long-term success of the company. Short-term pursuit of profits, it is contended, may lead, ultimately, to the demise of the company (Taninecz, 1995). Indeed, Harvey, Smith and Wilkinson (1984) state that the interests of a corporation are better accommodated by a policy directed to survival and growth rather than by striving to maximise dividends.

Most corporations seem to want to be seen as having a commitment to social responsibility (Schachter, 1996). This is frequently reflected in their mission statements. What is proposed is that there is a need for directors to acknowledge that corporations have a genuine social responsibility that will have long-term benefits for their companies. It has been observed that the interest in CSR is coming at a time when investors are increasing their demands for corporations to maximise returns to shareholders (Reich, 1998). By implication, this requires directors to be aware of a need for balance in the exercise of their corporate duties. Stainer (1998 p.2) states that the "underlying theme of the stakeholder concept is CSR,...the obligation that a business has to other parties".

The notion that directors must act only in the interests of shareholders can be viewed as narrow and short-term and neglects to give due regard to the benefit that flows to the company from considering the interests of the stakeholders generally (Reich, 1998). It mentions that some advocates of CSR consider that what is good for the company over the long-term is also good for the stakeholders over the long-term. The observed problem is that companies have pressure from their shareholders to deliver short-term results, which neglects consideration of the long-term benefits or disadvantages of their decisions and actions. There are instances of pollution of the environment by corporations that have taken a short-term advantage and delivered profits to their shareholders, but who have damaged and destroyed their industry, as exampled by the whaling industry. Survival can mean the adoption of a socially responsible attitude (Taninecz, 1995).

2.2 DIFFERING PERCEPTIONS OF CORPORATE SOCIAL RESPONSIBILITY

What is meant by the term 'social responsibility'? It can have many different meanings. As a beginning, consideration can be given to the view expressed by Frederick (1998) that corporations learn socially acceptable behaviours through the influence of government regulations, public policies and the acceptance of ethics' principles. The whole thrust of Frederick's article is complex and convoluted. The suggestion is that CSR is a corporate-community relationship based on complexity-chaos theory and a biological-physical conception of corporate values. This is hardly a satisfying definition or explanation of social responsibility, although the complexity of the issue is acknowledged.

There has been pressure on companies to project an image of concern for the community - the community being the wider group of stakeholders. The problem arises, however, when this must be related to the directors' responsibility as expressed in legislation. It has been stressed that the directors' sole responsibility is to maximise the value of the company for the benefit of its members (Directors Duties and Corporate Governance, 1997). There is a proviso that their actions must be constrained by the requirements of the company's memorandum and articles of association, as well as by the legal framework and the economic environment in which the company operates.

There is debate as to whether directors can take into consideration non-shareholders' interests. A report on the social and fiduciary duties and obligations of company directors by the Senate Standing Committee on Legal and Constitutional Affairs (Cooney, 1989) suggested that directors may be required by judicial development of the law to enlarge their fiduciary duties to include the acknowledgment of a corporate responsibility, but only by a change in the law. The legalistic view expressed by Cooney does not necessarily address the need for a corporate social conscience. What it seems to imply is that a corporation must act to the detriment of other stakeholders, if it is to the benefit of shareholders, for fear of failing to properly undertake their fiduciary duties as directors, as required by a narrow interpretation of the law. Stainer (1998) rejects this view by proposing that there is nothing to prevent directors from having regard to the interests of others, if they act in good faith and in doing so their actions are conducive to the good health of the corporation. Stainer further emphasises this by stating that it may be a breach of fiduciary duty not to give weight to all the corporation's principal relationships.

It is stated that on the one hand there are those who believe that corporations should primarily focus on social reform, whilst on the other hand there are those who believe that corporations should be concerned with nothing but the maximisation of profits (Groening, 1981). Groening goes on to cite the views of Business Roundtable (an association of chief executive officers of leading U.S. corporations) who believe that in acting in a socially responsible manner a company is acting in its own long-term interest. They refer to socially responsible behaviour as considering the overall impact of the corporation on the society to which it belongs and the impact on the interest and views of groups other than those immediately identified with the corporation. Kraft (1991b) proposes that managers' attitudes to social responsibility, as an important factor in business effectiveness, have not yet been truly determined.

Taninecz (1995), referring to the philosophy of Kazuo Inamori, chairman of two diverse and successful corporations, Kyocera Corporation and DDI Corporation, states that some companies make money without serving the needs of the community but they do not survive as a successful entity. What is being promoted is that CSR should be part of the long-term survival technique of corporations. Davis, Frederick and Blomstrom (1980) clearly present a warning to business about a failure to meet society's expectations when they indicate that business's charter comes from society and that charter can be withdrawn by society. To remain successful in the long term business must be sensitive to society's need, whilst balancing all competing interests. The views are supported by Tomer (1999) who asserts that in these circumstances corporations have an obligation to shareholders, employees, consumers and creditors.

Narver (1971) cited by Abbott and Monsen (1979) proposes that the rational decision-maker seeking to maximise the welfare of the corporation in the long term must adapt to the demands being made for increased shareholder wealth by ensuring that investors have confidence in the corporation in the long-term. To do this they must be certain that the corporation will not encounter long-term sanctions, in particular from governments, because they have engendered violations affecting the environment or impacting the society. What is insinuated is that by foregoing short-term profits they may be contributing to the corporation's long-term welfare. Abbott and Monsen are of the view that the difference between Friedman and the advocates of social responsibility may be a matter of short-term versus long-term perspective.

The approach to this study falls broadly within a functionalist paradigm, which sees the effective control and regulation of social affairs as important. The functionalist approach seeks to engage a philosophy of social engineering as a basis for social change (Burrell & Morgan, 1980). However, the social change through promotion of a socially responsible orientation for corporations does not have to be detrimental to the financial performance of a corporation. Research done has shown that there can be a positive association between social responsibility and traditional financial performance (Pava & Krausz, 1996; Roman, Hayibor & Agle, 1999). In addition, in recent years companies have come to the view that their reputation has a value. How a corporation relates to its social responsibility can have an impact on its share prices, according to a study by the American Opinion Research Corporation cited by Cain (1997). This study showed that up to 12% of a corporation's stock price was attributable to its corporate reputation.

Luthans, Hodgetts and Thompson (1980) citing Davis (1973) pointed out that, like long-run self-interest, corporations seek to have a favourable public image or reputation so that they can attract more customers and hire better employees, along with other benefits that flow from a support of social goals. Hay, Gray and Gates (1989) state that enlightened self-interest is action that cannot be justified on a cost-revenue basis but which is in the best interests of the firm in the long run. Gray and Balmer (1998) believe that the reputation of a company will influence the relationship they have with their stakeholders. Kaptein (1998) asserts that stakeholders reward moral trustworthiness and good reputation. A failure to build on appropriate reputation can lead to loss of clients and suppliers, less committed employees, and withdrawal of lenders' support. More recently, as a corollary to Kaptein's assertion, Fombrun (2001) has stressed that a good reputation is a strategic asset that attracts customers, investors and employees to those companies that possess it.

Carroll (1979) believes that the appropriate definition for social responsibility of business should acknowledge the economic, ethical, legal, and discretionary expectations that society has of organisations, with the proviso that these expectations can change over time. This definition has the advantage, Carroll suggests, of addressing the views of those who believe that the economic goals of a business should be separate from any social emphasis. Carroll sees the social issues involved as consumerism, environment, discrimination, product safety, occupational safety, and shareholders, but he goes on to point out that he has made no effort to exhaustively identify the social issues that a corporation would have to address. Carroll makes the point that issues change and differ across industries. It is for this reason that any discussion about the social responsibility of business must focus on one industry if it is to have relevance. In this study the focus is on the issues confronting the Australian banking industry.

Companies see a commitment to CSR as a trade-off against profitability (Friedman, 1970; Drucker, 1984). They tend to see profits and social responsibility on a continuum – totally socially responsible/no profits to highly profitable/no social responsibility. Miller (1998a) however proposes that fiscal and social responsibilities should not to be considered in terms of "either-or". There is an ability, Miller is suggesting, to be both profitable and socially responsible. This notion is reinforced by Abratt and Sacks (1988) who express the view of social theorists, who see business as a sub-system of society which presents business with the challenge of reconciling the apparently conflicting goals of profit maximisation and social responsibility.

The failure to develop a strong attitude to social responsibility coupled with the externalities of corporate management decisions has created crises for corporations. Wheeler and Sillanpaa (1997) raise the spectre of the business system that allows occupational health risks such as asbestos and coal dust to go unchallenged, whilst creating environmental disasters like Bhopal, Love Canal, and Sevesco. These actions reflect a neglect of socially responsibility and they have a relationship to maximisation of profit. These events, say Wheeler and Sillanpaa, have increased the perception that business, left unchecked, will spread poison and pollution from which it will be difficult to ever recover. Campbell (1996) has made the point that there is an advantage in being socially responsible as it can allow a corporation to manage crises more effectively.

The Broken Hill Proprietary Company Limited has been criticised for the 1994 Moura mine disaster. It has been suggested that there was evidence of a systematic neglect of safety procedures and of signs of impending disaster (Maitland, 1999). Wood (1999) presented another example, which related to BHP's involvement in the mine at Ok Tedi. In this case the corporation acknowledged they paid insufficient attention to environmental and community aspects of their mining activities, with the result there were negative impacts on their reputation and financial outcomes. Davies and Miles (1998) make an important point when they indicate that a link is seen between corporate culture and reputation management. Reputation management specifically relates to an acknowledgement of the intangible value of a reputation that can be undermined without positive action to manage it, particularly in crisis situations. However, Gettler (2002) mentions that many firms have turned to spin doctors and advertising to repair a damaged reputation thereby increasing the gap between what the corporation says and what the corporation does.

2.2.1 The role of the corporation and its agents

Frederick, Post and Davis (1992) indicate that the concept of CSR first came to prominence in the early part of the twentieth century as a result of concern about the wealth and power of corporations. This caused some perspicacious and no doubt prudent executives to come to the view that they should have a broader social purpose than just the pursuit of profits. As examples of this emerging attitude Frederick et al (1992) mention the philanthropic works of Andrew Carnegie and the paternalistic programmes of Henry Ford as evidence of an acknowledgment by executives of corporations that their corporations had a responsibility to society.

The nature of a corporation must be understood in order to appreciate the extent to which a corporation can be socially responsible. Chief Justice Marshall, cited in Donaldson (1982), gave an interpretation of the corporation, which is still applicable today. He emphasised that the corporation is a creation of law. It is artificial, invisible, intangible and exists only in contemplation of law. The law and its basic charter determine any properties that it possesses.

Donaldson goes on to highlight that the nature of a corporation prevents it from having a persona that can be attacked or lobbied. In many cases it is difficult to effectively punish a company for acting improperly.

The resolution of this problem seems to lie within the system of principal and agent. Shareholders of large and significant companies cannot operate the companies themselves. It is therefore necessary to employ agents in the form of managers. It is, consequently, their attitudes and values that generally dictate the extent of a corporation's social responsibility. Aguilar (1988 p.29) clearly makes the point when stating that the "general manager's attitudes toward work, taking risks, public attention, prestige, social responsibility, ethical behaviour and social interaction will bear on corporate strategy in important ways".

Again, strengthening the view that the management is the personal face of the corporation is the statement that managers cannot take refuge in the conservatism of the law to avoid the social consequences of their actions. It is stressed that social responsibility is part of the process through which corporations meet their purpose in society and a failure to relate to this wider responsibility can have undesirable consequences (Albers, 1974).

2.2.2 What is corporate social responsibility?

A formal definition of CSR has been proposed by Paluszek cited by Carroll (1981 p.9) which states that "CSR is seriously considering the impact of the company's actions on society". A more acceptable view of social responsibility is that it involves a voluntary assumption of responsibilities that are not just concerned with the well being of the company and the objective of earning a satisfactory level of profit. Rather, it involves foregoing some profit in order to achieve non-economic goals which accord with ethical standards and judgements of social desirability (Boatright, 1993). Social responsibility is bound up with the interests of stakeholders, but more particularly with the non-traditional stakeholders such as the community. It is suggested that corporations should extend a socially responsible attitude even to those stakeholders who may have an adversarial relationship with the corporation (Freeman, 1984).

There are strong views that companies do not have a social responsibility. It has been espoused that their purpose is to make profits for their shareholders. The only stakeholder they acknowledge are the shareholders. The shareholders are seen as the owners of the company's assets and the ones who are the residual risk-takers. Less than 35 years ago it was argued by Milton Friedman that to be engaging in socially responsible actions was to be indulging in improper expenditure of the corporation's resources (Friedman, 1970).

Another approach to being socially responsible, which is close to Friedman's perception of social responsibility, is that the first social responsibility of business is to make enough profit to cover costs. The rationale being that if this social responsibility is not met then no other social responsibility can be met (Drucker, 1984). This view may have been softened with time but in more recent years it has been suggested that the concept of social responsibility is a nebulous doctrine that is ill conceived and ill defined. In presenting this view it has been pointed out that the stakeholders who are ones that are to benefit from the establishment of socially responsible corporations, frequently have differing demands. For example customers want lower prices but employees want higher wages. Walters (1977) however makes an interesting observation about the near impossibility, in practice, of distinguishing between outlays that benefit shareholders and those that are expenses to them. He cites as an example a gift to a charitable organisation, which might be classified as an expense to shareholders; yet it might be regarded as an investment (although not in the accounting sense) on behalf, the shareholders.

The involvement of corporations in socially responsible actions cannot be avoided if they are to be regarded as part of a socioeconomic system. Whilst corporations may seek to concentrate on their fiscal or financial goals as their first priority and regard their shareholders as their prime stakeholder, this cannot be reasonably sustained. Walters (1977) proposes that social responsibility is not a non-market goal. He sees it as a set of business policies designed to effectively achieve profitability and to guarantee continuing profitability. The concept of social responsibility within the organisational framework can be presented diagrammatically, with reference to the framework developed by Wheelen and Hunger (1998) in Figure 2.1 below. Wheelen and Hunger have suggested that Carroll's social responsibility categories could be more appropriately referred to as business responsibilities. They acknowledge that there is an order of priority that requires a business to satisfy their economic and legal responsibilities before relating to their ethical and discretionary responsibilities. That is to say, a range from what a business must do, down to what a business might do. A small survey - 49 responses from a mail survey of 150 chief executive offices - undertaken by Fitzpatrick (2000) revealed that discretionary responsibilities (which was retitled – philanthropy) was the least important of the four categories of social responsibility.

Davis, Frederick and Blomstrom (1980) in their model, shown in Figure 2.2, reinforce the sentiments of Wheelen and Hunger although they do not specifically refer to legal responsibilities. Davis et al (1980) more precisely capture the current trend towards a socially responsible corporation when they state:

> Society is asking business to engage in a broad range of activities that serve a wide area of social needs. Emphasis is shifting from mostly an economic quality of life to a more social quality of life along with economic benefits. (p.10)

These models envisage corporations being more involved in social issues through an evolutionary process, as stakeholders seek to assert their rights to benefit from the social contract that brought the corporations into existence.

Hay, Gray and Smith (1989) indicate that the term 'social responsibility' is of relatively recent origin but the underlying concept, they say, has existed almost since the beginning of business organisations. The concept is based on the assumption that business organisations are a creation of society therefore they must strive to achieve society's goals. Steiner and Steiner (1980) referred to a report of the Committee for Economic Development (1971) which accepted the view that business operates by public consent and its responsibilities could be described by three concentric circles similar to those detailed by Davis et al

(1980). The inner circle requiring a focus on the economic function, the intermediate circle requiring a sensitivity to evolving social values and priorities, and the outer circle relating to an involvement in improving society

Economic	Legal	Ethical	Discre-tionary
(Must do)	(Have to do)	(Should do)	(Might do)

Figure 2.1: Responsibilities of business
Source: Wheelen and Hunger (1998) as adapted from Carroll (1979)

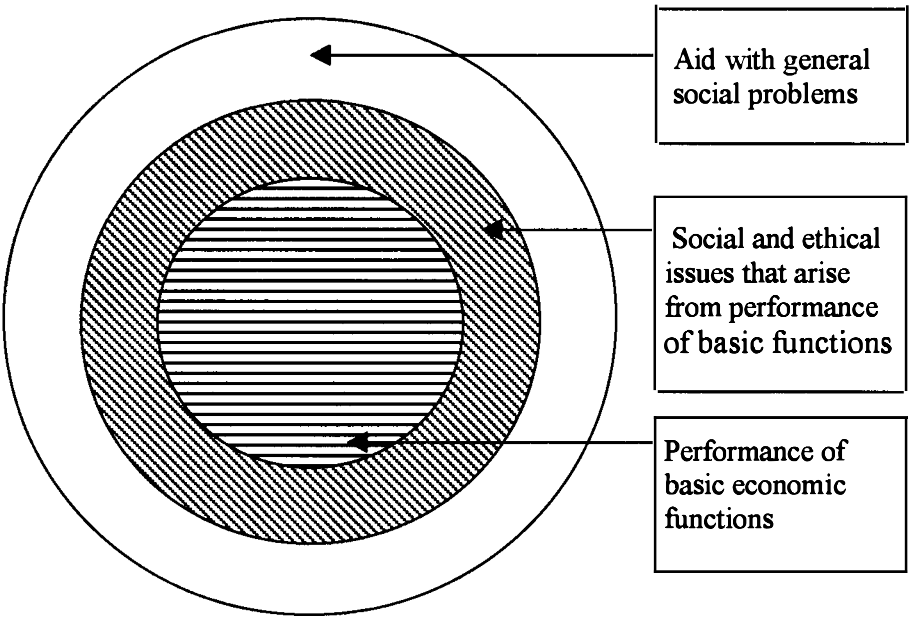

Figure 2.2 Socioeconomic model
Source: (Davis et al., 1980)

2.2.3 Benefits for corporations of being socially responsible

The progression to the development of the socially responsible corporation may have been to counter the attitude that these corporations are insensitive and unfeeling. But then again, it may have been for the more pragmatic reason that being socially responsible leads to better profits (McGuire, 1963; Besser, 1998).

The attitude of enlightened self-interest does provide some basis for corporations to adopt a policy of engaging in socially responsible activities. Rao and Hamilton III (1996) acknowledge the discussion and debate about the relationship between profitability and socially responsible or ethical behaviour, and they have been able to show that unethical behaviour adversely affects a corporation's market performance. Bovet (1994) postulates that a better society builds a better environment for business and businesses that do not contribute to provision of social goods will be inviting lower profits sometime in the future. In fact, there may be no other purpose, than long-term profitability, as a justifiable reason for a corporation to expend resources in socially responsible pursuits. Without an acknowledgement of a need to be socially responsible corporations may encounter forces that may act against their interests (Hasnas, 1998). Ford and McLaughlin (1984 p.670) surveyed a group of corporate chief executives and business school deans and found that 92.2% and 90.1% respectively agreed that being socially responsible "can be in the best interests of the stockholders".

There is another view expressed, that if companies do not respond on their own to the community's demands for a more socially responsible attitude, their role in society may be altered by the public (Carroll, 1981). In fact, proactive socially responsible behaviour reduces public resentment and minimises the urgency for government regulation (Hay et al., 1989). Four social responsibility roles are presented by Weiss (1998) which are referred to as productivists, philanthropists, progressivists, and ethical idealists. The views presented, to this point, have been very much the progressivist view. The progressivist justifies social responsibility as not only an expression of self-interest, but also maintains the view that corporations should take a broad view of their responsibility toward social change (Weiss, 1998). It has been suggested that there may be different types of social responsibility, as they relate to each stakeholder. These actions should be distinguished from charitable actions that many corporations cite as evidence of their acting in a socially responsible manner. The relationship with the stakeholders should be one of sharing the benefits in relation to the contribution each makes to the enterprise, not as a donation which will attract the maximum potential publicity (L'Etang, 1995).

2.2.4 Social responsibility versus social responsiveness

The term 'social responsibility' is thought by some to be too expressive, in so far as it has connotations of positive accountability. It seems to suggest that a corporation must undertake certain actions of a social nature. The more acceptable description of the corporation's commitment to society, it is suggested, may be embodied in the term social responsiveness (Arlow & Gannon, 1982). Apart from the arguable differences between responsibility and responsiveness, where the former is seen as passive acceptance of an obligation and the latter is seen as action oriented (Frederick, 1978; Carroll, 1989), it is even reasoned that there are three stages for classifying corporate behaviour, by introducing social obligation (Sethi, 1975). In turn, it has been put forward that social responsiveness requires action through the establishment of the appropriate policy, learning about the impact of such responsiveness, and then accepting a commitment to the concept (Ackerman, 1975). However, the introduction of the concept of social responsiveness is not well accepted as an alternative to social responsibility. Social responsiveness, in the corporate sense, seems to imply the identification of a problem then responding to that problem in the most effective way. It has been submitted that the move from social responsibility to social responsiveness was merely to be pragmatic, to move away from the philosophical issues of values and ethics. In other words, corporations need not have their own moral principles, but merely respond to others (Freeman & Gilbert, 1988).

According to Robbins, Bergman, Stagg and Coullter (2001) social responsibility is an obligation that surpasses the requirements of law and economics. It is, Berman et al (2001 p.166) suggest, the "pursuit of long-term goals that are good for society", whilst social responsiveness is seen as the "capacity of a firm to adapt to changing societal conditions".

The following Table presents a comparative view of the difference between social responsibility and social responsiveness as seen by Wartick and Cochran (1985 p.766).

Table 2.1
Differences between social responsibility and social responsiveness

	Social Responsibility	Social responsiveness
Major considerations	Ethical	Pragmatic
Unit of analysis	Society	The firm
Focus	Ends	Means
Purpose	"Window out"	"Window in"
Emphasis	Obligations	Responses
Role of the firm	Moral agent	Producer of goods and services
Decision framework	Long term	Medium and short term

The view that a corporation should be socially responsible or have a social involvement generates some discussion about whether or not corporations should have any commitment to society. As discussed earlier, Friedman (1962) is an example of a prominent commentator, who has expressed a strong, unequivocally negative response to corporations having any social responsibility. Broadly, arguments supporting a social involvement can include the view that businesses get their charters from the society and therefore must meet certain expectations. Birch (2001a) poses the question: to what extent do Australian businesses accept the hypothesis that they receive their charter from society and therefore should be accountable to society for their actions? It is difficult to answer this; but corporations should recognise that it is in their own interests to cultivate a socially responsible attitude thereby discouraging more government intervention and regulation. Walters (1977) and Wilbur (1982) both mention that corporate behaviour that disregards public interest inevitably invites greater public regulation of business. On the other hand, Davis et al

(1980) mention that the main argument against social involvement is the view that it is business's purpose to maximise profits and not become involved with social issues. In addition, it is implied that the expense of a commitment to social involvement can cause a corporation to be uncompetitive both domestically and internationally. However, Davis et al go on to state that shareholders no longer accept that a corporation shows a profit but they also wish to know if the corporation has measured the cost and benefits of its policies for both the corporation and society.

Donaldson (1982) highlights the fact that a corporation is morally obliged to refrain from performing acts, even if legal, if they violate the rights of others. Corporations, Donaldson states, cannot pursue a policy of disinterested profit maximisation. The problem, according to Beauchamp (1989), may be that corporations do not readily appreciate that socially responsible behaviour can be a positive. Studies, however, have shown that corporations that behave in an ethically and socially responsible manner do in fact have improved financial performance and this behaviour can be a factor in achieving higher profits (Verschoor, 1998). A study by Roman, Hayibor and Agle (1999), which re-evaluate the findings of Griffin and Mahon (1997), whilst not as positive as Verschoor, has shown that good social performance does not lead to poor financial performance. They showed that most studies that they reviewed indicated a positive correlation between corporate social performance and corporate financial performance. Wheeler and Sillanpaa (1997 p.60) cited a study conducted by two Harvard researchers, Kotter and Heskett, that indicated that corporations "which gave equal priority to employees, customers and shareholders demonstrated sales growth of four times and employment growth of eight times that of shareholder-first companies".

2.2.5 Reviewing corporate social performance

It would appear to be in a corporation's best interest to develop a social conscience - a readiness to accept their social responsibility - without the need for coercion. Rather corporations should act through an acceptance that it is the right thing to do, to acknowledge the existence of stakeholders who must be embraced as beneficiaries or victims of corporate actions. The view has been put that corporations can be induced to adopt a code of conduct based on acceptance of ethical obligations. This is seen as preferable to regulation, taxation or civil action to force a corporation to accept that it has a social responsibility to act in the interests of all stakeholders (Arrow, 1997). A major diverse company, ICI Australia Limited (now Orica Limited) manufacturing and supplying a range of chemical products, acting without coercion, distributes a performance report to show how seriously they regard their social responsibilities. The chemical products produced include paints, adhesives, fertilisers, mining chemicals, explosives, and pharmaceuticals. In this report they refer to their constituency of stakeholders as being shareholders, employees, customers and the general public (ICI Australia Limited, 1997).

In reviewing corporate social performance Beesley and Evans (1978) make a strong point about the benefit to corporations of being socially responsible. They state that if corporations wish to be free from government interference, that is to say, they want to be self-regulating then they must assume a role in defining and achieving social aims. Marx (1993) made the comment, following an investigation of the manner and extent of reporting corporate social performance, that he found that most reports were targeted at employees and shareholders, largely ignoring the wider stakeholder constituency.

Nevertheless, social responsibility accounting is being more widely adopted. Research done by Hall and Jones (1991) who investigated the extent of reporting by UK companies over the period from 1975 to 1985 found that the companies investigated felt that there was benefit to be gained from such reporting through better public relations and improved job satisfaction for employees. Despite some concern that the extra information may complicate decision-making there was a trend over the ten-year period to more social responsibility accounting reports rather than less. Beets and Souther (1999) also found that there was a trend to production of reports, other than financial reports, providing information for a range of stakeholders.

In a two-part article Elkington (1999a; 1999b), discusses what he refers to as the triple bottom line revolution. All businesses have focused on the financial bottom line but he suggests that corporations must broaden their focus to meet society's expectations that corporations must be aware of their impact on all stakeholders in their companies and not just the shareholders. The triple bottom line is defined as "focusing on economic prosperity, environmental quality and – the element which business had tended to overlook – social justice" (Elkington, 1999a p.75). Elkington goes on to make the point that it is the corporate board that is responsible for driving the triple bottom line agenda and clearly shows, in

Table 2.2, the paradigm shift that confronts directors of corporations in the way they undertake their corporate governance responsibilities.

Table 2.2
Corporate governance

Old paradigm	New paradigm
Financial bottom line	Triple bottom line
Physical and financial capital	Economic, human, social, natural
Tangible, owned assets	Intangible, borrowed assets
Downsizing	Innovation
Exclusive governance	Inclusive governance
Shareholders	Stakeholders

Source: (Elkington, 1999b)

Armstrong, Mitchell, O'Donovan and Sweeney (2001) have investigated the triple bottom line performance of the Australian banks and they have discovered, through an analysis of the Australian banks' 1999 annual reports, that the Australian banks' social responsibility reporting is not fervent. There is the suggestion that while the Australian banks assert that they have a commitment to focus on all stakeholders, not just shareholders, there is little evidence of the commitment being put into practice.

Birch (2001b) makes the point that it is difficult for businesses to fully understand the concept of social bottom line profit and an environmental profit in addition to the traditional financial bottom line. Birch suggests that it involves a redefinition of what constitutes business and that is going to be a slow, and possibly difficult, process educating both business and business schools. He acknowledges that while triple bottom line thinking can change traditional practices the reality is not matching the aspiration.

Australian banks, like all corporations need to undertake a social audit to confirm their social responsibility performance, just as they have financial audits to prove the veracity of their financial reports. A social audit is defined by Miles (2000 p.43) as an examination of "systems procedures and performance measures of an organisation to provide assurance about the organisation's social, environmental and ethical performance claims". Miles goes on to state that a social audit assists a corporation to refine its priorities and to establish its non-financial impact on the communities within which it operates. There is some evidence that the Australian banks may be aware that they should be cognisant of the need to take account of community expectations so far as their operations are concerned. This is revealed by a report that the General Manager of Marketing in the Westpac Banking Corporation (Westpac) indicated that Westpac wanted to be positioned as a "facilitator, helping customers, charities, and grass-root community organisations". The bank was reported as stating they "accept the fact [they] have a social responsibility and [they] have put [their] money where [their] mouth is" (Burbury, 2001 p.49).

Abbott and Monsen (1979) wondered why, if being socially responsible incurred costs, that a business would want to report the expenditure to the stockholders by way of special comment? They went on to suggest that, as an alternative to the view of Friedman (1970), shareholders are concerned with the stability and legitimacy of the business and do not want to see its autonomy eroded by State control. It is maintained that politically astute shareholders, reading of the progressive views of social responsibility will have enhanced confidence in the management policies of the company.

2.3 STAKEHOLDER THEORY

2.3.1 Who are the stakeholders?

The stakeholders have been identified as shareholders, customers, employees, the government, the community, competitors and social activist groups (Carroll, 1989). But, as Carroll goes on to express, each corporation will have a slightly different stakeholder cohort, although broadly the stakeholders will be similar. Another view is that the dominant stakeholders are consumers, employees, and the community - with the environment, as it relates to nature, being treated as a stakeholder in its own right (Robertson & Nicholson, 1996). However, what is important in developing a corporation's awareness of the interests of all stakeholders is the acceptance that companies cannot act as though they exist for the benefit of one stakeholder – the shareholders. Czcechowicz (2001) expresses the changing corporate attitude in the following terms:

> The role of management has extended beyond maximising profits. Profitability is no longer the sole purpose of an organisation's existence, if indeed it ever was. The focus is shifting from a 'shareholder' model to a 'stakeholder' model of understanding the business of management. The stakeholder concept implies that management needs to take into account the diverse needs of various groups that may have an interest in the operations of the company. (p.16)

Cochran, cited in Clarkson, Starik, Cochran and Jones (1994) suggests that all stakeholders have what is expressed as legitimate demands for the delivery of a whole range of rights or benefits. These demands can include proper product safety, commitment to workplace non-discrimination, and structures to ensure environmental protection procedures are in place. In the search for stakeholder identification, Mitchell, Agle and Wood (1997) have sought to identify stakeholders as those who have power, legitimacy or urgency. However these classifications do not significantly narrow the range of stakeholders that confront business.

Stakeholders, it is suggested, can be divided into primary and secondary stakeholders based on the perceived importance of the stakeholders to company's continuing existence (Carroll, 1989). Primary stakeholders can include shareholders, investors, employees, customers and suppliers, plus the government, all of whom are necessary for the survival of the company. The secondary stakeholders include those capable of mobilising public opinion, such as the media and special interest groups. This latter group of stakeholders can influence or affect the company or be influenced or affected by the company, but they do not undertake any direct transactions with the company. Therefore, they are not considered to be vital for the survival of the company (Clarkson, 1995). This makes the identification of the stakeholders appear a simple process. But it is a complex procedure that requires not only their identification but also the evaluation of their legitimate stakes in the corporation. A further complication has been introduced to the interpretation of stakeholders' interests by examining the concept of property rights. It is suggested that property rights may devolve upon stakeholders thereby giving some justification for their inclusion as concerned parties in any actions on the part of any companies (Donaldson & Preston, 1995).

There is a view that the inclusion of almost anyone who affects the company, or in turn is affected by the company, should be included as a stakeholder. This is thought to cast too wide a net, and could for all intents and purposes include terrorists who may indeed be able to affect the company. Wartrick, cited in Clarkson, Starick, Cochran and Jones (1994) indicates that in the American situation terrorists are not regarded as stakeholders, even though they have the power to become relevant in any business situation. This deficiency in the identification of stakeholders is addressed by insisting that in order to be included as a stakeholder the principle of fairness must apply. In this case, terrorists, or their ilk, would not qualify as voluntary members of a co-operative scheme for mutual benefit. They would not be stakeholders (Phillips, 1997). On the other hand Mitchell, Agle and Wood (1997) in their classification of stakeholders according to their power, legitimacy or urgency include terrorists as dangerous stakeholders, lacking legitimacy, but having urgency and power.

Donaldson (1995) acknowledges that the answer to the question, who are stakeholders? brings forth answers that are either too narrow or too broad, but he does confirm that managers must seek to select activities and direct resources for the benefit of stakeholders, however they may be defined. Mitchell, Agle and Wood 's (1997) classification of stakeholders allows managers to focus their attention on acting for the benefit of those least able to exert power to have their rights acknowledged. Those stakeholders who have power will ensure that managers act for their benefit.

Mitroff (1983)) produced a broad stakeholder map for a drug company that has been adapted (Figure 2.3) to the Australian banking industry which is the industry focused upon in this research. Mitroff (1983 p.22) suggests that "an organisation may be thought of as the entire set of relationships it has with itself and its shareholders". The stakeholder map then is an excellent representation of the organisation, with the double-headed arrow showing influence flowing back and forth between the corporation and the stakeholder.

The essential element of this research will be the investigation of the social responsibility performance of Australian banks as it affects their employees and selected customers.

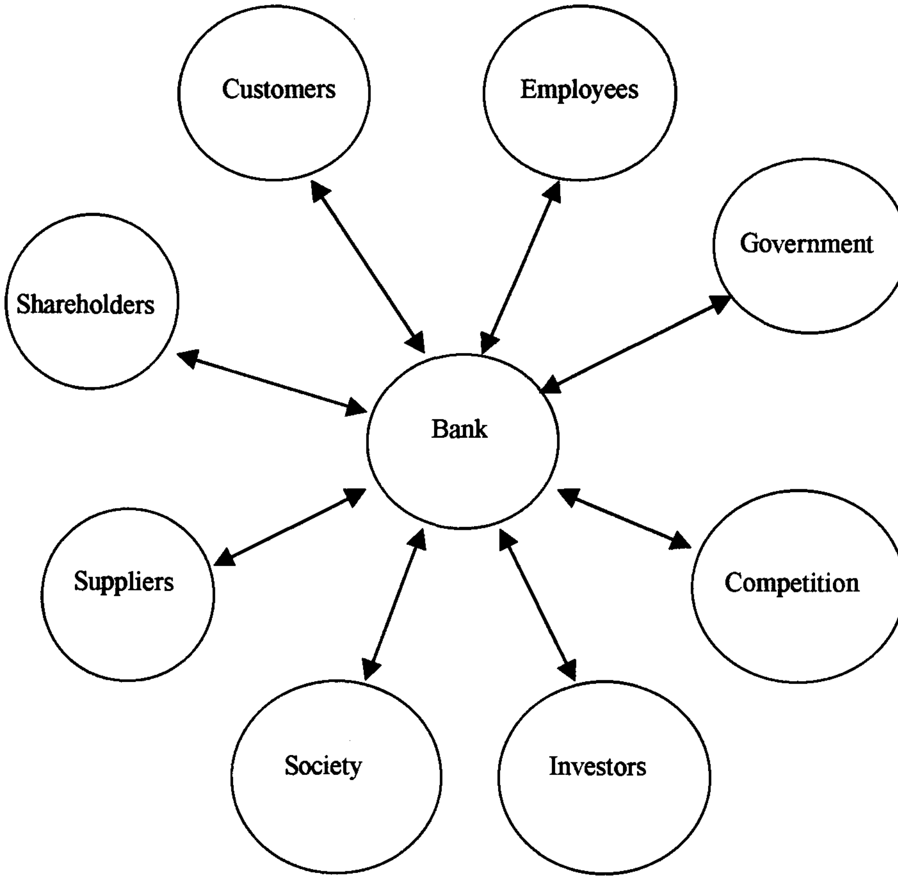

Figure 2.3. Stakeholder Map. Based upon An Expanded Stakeholder Map (Mitroff, 1983).

2.3.2 Why are stakeholders relevant?

The focus on profit alone effectively directs a corporation's attention upon one stakeholder only - the shareholders. It is conjectured that corporations supporting a stakeholder partnership would disregard the neo-trinitarian belief that money, knowledge/power and pleasure are the targeted objectives of business (Stainer & Stainer, 1998). Investors naturally want the best return possible on their investment, and directors claim that their primary duty is to their shareholders. This pressure causes other stakeholders to be neglected (Reich, 1998). The stakeholder theory, however appealing in its desire to ensure the greatest good for the greatest number of constituents, is not accepted without some reservations. The bases of the arguments, which justify its acceptance, are called into question. Nevertheless, the theory of the common good with each stakeholder contributing to, and taking from, the company according to their contribution may provide sufficient basis for a sustainable stakeholder theory (Argandona, 1998; Hasnas, 1998). In addition, it is submitted that the growth of the global economy and the demand for high quality in output requires that the workforce be empowered. The trade union power and influence, has diminished, and traditional managerial structures have been dismantled. A spirit of partnership needs to be developed with all stakeholders. It is suggested that the stakeholder involvement is important, not only to the private sector, but also to the public and social sector (Covey, 1995; Scholes & Clutterbuck, 1998)

While looking after the stakeholder is considered to be a measure of CSR, it can also be good business. Owens (2001 p.36) states that "businesses need to learn how to benefit from the collective intelligence, energy, capacity and influence of all stakeholders, not just shareholders". It is a case of the corporation acknowledging that it derives benefit from the totality of its surroundings. Therefore, its social responsibility is fulfilled if it acknowledges and acts responsibly to all stakeholders (Waddock & Graves, 1997). A study, to which reference has already been made, undertaken by Ford and McLaughlin (1984 p.670), concerning benefits to stockholders, found that 87.0% of the corporate chief executives and 86.1% of the business school deans agreed that the "long-term success of business depends on its ability to understand that it is part of the larger society and that... [it should behave] accordingly".

A corporation's attitude to stakeholders does not emanate from within the corporation solely. The corporation's attitude may be a direct response to stakeholder expectations, bearing in mind that the expectations of stakeholders can be most complex. In such event, the corporation must develop an understanding of its role in the light of these expectations. By so doing it will devolve benefits as a socially responsible corporation; more particularly by establishing a competence for managing conflicting role expectations (Beesley & Evans, 1978). It should be remembered that concerns of several stakeholders overlap. Examples include employees who can be customers; company regulators and bankers as customers; and employees who may be political activists or environmentalists. All this means that it is vital for a company to develop and maintain a credible reputation with its stakeholders over an extended period of time (Gray & Balmer, 1998). Kaptein (1998) stresses that it is important for corporations to confront these conflicting expectations of stakeholders and to strive to balance them in a moral and ethical manner so that they are realised or balanced adequately.

This view can be taken even further by proposing that companies should be run for the benefit of all stakeholders who have firm-specific investments at risk. It is not difficult to appreciate how long-term employees and dependent suppliers and clients would be able to make a case for requiring the firm to run with their interests as a paramount consideration (Blair, 1998). This hypothesis is further reinforced if it is accepted that many shareholders, particular the large institutional shareholders, who wish to be seen as the residual risk-takers, can diversify their shareholding investment portfolio to a point where the failure of any one company has no significant effect on their total wealth. Other stakeholders, such as employees, suppliers and clients cannot readily diversify their risk of substantial loss in the event of the failure of the company upon which they rely for their well-being (Plender, 1998). Of all the groups of stakeholders, the group that has probably the least ability to diversify risk is the employee group. Frequently, in order to improve returns to shareholders downsizing of the employee group is undertaken. But Fagiano (1996) cited by (Miller, 1998b) pointed out that a survey in 1995 showed that 37% of the companies that downsized did not achieve any increase in productivity.

2.3.3 Conflicting expectations of stakeholders

An important consideration in looking at the stakeholder theory, and how it relates to a social conscience on the part of the corporation, is to approach it from the point of view of the common good. This involves considering why the corporation exists. Whilst a company is a legal creation, having an entity in its own right, it has been designed for the benefit of its members. In this case members are viewed more broadly than just shareholders – they are the stakeholders. Each stakeholder (customers, employees, suppliers, etc) expects something different from the company. However the stakeholders must contribute to a company's goals for the common good. The problem arises where all the parties seek to extract more than their entitlement (Argandona, 1998).

Corporate attitudes that acknowledge only one stakeholder, namely the shareholder, are fairly well entrenched. The view has been expressed that it is the shareholders' investment that created the company, therefore, the extent of their fiduciary duties is premised on this fact. It is hypothesised that the directors do not have to look after the interest of those whose interests might not coincide with those of the shareholders of the company (Cooney, 1989). This view is further reinforced by the attitude that directors of companies are only required to oversee the management of their companies for the shareholders' benefit. Freeman and Reed (1983) refer to this perspective of corporate governance when they state that obligations to the shareholders are "sacrosanct and inviolable...driven by attention to the needs of the [shareholders]"

Deck, cited in Clarkson, Starik, Cochran, and Jones (1994) put the alternative point that 'ownership' is not an absolute principle attaching to capital. Instead, it might be seen as a bundle of socially derived rights relating to capital. It is further stated that those rights are created by what society sees as being socially acceptable. What managers must confront is how to reconcile the conflicting claims amongst the stakeholders including the owners. Gardner (1999) makes the point that managers (corporate leaders) must endeavour to sensitively communicate to stakeholders the emerging issues and the dynamic changes that are occurring within the corporate environment so that the concerns of those stakeholders are adequately addressed.

2.4 MANAGEMENT RESPONSE TO SHAREHOLDER DEMANDS VERSUS STAKEHOLDER DEMANDS

Managers can be subjected to some tension between a commitment to the company, returns to shareholders, and the public profile of the company which must be defended by presenting a caring and understanding relationship with its stakeholders (Bouchaert, 1998). The creation of a total quality environment is seen as impacting on prime stakeholders. It can lead to contented customers, motivated staff and satisfied shareholders (Goudlandris, 1993). Institutional investors may be the key to corporations acting in a more socially responsible fashion. Their substantial investments in corporations would allow them to address a wider group of stakeholders. Already, some unit trust managers are structuring their investment portfolios to include only companies that manage themselves in a way that includes all stakeholders (Littlefield, 1996). (By contrast institutional investors can also serve as a major barrier to organisations seeking to embrace shareholder focused social responsibility).

Within Australia there seems to be a view that the only way that directors and managers can be made to take cognisance of the interests of stakeholders is by way of legislation. Matters external to the company are considered to be outside their responsibility (Cooney, 1989). This attitude is reinforced, in the United States' context, by the suggestion that if society considers that corporate decisions must embrace all stakeholders with whom the company may interact, then legal guidelines must be established to allow non-investors to participate in decision-making. Specific laws must define the company's relationship with stakeholders (Reich, 1998). These expressions of directors' responsibilities overlook the potential of stakeholders to influence the corporation's long-term future and therefore consideration of their (the stakeholders) interests cannot be regarded as outside the scope of the directors responsibility. Clarkson (1995) mentioned that as far back as 1950, General Robert Wood, the chief executive officer of Sears, stated that the four stakeholders in any business, as he saw them, were customers, employees, community, and stockholders (shareholders). What is interesting is that shareholders were placed last, Wood may have seen the community as one stakeholder but in reality it can be segmented to embrace many stakeholders with diverse interests that each may impact or influence the business.

2.5 DEPENDENT AND DANGEROUS STAKEHOLDERS

However, there is a body of opinion that believes corporations should strive to relate to the stakeholders, who by their nature have the ability to have an impact on the company or alternatively can be influenced by the company. They propose that companies should establish methods by which they can communicate with their stakeholders. They even go so far as to suggest dialogue sessions through surveys, or focus groups, to elicit their stakeholders' desires and concerns so far as they affect the company (Wheeler & Sillanpaa, 1997). However, not all stakeholders are vocal and powerful so it is important that the interests of these stakeholders are not ignored. It is not appropriate that some less powerful stakeholders are disenfranchised solely because they lack economic or political might. The socially responsible company cannot ignore their legitimate interests (Beesley & Evans, 1978). What is important in considering the stakeholders is to acknowledge that their stakes are reciprocal, as each can have impact on the other in terms of harm and benefit. They also have rights and duties relative to each other (Evan & Freeman, 1993). Very clearly managers know that the wider community of stakeholders impact their businesses and although they may not explicitly refer to stakeholder theory they do acknowledge that they must satisfy a wider range of stakeholders than just the shareholders (Donaldson & Preston, 1995).

There are strong reasons for taking stakeholders seriously. Not all stakeholders are silent and benign, only identified by such broad generic terms as employees or consumers; rather, they may seek to pursue agendas directly detrimental to the company interest. Mitchell, Agle and Wood (1997) have drawn attention to the objectives and pressures that flow from dangerous stakeholders who are able to combine power and urgency in the relationship with corporations. The broad generic approach can inadvertently exclude opinion leaders. The point being made is that invisible, as well as visible stakeholders, should be identified (Mitroff, 1983). In the discussion on stakeholder theory, it has been implied that the pursuit of the interests of all stakeholders can result in the company being of value to no one. This being the case, it is suggested that it may be preferable to identify a narrower group of stakeholders and attempt to serve their interest in the most effective manner, at a given point in time. It is acknowledged, however, that the problem then arises as to which set of stakeholders the company should serve (Freeman & Gilbert, 1988) and that this cohort may have overlapping interests and vary in composition over time. A good case can made for corporations to be conscious of the stakeholders referred to by Mitchell, Agle and Wood (1997) as power dependent stakeholders.

2.6 CORPORATE COMMUNITY RELATIONS

Many companies have departments that support community relations. They strive to project an image of a caring organisation. They see the involvement of staff outside the corporation as important to the creation of a competitive advantage. It is a business imperative [Altman, 1998 #4]. However this activity is not the same as being socially responsible. It is more akin to social responsiveness – where a corporation responds to pressures within the environment in which it operates. Social responsibility is a genuine regard for all with whom the corporation must interact.

It is established that the corporation was never intended to provide a basis for social reform. The goals and aspirations of the community were not considered when the first joint stock company was created. However, with the passage of the years, there has been entrenched an implicit obligation for the corporation to operate in an ethical manner in the pursuit of its goals, which are primarily to make profits and increase shareholder wealth. However, for a company to operate ethically there are times when it must do things that they are not legally required to do. These actions may cost money, but they are done with the welfare of the stakeholders in view (Groening, 1981).

It was pointed out by Schachter (1996) that banks frequently view paying taxes as part of their CSR. This is a legal responsibility and Carroll (1979) clearly sees legal responsibilities as one of the four categories that constitute social responsibility. However, it is also an obligation that can be subject to penalties and sanctions if not performed. Banks go on to say, however, that they also make large donations to worthy causes, whilst in some cases they maintain programmes that support their employees and recognise equity in the workplace. Two corporations have been cited as examples of the new social awareness of companies. Levi Strauss and Unipart acknowledge their responsibility to their communities and society with Unipart identifying five stakeholders in particular – customers, employees, investors, suppliers and the community – with whom they see their future linked (Wheeler & Sillanpaa, 1998). These corporations argue against the view that doing what is right is contrary to doing what is good for the business. Instead, acting properly, or in a socially responsible manner, is translated into company gains (Garfield, 1992).

2.7 BANKING CORPORATIONS

2.7.1 What is a bank?

The focus of this research is on CSR with particular application to the Australian banking industry. With the study being centred on Australian banks, it is appropriate to define what a bank is. It is propounded that with the continuing structural diffusion of Australian banking and the development of financial innovations it is difficult to be precise about what constitutes a bank (Arestis, 1988). According to Denning, cited in Paget's Law of Banking (Hapgood, 1982), in order to be classified as a bank, an institution should have the following characteristics, namely, the conducting of current accounts for customers, paying cheques, and undertaking to collect cheques for customers. This seems to have been reinforced by a legal opinion given by the Court of Appeal in United Dominions Trust Ltd v Kirkwood (1966) 2 QB 431. The opinion stated that the essential characteristics of a banking business were: collecting cheques for customers; paying cheques drawn by customers; and keeping current accounts for customers (Reeday, 1993). Another definition of banking business is that decided in a case before the High Court in 1914 (Commissioners of the State Savings Bank of Victoria v Permewan Wright & Co Ltd (1914) 19 CLR 451) which sees the essential characteristics of the business of banking as the receiving of deposits upon loan, repayable when and as expressly or impliedly agreed upon, and lending it again in such sums as are required. English courts seem to regard the collection of cheques to be an essential element in defining a bank, whilst Australian courts have adopted a broader approach in their definition (Weerasooria, 1988). In fact, the business of banking has become more complex as traditional banks have diversified extensively over the last 20 years. They operate in numerous areas that would have been regarded as non-banking in the past. Whilst at the same time, the non-banking financial institutions have extended into the perceived domain of banks (Perkins, 1989; Reeday, 1993).

What may distinguish a bank from another financial institution is the essential nature of its business within a country's overall financial system. Australian banks are specifically designated in legislation, which more precisely defines what a bank is, rather than any technical definition that specifies the nature of the functions of a bank. Having granted Australian banks a special status by their inclusion in legislation, regulatory authorities are reluctant to allow this core constituent of the financial infrastructure to fail because such a failure could precipitate a collapse of the whole financial system (Hosking, 1993).

Unfortunately, Australian banks have not acted prudently when regulatory oversight has been eased, as was the case in the 1980s. The Australian banks, in their desire to protect their market share, lent without due care and incurred substantial bad debts which eliminated profits and threatened viability. It was stated that in the 1980s the Australian banks had to contend with deregulation, and increasing internationalisation, which caused them to act injudiciously in an endeavour to protect or expand their market share. The result of this behaviour was that in the 1990s the Australian banks were left with the task of cleaning up the consequences of that boom and bust (Carew, 1998). This phenomenon was not peculiar to Australia, as financiers in other countries went in search of high short-term profits that endangered the frail bond of public trust so necessary to a sound banking and financial system. They engaged in risky lending, and unethical business practices, which were seen as temptations to corporate irresponsibility creating concerns about social issues (Pengelly, 1990). These social issues include socially responsibility and sustainability. Sustainability embraces socially responsible lending (Jeucken, 2001) and awareness, as a corporation, of their impact on society (Birch, 2001a).

The special position of the banks in the Australian foreign exchange market, through their pre-eminent position as authorised foreign exchange dealers, was affected by the floating of the exchange rate in 1983. This freeing of the foreign exchange markets led to the granting of licences, to deal in foreign exchange, to more non-bank dealers to compete with those banks (Perkins, 1989). The decision to deregulate the foreign exchange market was seen as a positive move for the national economy. It allowed frequent and appropriate adjustments to the currency in response to international flows, thereby avoiding self-fulfilling exchange adjustments made too far after the event. The financial markets needed to be competitive, adaptive and responsive, which is precisely what is achieved in a deregulated market (Stone, 1985). However, it did create a more complex and volatile market through the interaction of factors that were now no longer subject to that same influence from the regulatory authorities as previously (Daugaard & Valentine, 1995).

Australian banks are in a special position within the community. In view of this, it is reasonable to contemplate the possibility that they could be adjudged as public utilities in much the same way as transportation, telecommunications, electricity, gas and cable television. This notion is supported by an opinion expressed that banks are special because the nation needs a banking system as part of its infrastructure (Schachter, 1998). The supposition is also expressed that if banks withdraw from rural areas and thinly populated locations, as well as particular points within the cities, there will be changes in the economic and social structures which will not necessarily be for the better (Hansen, 1994). Clearly there may be a case for regulation of Australian banks, in addition to any existing regulation to ensure their standards of management and viability, to ensure that they fulfil their role as a public utility, delivering an essential service to the community. But care needs to taken in regulating any corporation as this may create a situation of rent seeking, leading to an artificially created shortage of the service desired (Crew & Kleindorfer, 1986)

2.7.2 Introduction of 'user pays' principle

Within this debate about social responsibility of corporations and the need to consider all stakeholders in the corporation and not just shareholders, there has been considerable discussion about the attitude of Australian banks to stakeholders. Australian banks have introduced fees, charges and restrictions on customers who wish to use personalised services, thereby reducing demand for services they did not wish to provide. There has even been a trend to introduce charges for use of electronic means of delivery of financial services. The major banks, by virtue of their size, have considerable power and they have used this, according to Nixon (1996) to disadvantage smaller competing institutions by charging customers for the use of another institution's ATMs.

2.7.3 Are banks public utilities?

Whilst banks deny that they are public utilities, the argument has been made by social activists, in Canada, that the role of banks is similar to that of public utilities, with a responsibility to provide services to all who need them (Canadian Banker, 1996). When banks chose to become more commercial their image suffers. They are unique institutions which have established positions of trust, which can be used to their advantage in marketing their products (Goudlandris, 1993). It is obvious that the debate has some strength, when the former superintendent of financial institutions, in Canada, suggests that “banks are special and should be looked at essentially as public utilities underpinning the economy” (Schachter, 1998 p.19)

The public utility argument introduces an aspect of welfare into the provision of banking services. Banking is not a single-product service but rather a range of many different, but related products. This does not diminish the conviction that banking is a public utility, as electricity companies and telephone companies are not single product companies but do in fact deliver a wide range of products. It is pointed out that in such a case a corporation, or in this case a bank, may produce several products more cheaply than individually. However, because of cross subsidisation this may not be sustainable against new entrants (Crew & Kleindorfer, 1986).

If it can be espoused that banks are public utilities, operating as oligopolies, it can be seen that they are able to practise a form of price discrimination by delivering an identical product at different prices to different customers. All oligopolies must take cognisance of their competitors' pricing, particularly as their products are virtually identically despite endeavours to achieve some differentiation. This being the case the prices will generally be similar and may be established through a form of price leadership (Phillips, 1998).

2.7.4 What is an appropriate level of bank profits?

If banks are to be viewed as public utilities they must adjust their attitude to the generation of profits. Managements of Australian banks are undertaking downsizing with the purpose of increasing profits and concomitantly shareholder wealth. Share prices react favourably to announcements of staff reductions. The view has been expressed that shareholders, particularly institutional shareholders, may be as culpable as the managements of the corporations, in stressing profits above all else. They are sending messages to the management that as long as management delivers sound results, all is well as far as the shareholders are concerned (Beaver, 1996; McLean, 2001). Australian bank profits have been perceived as unreasonably high. This, when coupled with reduced counter service, closing of branches, and higher charges for non-electronic transactions has caused considerable resentment towards banks (O'Malley & Malpeli, 2000). It is not a phenomenon unique to Australia. Canada has reported similar outcomes. But downsizings of the workforce and reengineering of operations have created resentment (McMurtry, 1997). David Grier, Vice-President and Special Adviser, Corporate Affairs for the Royal Bank of Canada declared that one short-sighted measure of corporate success was profit, however if this is the only measure, rather than ethical behaviour, the corporation's motives are suspect. He acknowledges that profit is a necessary, but not sufficient, condition for the continuing conduct of business (Pengelly, 1990).

It has been emphasised that equating reengineering or improving efficiency with reducing staff numbers may threaten, ultimately, corporate survival. It is generally an action that can be taken only once (Cantrell & Borowsky, 1993). The banks in Australia naturally do not accept that their profits are too high, and counter this suggestion in the same way that the Canadian banks have met the criticism of bank profits. They have pointed to the amount of taxes paid, number of people employed by banks, the volume of goods and services purchased from medium and small businesses, and the level of support that they give to sporting and charitable organisations within the community (Aveling, 1999). It has been proposed that the socially responsible corporation does not see profits as the aim of doing business but rather a means of keeping score in the competitive environment. They are the reward that a corporation receives for delivering value to its customers, growing its employees and behaving as a socially responsible citizen. The socially responsible corporation should be a human enterprise, which acknowledges that profits are an integral part of business but seeks to optimise the needs of all stakeholders (Garfield, 1995).

2.8 BRANCHES

2.8.1 Bank branches and technology

Less than 15 years ago it was stated a large branch banking network enabled the major Australian banks to offer a high level of convenience to smaller depositors. In turn, this was seen as permitting these banks to raise lower-cost retail deposits. This allowed the banks to avoid raising funds on the more expensive corporate or professional market (De Lucia, Dixon, Ferris, Peters & Plummer, 1987). However, there is now a strong worldwide trend to reduction of bank branches. It is not an Australian phenomenon. It would appear that the reduction in the number of branches is largely a function of the introduction of electronic technology. The adoption of information technology, to provide automated delivery of financial services by banks, has seen a very marked reduction in the need for bricks and mortar branches (Jordan, 1996; Reserve Bank of Australia, 1996).

2.8.2 Current bank product delivery channels

In 1983 the government admitted 16 foreign banks into Australia. The new banks targeted large corporate customers and operated from one or two offices in the very largest cities. The traditional Australian banks moved to offer electronic services and followed brokerage firms by offering call centres and Internet banking (Bers, 1996). In this move to reduce branch numbers it is seen that one of the main users of bank branches, the small business sector, which must make deposits every day, is being disadvantaged, even though they are showing a readiness (where appropriate) to address on-line banking (Lian, 1995). There has been a view expressed that non-bank financial institutions envy the traditional banks' branch networks. This network is seen, by non-bank financial institutions, as a basis for direct selling of products to walk-in customers. This applies particularly to sophisticated products such as mutual funds. There appears to be a need to achieve a balance between new technologies and branches (Borowsky & Colby, 1993). In the debate about the efficacy of a branch network, it has been pointed out that an extensive branch network can be an efficient barrier to competitive entry, whilst presenting an effective distribution channel for basic banking products (Howcroft & Beckett, 1993).

2.8.3 Branch banking and personal service

There are many branches that are now being presented to the public that are different from the traditional bank branch. The new branch manager is no longer solely managing assets but rather operating as an entrepreneur, with the remuneration linked to staff performance. Branches may even be franchised, as is the case with Bendigo Bank and Colonial State Bank (Avrikan, 1998). Nevertheless, the internal structure of the branch may not matter so long as it is acknowledged that the branch serves a useful function for both the customer and the bank. The concern is that Australian banks may not see personal service as a significant tool in the development of their marketing strategy. There is the view that branches can be effective in the productive use of information by targeting specific clients within the branch environment (Lesser, 1997). Indeed, a survey undertaken to study the customer perspective of the changing branch network showed that the customer still preferred to acquire complex financial products from a branch network because they placed great importance on the existing relationship that they have with the financial institution (Howcroft & Beckett, 1993). A study done by Campos and Johnson (1998) came to the conclusion that by relating to their customers, using a wide range of mediums including branch networks, electronic delivery, call centres and traditional surveys, they would be able to understand their customers' needs. Their study seemed to indicate that a broad approach to customer service provided the most beneficial results. It should be noted, however, that financial services cannot be patented, with the result new products or services are copied within weeks, days or even hours, therefore, banks must have something more. Bennett (1992) supports the view of Campos and Johnson that in delivering their products and services at all levels they should not only meet customer expectations but also exceed them.

2.8.4 Is branch banking viable?

As the electronic delivery of financial services continues to develop, there is a belief that the bricks and mortar branches are no longer viable. Today other corporations can enter banking, in particular, technology companies like Microsoft. These new entrants would not have the impediment of a tangible branch network to add to their cost structures (Hosking, 1993; Fowler, 1995; Lian, 1995). Despite this view some banks in the United States see an important place for branches in their business development strategy. They are seen as a predominant delivery channel in some instances. Still, there does appear to be a commitment to the provision a complementary electronic banking service (Borowsky & Colby, 1993; Radigan, 1993). Another approach, which goes some way to satisfy the need for a branch network, without the investment in bricks and mortar, is the establishment of supermarket branches. These locations capitalise on the traffic flow within a supermarket. This provides a more personal relationship with customers, even though the staff may not be direct employees of the bank (Marshall, 1993). On the other hand, some banks see supermarket branches as direct extensions of their network, with staff coming from the bank itself. Branches may even specialise by generating loans only or alternatively seeking low-cost deposits without providing any loans at the location (Lunt, 1993). Carroll (1991) argues that a consistently applied branch location methodology can take five to ten years to achieve its full effect. Branches should be seen as deposit gatherers, inasmuch as a bank's share of deposits is roughly proportional to its share of retail branches. Carroll goes on to suggest that pricing committees dominated by treasury, finance, and corporate lending create the present emphasis on loan products. Loan products are in many cases loss generators but deposits can be raised at rates low enough to make a profit on the inter-bank deposit market

2.9 SERVICES

2.9.1 Conflicting objectives

Businesses are frequently presented with contradictory objectives. They may wish to produce in a high volume mass production market, yet there is a need to produce high quality personalised services to meet the needs of personal customers. This is presented as a problem of scale ("volume") and scope ("variety") (Maital, 1994). The problem is confronting banks but they are opting for scale and limiting variety by choosing to service only high net-worth customers. The banks are tailoring their services to electronic delivery of financial services. They are eschewing the traditional personalised counter service. This neglects a sizeable portion of the population that does not want to transact business solely through electronic transfers. This action alienates customers and tarnishes the banks' image (Hughes, 2000). The repair of the banks' image is seen as being a function of professionalism, integrity, and customer service (Goudlandris, 1993).

2.9.2 Entry of non-traditional banks to the financial services' market

More importantly for traditional banks, electronic delivery of financial services is opening up banking services to other institutions that are not bankers. In particular, public utilities, such as phone companies, that are technically capable of competing with banks in this area, are entering the banking arena. In the United States, the largest mortgage lender is not a bank, it is a mortgage specialty firm; whilst the largest credit-card provider is not a bank it is a credit-card firm (Jordan, 1996; Kluge, 1996). What is happening is that non-bank institutions, capable of delivering financial services, are selectively competing for segments of the banks' traditional business. Banks in an endeavour to fight back are jettisoning the part of their business that they see as less profitable. It is the public service responsibility of the banks that is being denied. The public service area of banking has in the past been delivered through cross subsidisation, but this is regarded as poor business as it over-prices certain products (Goudlandris, 1993). Nevertheless, governments are demanding that social service recipients must have a bank account to receive their entitlements. If this is a requirement then the banks are assuming the role of public utilities delivering a service to all members of the community (Schachter, 1998).

2.9.3 Addressing service deficiencies

The Australian banks are aware that their service delivery has not been of the highest standard in recent years. As a result, in 1989, the banks as a group, undertook, in consultation with the government and consumer organisations, to establish The Australian Banking Industry Ombudsman in an endeavour to improve their service, as well as their image. It is a vehicle that customers of banks can use to access an independent avenue for redress of any complaint, within certain parameters, that they may have about one of the member banks (Australian Banking Industry Ombudsman Limited, 1991). Over the years since the Australian Banking Industry Ombudsman was created there has been a solid level of demand for the office's involvement in complaints, however most are resolved by reference to the banks concerned. Although the main complaints are about housing loans, and transactions and calculations, the number of complaints about service in particular is the third largest problem encountered. This increased to 18.1% of all complaints, up from 15.8% in the previous year (Australian Banking Industry Ombudsman, 1998).

2.10 COMMUNITY BANKS

2.10.1 The need for community banks

As the traditional Australian banks change their service delivery methods with greater reliance on electronic systems, the new phenomenon of the community bank is developing. The regional areas of Australia are most affected by the banks' withdrawal of branch services. Smaller banks are offering over-the-counter service through franchising arrangements in country towns (Lekakis, 1997; Halabi, 2000). The community bank in the United States is most analogous with the country branch of the large Australian banks. In the United States, increased farming efficiency has seen rural towns becoming smaller, with the community bank being cited as the glue holding those declining towns together (Hansen, 1994). What is confronting for traditional banks in Australia is that they appear to be facing competition in their newly chosen corporate client strategies, whilst surrendering their personal business to the emerging community banks. This implies that there is a place for niche players in the delivery of banking services. There is evidence that specialist banks meeting localised requirements, can prosper and succeed, whilst larger banks seek to achieve economies of scale through financial conglomerates (Arestis, 1988). There has been recent discussion in New Zealand about the establishment of what is variously known as a Kiwi Bank or Peoples Bank. Research has shown that following on concern about high bank fees and charges, branch closures and poor service, 40% of the population would consider transferring their business to a Kiwi Bank (Tripe, 2001)

2.10.2 Community banks – The Australian experience

Community banks have not been founded in their own right in Australia. The drive to create community banks has been sponsored by the Bendigo Bank, which stated that they preferred to establish in towns and cities where the major banks have closed their branches. The Bendigo Bank has gone on to claim that they have developed the concept of the community bank (McCombie, 1999). In early 1999 the Bendigo Bank embarked on a road show in rural Western Australia to assess the support for its community banking concept, which involves towns or communities raising the capital to establish the branch and meet its operational costs for twelve months (Klinger, 1999). Bendigo bank offers a branch franchise, which requires the local community, after completion of a business plan that indicates that the operation can be profitable, to raise between $300,000 and $500,000. Bendigo Bank provides all the infrastructure and support and shares the revenue with the local community. The local community meets all branch operating costs and retains the profit after meeting those expenses (Howard, 2001).

The first community bank to open in Western Australia under the aegis of the Bendigo Bank was in the small rural town of Kulin in the eastern wheat-belt. It opened its doors for business on 15 October 1999 (Burns, 1999). Since then several community banks have opened. The most recent being the seventh opened in North Perth in the presence of the State Premer Dr. Geoff Gallop who stated that "it sent a message to banks that if they continued to cut services, consumers would develop alternatives"(Anonymous, 2001). Tripe (2001) made the point that traditional bankers should not assume that only low-value customers will transfer their accounts leaving just the high-value customers who make limited use of counter services. He goes on to suggest that traditional bankers will ignore the establishment of a people's bank at their peril; particularly as community banks are being established in Australia because of complaints about banks. Tripe (2001 p.13) further states that community banks "have been resoundingly successful to date"

2.10.3 Community banks and non-bank financial institutions

The United States experiences shows that small banks, or banks with assets less that $US1billion, account for 97% of all the banks in that country, but only 33% of the banking assets. Nevertheless, it has been shown that these small banks, which operate mainly within smaller communities, can have significant advantages regarding competition, service, information, communication and profitability (Nakamura, 1994). In Australia the credit union may also have some equivalency with the United States' community bank. However, rather than being banks operating for profit, they operate on a not-for-profit basis as co-operative financial organisations. They focus on providing services for members and their families (Crapp & Skully, 1985). With deregulation of the financial system becoming effective, credit unions assume a new significance, which requires them to compete with banks and other non-bank financial institutions on the basis of price, service and technology. Credit unions could specialise with some delivering full service, whilst others deliver a more competitive but limited service (Crapp & Skully, 1985). Credit unions have exactly the same capital adequacy guidelines, maximum exposure to clients and liquidity guidelines as banks (Whalan, 2000). This should increase their acceptability as an alternative to banks.

2.11 FOUR/SIX PILLARS' POLICY

The Australian banks and insurance companies in Australia have aspirations about undertaking strategic mergers (Hughes, 2000). They wish to become bigger and create only a few very large financial service organisations. However, the government is most desirous that competition should be maintained in the financial services' industry, and they have developed a six pillars' policy, which prevents the four major banks and the two largest insurance companies from merging. The Australian banks and insurance companies see mergers as providing greater efficiency, leveraging technology, diversification and a broader product range (Davis et al., 1980; McLean, 1998). The argument for abandoning the six pillars' policy was supported on the basis that such a policy would leave Australia globally uncompetitive. The isolation of Australia, the banks and insurance companies believe, necessitates the achievement of a critical mass that will enable it to compete internationally (Wardell, 1999). It is acknowledged that mergers may reduce costs. In addition, improved operating ratios will be created, but service to smaller customers will suffer. This may provide a niche for smaller regional banks, as the disaffected customers seek more customer-service focused institutions (Ventris, 1995).

Of particular interest is the desire of the largest Australian bank, the National Bank of Australia Limited, to take-over one of the other major banks. In applying pressure on the four pillars' policy (the policy applying to the Australian banks only) comment has been made that the rules and regulations prohibiting such take-overs are increasingly ridiculous; particularly as they are being applied in what is supposed to be a deregulated Australian banking industry (Surry, 1998). The Australian banks' opposition to the four pillars policy is on-going, as evidenced by the comments of the chairman of Westpac Banking Corporation who declared that in the Australian banking industry's view the four pillars policy was inhibiting the banks' development. He expressed some doubt about the public benefit of the policy to either the customers of the Australian banks or the nation as a whole (Australian Associated Press, 2000). It has been suggested that the May 1999 signing of the Fifth Protocol to the General Agreement on Trade in Services may remove the blanket prohibition on foreign takeovers of the four major Australian banks. This coupled with the pressure from the chief executive officers of the major Australian banks may result in an end to the four pillars' policy (Kleyn, 1999).

2.12 AUSTRALIAN BANKING INDUSTRY ATTITUDES

As an outcome of the Hawke Government initiatives to deregulate the financial markets in late 1983, and admit sixteen foreign banks in February 1985, competition amongst the banks for corporate borrowers became fierce (Edwards, 1996). Carew (1997) encapsulates the domestic banks' attitude to the deregulated financial environment when she states that Westpac Banking Corporation sowed the seeds of future problems when it embraced the change with enthusiasm, but confused activity with sound management. In the ensuing years after this disastrous period, the Australian banks restructured and moved towards consolidation.

In their submission (through the Australian Bankers' Association) to the House of Representatives Standing Committee on Financial Institutions and Public Administration, relative to that committee's inquiry into alternative banking services in regional and remote Australia, the Australian banks bluntly stated that they did not believe that they should have any community service obligation to maintain rural branches as a condition of their banking licence (Australian Bankers' Association, 1998).

The Australian banking industry has been aggrieved by the amount of unfavourable comment that has arisen from a perception that Australian banks have an excessive focus on profits. The managing director of one of the four major banks operating in Australia suggested that the banks deserved thanks rather than opprobrium for closing branches, as he believed it was a sign of prudent and cautious management. He went on to say that his bank had kept the culture of a community bank. Both these points were hotly disputed by the public (We deserve thanks, 1997). Herman (1981) announced that there is some evidence that large corporations (which is a reasonable description of Australia's four major banks) have great flexibility and are able to abandon rural communities. He implied that when these corporations are under competitive pressure they have a structural bias to irresponsibility. The comment highlights the question posed by Wheelen and Hunger (1998) as to whether business does have an equal responsibility to satisfy all stakeholders who have conflicting interests.

Cleghorn (1997) mentions a Canadian case involving the Royal Bank of Canada which has been examining the roles of boards of directors in order to improve their own corporate governance practices, and even set industry standards. They identified three principal roles for boards of directors: safeguard the interest of stakeholders; oversee long-term strategic development and performance; and select, evaluate and compensate top management. In the broad comment, a separate mention is made of advancing the interests of shareholders. Obviously the Royal Bank of Canada does not see stakeholders and shareholders as different, but actually believe that safeguarding the interests of the stakeholders will advance the interests of shareholders.

The Australian banks have been reducing their branch network and increasing their electronic delivery. As a result of this action, the number of Automatic Teller Machines (ATMs) now exceeds the number of branches in Australia (Reserve Bank of Australia, 1996). In the meantime fees for the use of ATMs and branch transactions have increased (Pratley, 2000). The expansion of the Australian banking system, which Moore, Lyell, Wheller, Tonzer and Crane (1990) stated included the introduction 16 foreign banks in 1985 to create more competition, did not create competition in the areas expected by the Labor Government at the time of granting licences to the new banks. The new entrants knew they could not compete with the broad range of services offered by the existing banks in Australia. They, therefore, confined their activities to providing financial services to the large corporate customers through one or two branches in either of, or both, Sydney and Melbourne. Edwards (1996 p.264) states that "With new foreign banks hunting for corporate borrowers the competition was intense".

2.13 LEGISLATION AND INQUIRIES

The first of three inquiries undertaken in recent times, was the Australian Financial Systems Inquiry, (known as the Campbell Committee) established by the Coalition Government in 1979. This committee submitted its final report in November 1981 (Campbell Inquiry, 1981). They found that over-regulation of Australian banks had led to the development of competing institutions to the disadvantage of Australian banks (Lewis & Wallace, 1985). Because the Coalition Government had not embraced the findings and recommendations of the Campbell Committee, the Labor Party, when it came to power in 1983, created the second inquiry (or review), the Martin Review Committee (1983), to inquire into those findings.

More recently, the Coalition Government commissioned the third inquiry, the Financial Systems Inquiry Committee under the chairmanship of Mr. Stan Wallis, Deputy Chairman of Amcor Ltd. The report (Wallis Inquiry, 1997) presented by this committee has provided the basis for some significant changes to the structure and relationships that exist within the Australian financial industry. Of major importance has been the method of regulation within the industry. Formerly, the Reserve Bank of Australia (RBA) regulated the banks. All other financial or deposit-taking institutions fell under the purview of one or other of the Australian Financial Institutions Commission or the Insurance & Superannuation Commission.

There is now a new regulatory structure. The RBA retains responsibility for monetary policy; overall financial stability; and regulation of the payments system through a new Payments Systems Board within the RBA. An Australian Prudential Regulation Authority (APRA) has been established to supervise banks, life and general insurance companies and superannuation funds, credit unions, building societies, and friendly societies. Finally an Australian Securities and Investment Commission (ASIC) has been established to cover market integrity, disclosure and consumer protection issues including investment, insurance and superannuation products (Reserve Bank of Australia, 1998). The main difference between APRA and ASIC is that APRA will scrutinise the financial viability of the deposit taking institutions (including insurance companies and superannuation funds) whilst ASIC, which enforces and administers Corporation Law, will superintend the relationship between the institution and the consumers (Australian Securities and Investment Commission, 1999). The structure can be more clearly demonstrated in the following diagram.

AUSTRALIAN CORPORATE AND FINANCIAL SYSTEM CONTROL AND REGULATION STRUCTURE

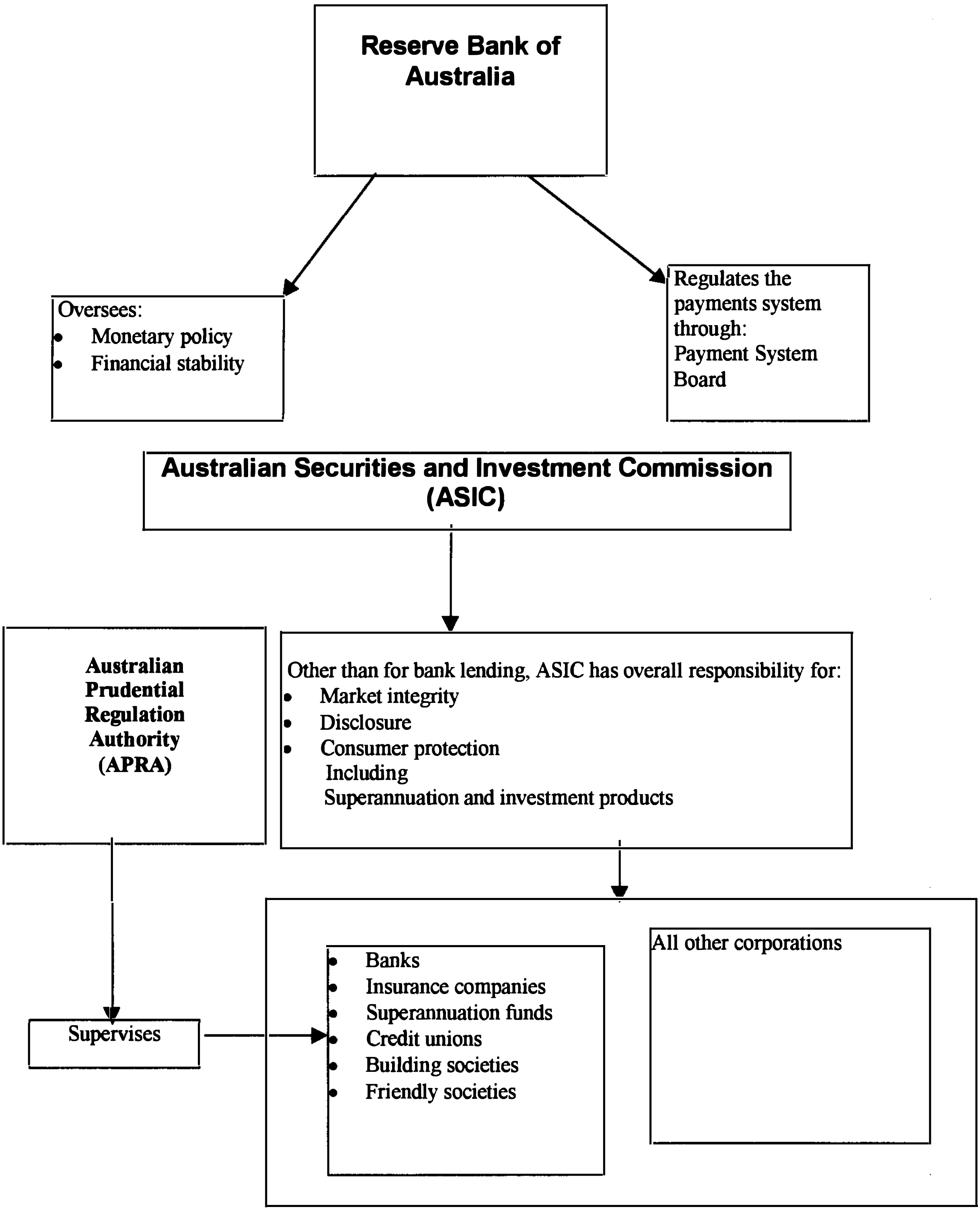

Figure 2.4. Australian corporate and financial system control and regulation structure

Source: Constructed from RBA publications

Financial institutions now compete more effectively, even though the government still restricts the use of the term "bank", in an institution's name, to those which are listed in the schedule to the Banking Act 1959 (as amended). An important significance of this change in regulation has been to take away the appearance that the RBA was extending a guarantee as to the safety of the Australian banks. This erroneous perception gave Australian banks a definite marketing edge, which they exploited (Wood, 1997). As regards close regulation of banks by a strong central bank, the point is made that such intrusive oversight can lead to moral hazard as banks undertake risks in the belief that the central bank will provide insurance or bail-out support (Capie & Wood, 1991).

CHAPTER THREE

METHODOLOGY AND THEORETICAL FRAMEWORK

3.1.RESEARCH QUESTIONS

According to Zikmund (1997a), as a prelude to formulating any research questions, it is necessary to enunciate the management problem. The management problem at the foundation of this study is the existing perception of a low level of social responsibility exhibited by Australian banks. Moon (1995) states that Australian research has shown that not all firms are committed to being socially responsible to the same degree due to varying corporate cultures or underlying political factors. However, given this, it does appear that Australian banks are perceived to deliver a lower level of social responsibility than their importance in the community warrants.

The concept of CSR, and the debate about the extent to which corporations should embrace it, has been gaining ground in academic literature over the last three decades. Some examples of the literature are Friedman (1970) Fredrick (1978); Aupperle (1985); Garfield (1995); and Harrison (1999). This has fuelled popular debate in the business media, as corporate directors and executives have accepted that major corporations cannot operate in isolation without concern for all stakeholders, not just their shareholders. This conception is driven as much by self-interest as any desire to adopt any utilitarian or deontological philosophy. Davis, Frederick and Blomstrom (1980) refer to the Iron Law of Responsibility which proposes that in the long run, those who do not use power in a manner that society considers responsible will tend to lose it. The Australian banking industry has a unique location within the financial and economic environment of the community. In recent years Australian banks have been subject to much criticism for their policies. Policies that appear to have been driven more by profit than social concern for their stakeholders, both internal and external. The questions, which are the focus of this study, are:

1. What do the power dependent Australian bank stakeholders identify as the elements that constitute the social responsibility standard of Australian banks?
2. What is the perception of the Australian banks' performance in meeting the social responsibility standard as identified by their power dependent stakeholders?
3. With the changes in Australian banking practices and procedures, what impact have these changes had upon the Australian banks' relationship with their staff?

Leading from these research questions a number of hypotheses are developed and tested. Each hypothesis, or group of hypotheses, is related to each research question.

3.2. HYPOTHESES

The hypotheses are based upon the qualitative research data that are described in Chapter 4 and the quantitative research data that are described in Chapters 5. The hypothesis tests and their results are detailed in Chapter 6

3.2.1 Category 1: Hypotheses relating to social responsibility standards

Each of these hypotheses is framed with respect to Australian banks' social responsibility in so far as it impacts on power dependent stakeholders, regardless of the institution with which they bank, their age, their location, or whether they are business or personal customers of Australian banks

$H1_0$: There is no difference in the perception between the various stakeholders of Australian banks about the importance of Australian banks' commitment to community support and participation.

$H2_0$: There is no difference in the perception between the various stakeholders of Australian banks about the importance of Australian banks' public integrity.

$H3_0$: There is no difference in the perception between the various stakeholders of Australian banks about the extent to which Australian banks should focus on profits.

$H4_0$: There is no difference in the perception between the various stakeholders of Australian banks, about the Australian banks' service standards.

3.2.2. Category 2: Hypotheses relating to social responsibility performance

The methodology goes on to scrutinise the perceived level of their social responsibility performance against the social responsibility standards. The hypotheses are designed to test the power dependent stakeholders' perception of how Australian banks perform in the execution of the social responsibilities which are, of course, similar to those designed to test the hypotheses relating to social responsibility standards. As with the previous set of hypotheses, the tests embrace divisions within the stakeholders for institution, age, location, and type of account.

3.2.3. Category 3: Hypotheses relating to Australian banks' relationship with their staff

Bank Employees form a group of power dependent stakeholders that have endured major changes over the last several years. The structure and nature of their engagement as employees, that existed for decades, has been replaced with employment contracts for full-time employees who are now supported by large numbers of part-time workers. These hypotheses relate to the Australian banks' performance in meeting acceptable standards of employment as perceived by their employees.

$H1_0$: There is no significant difference in the views of Australian bank employees that Australian bank employees' wages and salaries are paid in accordance with awards.

$H2_0$: There is no significant difference in the views of the Australian bank employees that Australian bank employees are always paid for overtime worked.

$H3_0$: There is no significant difference in the views of Australian bank employees that occupational health and safety is a high priority of Australian banks.

$H4_0$: There is no significant difference in the views of Australian bank employees that Australian banks always quickly fix any occupational health and safety practices that present a problem.

$H5_0$: There is no significant difference in the views of Australian bank employees that Australian banks are equal opportunity employers.

$H6_0$: There is no significant difference in the views of Australian bank employees that Australian banks do not discriminate in work practices.

$H7_0$: There is no significant difference in the views of Australian bank employees that Australian banks always inform staff of their career prospects.

3.3 THEORETICAL FRAMEWORK

Hussey (1997) sees a theoretical framework as a collection of theories and models from the literature which support the positivist approach to research by providing the basis for, or explanation of, the research questions and hypotheses. Sekaran (1992) considers the theoretical framework provides the conceptual model of how the theory interrelates among the factors, which are identified as important to the research. The theoretical framework for this study embraces the social responsibility elements and the social environment of Australian banking through a study of social responsibility theory and stakeholder theory.

It explores the performance of Australian banks in meeting the social responsibility standards identified by power dependent stakeholders and considers whether exercising socially responsible attitudes can lead to positive mutually beneficial outcomes for Australian banks and their stakeholders. In doing so it is assumed that Australian banks can achieve adequate profits, a sound reputation (which relates to the manner in which they interrelate with their stakeholders), flexibility of action, independence from excess government control and direction, and ultimately, and most importantly – long-term sustainabilty.

The stakeholder map (Figure 2.3) has been integrated into a Relationship Diagram (Figure 3.1) that presents a theoretical framework incorporating the concepts, values, and practices that constitute the way Australian banks view their relationships with the community. This perspective is challenged through this study. An alternative perspective and conceptual model of banking relationships with the community, generated from the research findings is presented in Figure 7.1.

Figure 3.1 shows how the current environment of social responsibility in Australian banking is created by interaction with all their stakeholders – customers, shareholders, investors, employees, the environment, competitors, suppliers and government. These stakeholders, in turn, demand services, service, profits, wages, good working conditions, response to societal exigencies, and obedience to laws and regulations. Social responsibility is shown at the centre of the theoretical framework in order to highlight that it involves "seriously considering the impact of [banks'] actions on society" Bauer cited in (Carroll, 1989 p.29). Society in this case refers to all the stakeholders.

It can be seen that Australian banks' commitment to social responsibility influences the total social environment of Australian banking. They interact with all the segments of that environment. In turn the social environment places pressures upon banks to act in a socially responsible manner. It is not suggested that these pressures cause banks to operate in a totally socially responsible manner, but rather, these pressures create awareness that the social environment produces responsibilities, which can be ethical, economic, legal or discretionary in nature as evidenced by the Westpac Banking Corporation's approach in its most recent report to shareholders (Westpac Banking Corporation, 2001). In turn, the extent to which banks recognise and respond to these responsibilities creates favourable or unfavourable impacts on stakeholders. Being socially responsible, as far as banks are concerned, is being aware of the impact their actions have upon stakeholders, hence the diagram shows the flows between responsibilities and the stakeholders, and highlights the complete interaction between the social responsibility and the social environment of banking.

The diagram goes on to present the outcomes of socially responsible behaviour by showing that socially responsible behaviour influences the banking outcomes in terms of revenue, reputation, flexibility, independence and survival. The manner in which banks manage their approach to their social responsibility governs the extent to which these outcomes are favourable or unfavourable.

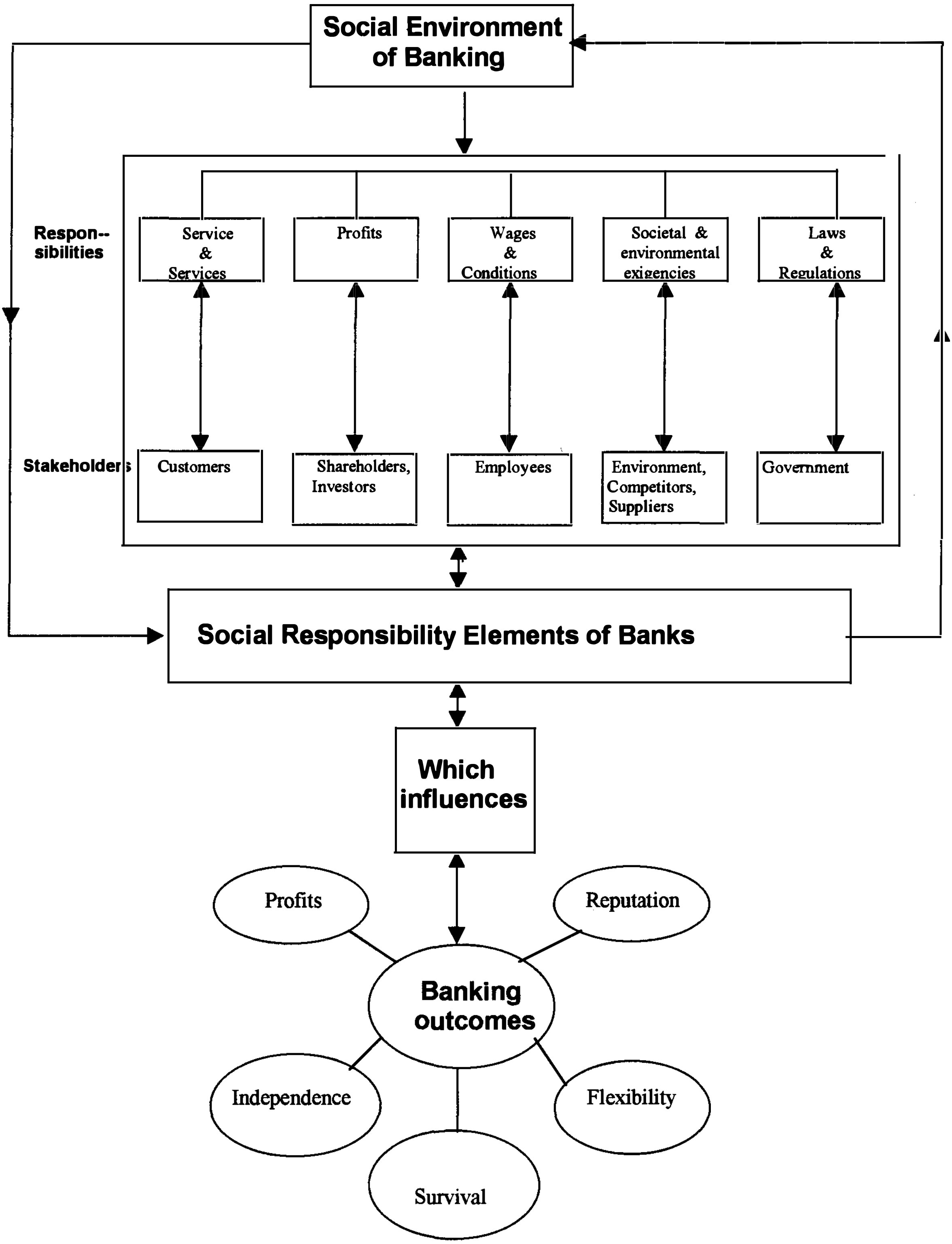

Figure 3.1. Conceptual model of current environment of banking social responsibility in Australia

The fundamental characteristics of the theoretical framework are the stakeholders, the responsibilities that banks have to those stakeholders, and the influences that those two features have upon banks' that cause them to respond in a way that achieves, or fails to achieve, the desired outcomes of their business operation.

3.4 THE CONCEPTUAL APPROACH TO AUSTRALIAN BANK SOCIAL RESPONSIBILITY

The research was designed to identify the strengths and weaknesses of Australian banks' social responsibility performance as perceived by power dependent stakeholders. These are the stakeholders who individually do not have the ability to exert sufficient pressure on Australian banks to deliver banking products and services in what they perceive as a socially responsible manner. Australian banks, it will be shown, must accept that they are part of a social environment that not only provides the context for their existence, but also challenges banks through power dependent stakeholders' expectations that seek more from banks than just the provision of financial services.

This study adopts Carroll's view of social responsibility by accepting that it should include economic responsibility, legal responsibility, ethical responsibility, and discretionary responsibility

3.5 RESEARCH DESIGN

3.5.1 Research Design Structure

The research design draws on the key concepts and theories from the extensive review of the literature on social responsibility, stakeholder theory, ethics, financial and strategic management, and corporate and organisational strategy. The research undertaken in this study took the form of focus groups and surveys of the relevant stakeholders. The relevant stakeholders for the purpose of this research were seen as the power dependent stakeholders. Mitchell, Agle and Wood (1997) state these are the stakeholders who lack power and rely upon others, either the other stakeholders or the firm's management, for the satisfaction of their urgent and legitimate claims. The focus groups and surveys arranged and undertaken were with those power dependent stakeholders - identified as personal customers, senior citizens, small business proprietors, rural residents, and bank employees.

In order to give this study a broad and balanced approach to the research question it was considered that some qualitative research would be appropriate. The qualitative research was undertaken as a preliminary to the quantitative research that was to be the prime instrument for gaining an insight into the complex construct of CSR, particularly as it relates to the Australian banking industry. The qualitative research medium chosen was the focus group. Ontologically and epistemologically this medium presents a form of reality as developed through the emotions of the participants while at the same time delivering an empirically based knowledge of the reality gained through experience of the participants. Schwartz and Jacobs (1979) see ontological enquiry as questioning what is happening and finding out through face-to-face interaction, while Kirkham (1992) suggests that epistemology seeks to confirm the substance of beliefs that are held by persons.

Because the research involved focus groups and surveys it was undertaken in two stages. Focus groups constituted the first stage, as it was believed that the information obtained from these informal, free-flowing sessions would provide useful intelligence for the construction of the more formal survey questionnaire. The focus group discussion and comments were recorded and analysed using the qualitative research programme QSR NUD*IST. The second stage consisted of a survey conducted by telephone. The results of this survey were analysed using the SPSS 10 quantitative research programme. The results were tested using ANOVA and t-test.

It was considered that these two approaches were necessary to give the research balance by allowing for direct personal interface with the target research audience so that nuances and reactions not apparent in an impersonal survey could be noted and developed through the unstructured dialogue of the focus groups. Fielding and Fielding (1986) cited in Patton (1990 p.466) support the view that "triangulation of qualitative and quantitative of comparative analysis is a form of comparative analysis" and maintain that it can strengthen the reliability of the analysis.

3.5.2 Use of Focus Groups to Achieve Direct Stakeholder Comment

The focus groups involved, personal customers, senior citizens, small business proprietors, rural residents, bank employees, retired bank employees and senior bank executives. The size of the groups ranged from four to eight. Larger groups were difficult to organise, but Greenbaum (1998) suggests that mini-groups limited to 4 or 6 participants can provide more in-depth information than larger groups. Greenbaum adds that the cost of obtaining large numbers of participants, or a general unwillingness of some target groups to be involved in focus group research, also constrains the researcher. All these factors impinged on the focus group composition for this research.

The researcher, who introduced the broad topic and allowed discussion to flow easily, led the focus group sessions. It is quite usual for the researcher to act as the moderator (Morgan, 1988). Each participant contributed their views and provided support for on-going discussions by other participants. The discussions were electronically recorded and subsequently transcribed to hard copy where they were analysed using the computer-based research tool QSR NUD*IST, to explore the meanings of the unstructured qualitative data. QSR NUD*IST is a system which allows the researcher to explore documents, in this case focus group transcripts, create categories and code texts. It allows ideas to be clarified, themes to be discovered, and memoranda about the data to be stored (Qualitative Solutions and Research Pty Ltd, 1997).

Focus groups are very effective in gathering views, identifying issues, and providing an input that gives rich data. Morgan and Krueger (1993) put the view that focus groups provide security for the participants by allowing them to be with peers who broadly share their perspective of the subject material. They express their opinions, feelings and experiences without fear, particularly where the group meets in a permissive and non-threatening environment. As Zikmund (1997b) points out, participants know that what is said by them is not identified with them individually. Clearly focus groups can be effective in developing the framework. As the research was dealing with power dependent stakeholders, the focus group process was most appropriate in so far as it allowed the participants to make a contribution without feeling threatened or inhibited.

In view of the perceived benefits that can flow from focus group input, seven focus groups were deemed appropriate with participants representing each of the power dependent stakeholder group, notably - personal customers, senior citizens, small business proprietors, rural residents, and bank employees (including bank executives, and retired bank employees). It may be thought that the bank executives could be regarded as being vital to banks, and therefore stakeholders that Mitchell, Agle and Wood (1997) describe as being in a mutual power dependent relationship, rather than having a power dependent relationship. According to Mitchell, Agle and Wood, mutual power dependent relationships exist where the firm and the stakeholder are mutually dependent without either being dominant. However, while they can be proclaimed to have a foot in both camps by being privy to much of banks' policy and planning, they are vulnerable to pressures and changes similar to many other employees. Through their ability to embrace the broad strategy of banks, their inclusion was seen as providing some balance to any prejudiced or distorted views that may flow from focus groups with less informed views and attitudes.

Each focus group was comprised of varying numbers based on availability of participants, their location, and their readiness to contribute to the research. It is widely recognised that it is difficult to achieve the level of participation that might be regarded as optimal. What is regarded as optimal, however, can range from

5 to 12 (Kress, 1988), 8 to 10 (Greenbaum, 1998), or 8 to 12 (Burns & Bush, 1998). While McDaniel and Gates (1993) assert that there is no ideal number of participants, but rather the appropriate number is governed by the nature of the topic.

Smaller focus groups, known as mini-groups, can be used with good purpose and success. These groups consist of from 4 to 6 participants (Greenbaum, 1998) or 4 to 5 participants (Hawkins & Tull, 1994). While larger numbers of participants may be suggested as desirable, several factors dictate the feasibility of achieving the more desirable level of participation. These factors are cost (generally participants must be paid or recompensed for their time and/or travelling expenses), location (finding a venue acceptable to all participants), time (the number of permutations and computations magnifies with the size of the group) and participants themselves (there are not enough qualified persons or they fail to attend the focus group session as arranged).

This meant that the size of the focus groups had to be both convenient and manageable, while at the same time providing relevant and enlightening information. The groups selected provided a broad range of views, as each stakeholder represented slightly different expectations. The retired bank employees were included to provide a perspective of banking past and present. Effectively they straddled bank employees and senior citizens. The smallest groups came from rural residents, and small business. Small business had only four participants, but they were well informed and quite animated in the expression of their views. To some extent the size of the groups was related to the availability of participants. Small business proprietors are busy people who see their time as limited, while at the other end of the spectrum, senior citizens are available in reasonable numbers, provided the appropriate location is selected, as they have much more discretionary time available than many others in the community.

What must be understood is that the analysis of, and conclusions drawn from, focus groups, as indeed all qualitative research methods, are very subjective. The measurement process is left to the subjectivity and the interpretation of the researcher (McDaniel & Gates, 1993). Morgan (1988 p.11)asserts that "there is no...reason to assume that focus groups, or any other qualitative techniques, require supplementation or validation with quantitative techniques", but according to Zikmund (1997a) qualitative research is better suited to exploratory research and should not take the place of quantitative, conclusive research. So despite the importance of the focus groups to this research the survey was chosen as the primary research instrument, allowing for quantitative assessment to determine results in numerical terms, or as Zikmund (1997a p.125) states, providing "an exact approach to measurement".

3.5.3. Database for survey questionnaire

The database for the survey was constructed from the metropolitan and country Western Australian White Pages telephone directory. Using this database a telephone survey was undertaken. This database provides a most effective way to gather a random sample that is both large and widespread. In organising the database care was taken to ensure that no bias occurred. Checks and balances were instituted to avoid age biases that occur if the first person to answer the phone is accepted as the respondent. For example, the interviewer asks to speak to the person over 18 years of age in the household whose birthday is nearest to the day of the phone call. The phone numbers were randomly chosen and achieved a spread throughout the metropolitan, regional and country areas.

3.5.4 Database Limitations

The main problem that can confront a researcher when undertaking a survey is the difficulty of establishing a database. In this research on CSR, Western Australia was regarded as being representative of Australia as it encompasses one third of the Australia (2.6million square kilometres) and includes practically all demographic and geographic diversity that can be found in Australia as a whole. In addition, the Australian banking system is broadly standardised throughout the entire country. So, this State is accepted as a cluster for the purpose of the sampling. It was decided that an appropriate database would be the Western Australian White Pages telephone directory for both the metropolitan and country regions. This database gives a very wide coverage of the population of Western Australia.

3.5.5 Dependent Stakeholders in Banking Survey: Purpose, Key Elements, and Tools Employed

While accepting the advantages and benefits that are inherent in focus groups, a survey provides information in a more structured form that allows for a quantitative analysis involving rigorous mathematical analysis, to be undertaken.

A telephone survey questionnaire was developed to establish the power dependent stakeholders' perception of Australian banks' social responsibility characteristics and their perceptions of the Australian banks' performance as socially responsible institutions in the delivery of banking products and services. The questionnaire also inquired about the acceptability of the costs of Australian banking services; the range of services provided by Australian banks; and other factors relating to the Australian banking industry which impact on the power dependent stakeholders.

In effect, the perception of Australian banks' social responsibility performance, either positively or negatively, are expressed in the results of the research. Also included in the questionnaire were questions of a descriptive nature. The results of the survey were tabulated and statistically analysed using SPSS (Statistical Package for the Social Sciences) 10. The analytical process used is the Analysis of Variance (ANOVA) and t-tests and these are examined together with the analysis of descriptive statistics to provide details of means and standard deviations.

A survey provides for a wide range of respondents to be canvassed and allows the individuals to participate and present their views within a controlled framework. In addition, a survey furnishes a basis for a quantitative analysis that allows for objective assessment of the data gathered. The other research methods that could have been used for the primary research were case studies, structured or unstructured interviews, or focus groups. These research designs present qualitative data that rely on subjective analysis of the data to present the results of the investigation. In addition, the data are more difficult to gather, as individuals must be assembled, either individually or in groups, for face to face meetings to elicit the information required. Nevertheless, the decision was made to include some qualitative data by way of focus groups. The data gathered through focus groups can have problems being analysed; however, the availability and use of the computer programme, QSR NUD*IST allows the researcher to explore the documents and made the data substantially easier to analyse and interpret.

3.5.6 Survey Part 1: Defining Social Responsibility From a Dependent Stakeholder Perspective

This part of the survey sought to establish the power dependent stakeholders' perception of Australian banks' social responsibility standard. It draws, in part, upon the model devised by Kraft (1991a), with appropriate amendments, supported by reference to earlier work done by Zahra and La Tour (1987) who highlighted some dimensions of CSR that are relative to this study. Kraft suggested that the criteria for social responsibility should include ethical conduct; equal opportunity; consumerism; ecology; industry welfare; community service; community welfare; national welfare; and world welfare.

While the questionnaire is partly based on that devised by Kraft (1991a) who created his model to study the relative importance of social responsibility in determining organisational effectiveness, the questions are structured using, among other things, the input from the focus groups who have isolated the areas that they perceive as being indicative of Australian banks' social responsibility. The questions in Kraft's questionnaire related to 'Importance' with a six-point Likert scale ranging from 1 to 6. The answers were not forced and a separate heading was provided for "don't know/not applicable". A similar scaling is used in the survey questionnaire design for this research but, on the advice of the professional survey organisation, the scale ranged from 1 to 5 with a separate heading "6" for those who did not know or where the question was not applicable.

Although the whole of Kraft's questionnaire is not directly applicable to the questionnaire used in this study, it does provide some interesting categories, under 'society', for measuring social responsibility. The questions relate in detail to each of the categories referred to in 'society'. Those categories being: ethical conduct; equal opportunity; consumerism; industry welfare; community service; community welfare; national welfare; and world welfare. However, while Kraft only asked about the importance of each category, these categories are subject to further division and analysis in the questionnaire used in this study. In other words, it is more focused and more detailed as far as it relates to society and social responsibility standards.

3.5.7 Survey Part 2: Measuring Social Responsibility Performance

The second part of the survey seeks to establish perceived social responsibility performance. The questions were designed to elicit the power dependent stakeholders' perceptions of how Australian banks met their perceived social responsibility through, inter alia, delivery of banking products, electronic services, fees and charges, and location of branches.

The variables within the questionnaire were general, covering all Australian banks and non-bank financial institutions and sought to obtain the respondents' perception of the performance of both Australian banks and non-bank financial institution. The inclusion of non-bank financial institutions acknowledges that consumers of financial services can have virtual banking services from many financial institutions that only lack the word 'bank' in their title.

3.5.8 Questionnaire

It is important that there be some structure or framework that establishes what social responsibility is in the minds of the stakeholders. This may be different from the perception that banks have, and therefore they may believe that they are acting in a very socially responsible manner, while at the same time unintentionally alienating their stakeholders. Kraft (1991a) when investigating the importance of social responsibility in organisational effectiveness listed 60 criteria in his questionnaire completed by managers from two service industries. As already mentioned, Kraft's social responsibility category included nine criteria; of these criteria only ethical conduct, which rated fourth, featured in the top ten criteria seen as necessary for an effective organisation. As this survey was undertaken using managers as the respondents it might not be surprising that output quality, worker productivity, and public image rated ahead of ethical conduct.

It is not proposed to replicate the Kraft survey by seeking the opinions of bank managers, or senior executives (even though the focus groups that were arranged as part of the research includes senior bank executives) to obtain their views about Australian bank organisational effectiveness. But rather the community is asked, through a survey questionnaire (as well as focus groups), for their opinions about what criteria they perceive to constitute social responsibility standards and social responsibility performance, in a banking context.

The questionnaire is structured to provide information relative to the two elements of the research. The first part of the questionnaire asks respondents to indicate what they perceive the Australian banking industry should deliver to them. It incorporates the views elicited from participants in the several focus groups that were conducted. They are asked to present their perceptions of what services should be provided and how they believe that Australian banks should act. The strength of their perception is recorded on a 5 point Likert scale, where 1 is strongly disagree and 5 is strongly agree.

This part of the questionnaire is very important in establishing what the power dependent stakeholders perceive to be Australian banks' social responsibility. Throughout the literature on CSR there has been a suggestion that social responsibility is difficult to define with any precision. This being the case, this section of the questionnaire allows the respondents to establish what they perceive to be social responsibility so far as it applies to the Australian banking industry.

Kraft (1991a) created his model to study the relative importance of social responsibility in determining organisational effectiveness. Subsequently Kraft and Singhapakdi (1995) revised the organisational effectiveness menu in the light of experience. They included categories such as, ethical conduct, equal opportunity, consumerism, industry welfare, community service, community welfare, national welfare, and world welfare, which were not significantly different from Krafts' (1991a) categories. These categories are included in the questionnaire with other categories being added, such as the nature of banking, lending, profitability, reputation, and employment.

In compiling the second part of the questionnaire the deliberation was on social responsibility performance. It more particularly examines how efficiently and effectively Australian banks have met their social responsibility standards as identified by power dependent stakeholders in their focus groups.

This part of the questionnaire, on social responsibility performance, is not general as to all banks but is specific to the respondent's own bank or financial institution. It is accepted that consumers of financial services can have virtual banking services from many financial institutions. In view of this, information is sought in a way that identifies the respondent's preferred financial institution for banking transactions, as well as seeking other descriptive statistical information, such as respondent's age, location, and account type, to provide for further meaningful analysis. This enables a composite picture to be established of how the power dependent stakeholders perceive the performance of Australian banks' social responsibility.

3.5.9 Survey sampling criteria, method and pre-testing

3.5.9.1 Sample size and characteristics

Roscoe (1975) cited by Sekaran (1984) proposes some rules of thumb for determining sample size:

- samples of from 30 to less than 500 are acceptable for most research
- where there are sub-samples, a minimum size of 30 is necessary for each sub-sample.
- tightly controlled simple experimental research can achieve successful results with samples as small as 10 to 20.

On the basis of Roscoe's rules it appears the target sample size of approximately 400 (which was achieved) is adequate for this research. In designing the questionnaire the researcher was aware of the comments of Bean and Roszkowski (1995). They counselled that in formulating questionnaires, there needs to be concern about the length of the questionnaire, as well as the interest and salience of the questions to the respondent. It was their view that these considerations could have a substantial impact on the response rate, if a high response rate were to be achieved in order to avoid bias.

The process is completely random with telephone numbers chosen from an indiscriminate selection of pages of White Pages telephone directories covering subscribers located in both metropolitan and country Western Australia. The final distribution of respondents proved to be well spread under all categories confirming the randomness of the survey and general absence of apparent bias. More is said about this in Section 3.6: "Measurement, variables and instruments".

3.5.9.2 Survey method

The survey is by way of a telephone questionnaire. There are a number of significant advantages in using a telephone survey as opposed to either a self-administered mail-out questionnaire or a personally administered questionnaire, not the least is the time involved. Miller (1991) points out that one of the strengths of telephone surveys is the speed with which they can be undertaken. Self-administer mail surveys and personally administered surveys have significant disadvantages which are, in the former case, frequently poor return rates for questionnaires and difficulties addressing any incertitude (Sekaran, 1992), while in the latter case they are expensive and can be subject to low response rates [or bias] as respondents show reluctance to admit interviewers and interviewers refuse to enter certain areas (Miller, 1991).

As the survey was to be undertaken by telephone it is recognised that the advice given by Bean and Roszkowski could be even more pertinent as there is no face to face contact, and in addition the respondent does not have the benefit of having the questionnaire before them. With this in mind the questionnaire is carefully designed, with input from a number of academics, knowledgeable in questionnaires, and guidance from the professional survey company that undertook the survey. The final questionnaire (Appendix A) is not excessively long, contains simple questions, and avoids open ended questions which can be the subject of interviewer effects while creating coding problems (Hawkins & Tull, 1994).

3.5.9.3 Pre-testing of questionnaire

The pre-testing of the telephone questionnaire was undertaken in-house by the telephone survey company to ensure content and face validity. They used their experience and expertise to refine and simplify the questionnaire so that their field workers would have no difficulty with the questions while ensuring that the structure, wording and content of the questions would be readily understood by the respondents. In order to ensure that the information sought was not diminished during the pre-test, the pre-testing was done in conjunction with the researcher who confirmed that neither the integrity of the questions nor the data collection process was compromised by any changes proposed as a result of the pre-test.

3.5.10 Summary of research design

The research design is based on both qualitative and quantitative research. The qualitative research used focus groups drawn from the target stakeholder assemblage and their discussion comments were recorded and analysed using the qualitative research programme QSR NUD*IST. In the final analysis a telephone survey, with whatever problems it might have, is accepted as having less problems than those which exist with self administered mail surveys and personally administered surveys. It ensures access to a large database, a wide spread of respondents and allows the data collection process to be completed relatively expeditiously.

3.6 MEASUREMENT, VARIABLES AND INSTRUMENTS

3.6.1 Measurement

A five-point Likert scale is used for the variables related to the characteristics of social responsibility standards and social responsibility performance. This scale requires the respondent to indicate the degree of agreement from strongly disagree to agree, 1 being "strongly disagree" and 5 being "strongly agree"' for each variable. Then the information gathered is analysed using the Analysis of Variance (ANOVA) test where there are more than two groupings of respondents, and independent t-tests where there are only two groupings of variables.

3.6.2 Validity

The focus group discussion session findings provide valuable input to the content validity of the questionnaire document. Also, as mentioned previously, the questionnaire was pre-tested by the professional survey company, which undertook the telephone survey, for content and face validity. The company was very cognisant that the questionnaire would be administered and completed by individuals who needed to understand the questions and accept they have a relevance to them. Hawkins and Tull (1994) point out that there is diminished cooperation if the measurements appear irrelevant to the participants

3.6.3 Reliability

3.6.3.1 Internal reliability

In order to do an internal comparison test of the reliability if the questions are free from variable errors a coefficient alpha or Cronbach Alpha test of reliability has been undertaken using the statistical analysis software SPSS version 10.0. Another test that could have been undertaken was the split-half reliability test. It has the advantage of simplicity but the coefficient alpha is considered to be a better approach to establish the internal reliability (Hawkins & Tull, 1994). As regards the split-half reliability coefficient Sekeran (1992) indicates that, depending on how the scale is split, the coefficients will vary. Other tests such as parallel form reliability and test-retest reliability were not considered as they are more appropriate for measuring stability of the measure over time. Based on Sekaran's opinion reliabilities less than .60 can be considered poor, while those over .70 are acceptable, with reliability coefficients in excess of .80 viewed as good.

The results of the alpha tests are detailed in Chapter 5 where the quantitative data collection is assembled and analysed under the various factors that constitute social responsibility standards and social responsibility performance of Australian banks.

3.6.3.2 Age of respondents

There is a reasonable spread in the age group of respondents, with the 30 to under 50 years of age accounting for almost 50% of the respondents. Only one respondent did not provide age information.

The analysis focuses on five groupings: those under 30 years of age; from 30 years of age to under 40 years of age; from 40 years of age to under 50 years of age; from 50 years of age to under 60 years of age; and 60 years of age and over. Actual results of the sampling are detailed in Table 3.2 hereunder together with Australian Bureau of Statistics percentages (Australian Bureau of Statistics, 1999 pps 18-19):

Table 3.1
Respondents classified by age

Age	Number	Percent	ABS Percentage
18 to under 20	9	2.3	5.9
20 to under 30	53	13.3	21.0
30 to under 40	98	24.6	21.4
40 to under 50	97	24.3	20.0
50 to under 60	74	18.5	13.6
60 and over	68	17.0	18.1
Sub total	399	100.0	100.0
Not disclosed	1		
Total	400		

3.6.3.3 Location of respondents

The location of the respondents is much in accord with expectations, and confirmed with demographics provided by the Australian Bureau of Statistics (ABS). ABS statistics (Australian Bureau of Statistics, 1998 pps 82-86) indicated that 26.7% of Western Australians resided outside the Perth Statistical Division. Actual results of the sampling are detailed in Table 3.3 hereunder:

Table 3.2
Respondents classified by location

Location	Number	Percentage	ABS Percentage
Metropolitan	302	75.5	73.3
Country	98	24.5	26.7

3.6.4 Summary of measurements, variables, and instruments

The questionnaires were subject to scrutiny and pre-testing to prove their validity and reliability and it is shown that they achieved the appropriate level of acceptance. The measurements used can be regarded as relevant for the research. The data gathered is confirmed as representative of the community from which it was drawn and the number of respondents was sufficient for the critical analysis.

The variables within the questionnaire were subject to pretest for content and face reliability as well as internal reliability. The Likert scale, Analysis of Variance (ANOVA), and independent t-tests, each enables the data to be analysed in a meaningful manner so that the appropriate conclusions can be reached.

CHAPTER FOUR

QUALITATIVE DATA COLLECTION AND ANALYSIS

4.1 FOCUS GROUP FORMATION TO EVALUATE CURRENT PERCEPTIONS OF AUSTRALIAN BANK SOCIAL RESPONSIBILITY

As mentioned in Chapter 3, focus groups are included in the research design to give a broad and balanced approach to the investigation. A total of seven focus groups were organised. These focus group sessions encompassed 49 power dependent stakeholders divided into seven categories. Focus groups, as Zikmund (1997b) points out, can provide a forum that allows participants to freely express their opinions about the given topic in a non-threatening environment that does not require that they be identified other than as part of the broad group. Because of the unstructured nature of the discussion the preconceived perceptions of the researcher are less likely to influence the participants. The information gathered in focus group sessions can furnish the foundation for the development of a more extensive and rigorous study.

The advantage of focus groups to this study is derived from the first-hand experience that they have in dealing with banks in their regular and frequent banking transactions. They experience directly the changes that are occurring in the delivery of Australian banking products and service. They know what they are seeking from banks and they can express their satisfaction or disappointment with the current banking industry attitudes without fear of ridicule.

The seven focus groups of power dependent stakeholders are arranged to establish the perception of the social responsibility of Australian banks. It will be recalled that power dependent stakeholders are those for whom the firm is significantly responsible and who have a moral or legal claim on the firm (Mitchell et al., 1997). In Chapter 3 the power dependent stakeholders of Australian banks were categorised as personal customers, senior citizens, small business proprietors, rural residents, and bank employees. As can be seen, in each case the firm, or more particularly banks, have a significant responsibility for the well-being of these stakeholders either for the effective provision of services or their ongoing employment.

The size of the focus groups ranged from four to eight and they were gathered together at different locations. Larger groups are difficult to organise, but it has already been noted that Greenbaum (1998) expresses the view that mini-groups limited to 4 or 6 participants can provide more in-depth information in any case. Many factors such as time, cost, location, and general willingness to participate can intrude on the formation and dimensions of focus groups.

The researcher facilitated the focus group sessions, introduced the broad topic, and allowed discussion to flow easily. Each participant contributed their thoughts and attitudes and provided support for on-going discussions by other participants. The discussions were straightforward and uncomplicated with the researcher acting only as a guide and facilitator to ensure that the groups' attention was always concentrated on the purpose for which they were assembled. Each group expressed their views about the changing nature and manner of delivery of Australian banking services that have created significant concern about Australian banks' commitment to social responsibility. The social responsibility categories of Australian banks include economic, legal; ethical, and discretionary, but this research has found that the greatest attention is given to economic responsibilities. Each group presents a different emphasis according to their own experiences, which is as intended, as the groups are structured to have diversity one from the other.

The discussions were electronically recorded and subsequently transcribed to hard copy where they were analysed using the computer-based research tool QSR NUD*IST to explore the meanings of the unstructured qualitative data. QSR NUD*IST is a system which allows the researcher to explore documents, in this case focus group transcripts, create categories and code texts. It allows ideas to be clarified, themes to be discovered, and memoranda about the data to be stored (Qualitative Solutions and Research Pty Ltd, 1997).

The groups present views on Australian banks' social responsibility standards and performance and provide information about any deviation in their social responsibility performance from the expected social responsibility standard. The focus groups are analysed for content so that perceptions of Australian banks' social responsibility standards and performance are identified and the frequency of mention is extracted. The tree structure of analysis, which is an integral part of the QSR NUD*IST qualitative research programme, is followed. The power dependent stakeholders are the critical element in establishing the social responsibility standards and performance of Australian banks.

In order to provide a clearer understanding of the construct of CSR as it relates to this research, each of the elements that constitute the fundamental parts of the model of CSR that has emerged from this investigation is detailed in the three sections that follow. It should be noted that focus group participants are not subject to the scrutiny that is associated with quantitative research (Morgan, 1988) so the participants were not called upon to provide details of age, organisation with which they may be employed, address, income, or sex, unless it was volunteered. Naturally, the researcher knows much of this information. The only obvious identification is provided by their inclusion in the particular focus group, for example, bank employee, senior citizen, or as the case may be.

4.2 POWER DEPENDENT STAKEHOLDERS OF AUSTRALIAN BANKS

The power dependent stakeholders of Australian banks are described in detail in this section to provide an understanding of the nature and composition of each of the focus groups. These are individuals, who can be influenced or impacted upon by Australian banks, but who have limited ability to influence or impact upon Australian banks without the intervention of external organisations or advocates.

4.2.1 Personal Customers:

Personal customers are identified as customers who are currently in the workforce, do not have a business, and who are under the age of 55 years. This focus group consisted of government employees, airline employees, shop assistants, and people engaged in home duties. The group gathered at a private home which provided a comfortable atmosphere to promote uninhibited participation by the group members in the discussion.

4.2.2 Senior Citizens

Senior citizens comprise bank customers over 55 years of age. They are customers to whom banks and financial institutions frequently extend special concessions. The participants in this group were located with the assistance of the Office of Seniors' Interests.

4.2.3 Small business

Small business encompasses businesses that have fewer than 100 employees or an annual turnover of less than $1million. This focus group was the most difficult to form. By their nature, small businesses cannot afford to devote too much time to activities that are not directly concerned with their business. Nevertheless, the participants who did agree to be involved felt sufficiently concerned about the changing format of bank services to give the benefit of their experiences and opinions.

4.2.4 Rural Residents

This group includes individuals living or operating outside the metropolitan area. The researcher travelled to a small eastern wheatbelt town, where, through the help of a prominent local citizen, a group consisting of townspeople and farmers was gathered at the local community club to relate their experiences with banks in their area.

4.2.5 Bank Employees

This group includes staff employed by banks, either full-time or part-time, in any capacity within their banks. The participants in this focus group are drawn from several banks and mostly have positions within the branches of those banks. They were predominantly young staff, estimated to be under thirty years of age, with varying numbers of years' service.

4.2.6 Bank Executives

This is a special group of bank officers whose offices are in Head Office management area of a bank and who are able to make input to policy and strategy decisions personally or through involvement in committees. All these executives were on contracts of employment. Formerly, executives at this level would have had a degree of secure long-term tenure.

4.2.7 Retired Bank Employees

These are bank officers who are now retired and who are in receipt of bank superannuation. They have the ability to compare their perception of banks' social responsibility standards and performance currently with what they perceived to be banks' social responsibility standards and performance in the past. The group consisted of former bank officers who have been retired for varying periods up to over 20 years.

4.3 SOCIAL RESPONSIBILITY CATEGORIES

This refers to the broad responsibilities that devolve upon banks in their interaction with their stakeholders. It encompasses the view that banks must be aware of and take into account the needs, demands and requirements of their stakeholders. The four categories relate to the responsibilities that Carroll (1979) identifies as, together, constituting CSR.

4.3.1 Economic responsibilities of Australian banks

Economic responsibilities are probably the most visible obligations that banks must assume. These responsibilities relate to capital adequacy, profitability, returns to shareholders, level of fees and charges, location and number of branches that should be established, and provision of electronic banking services. They require a careful balance to ensure the interests of all stakeholders are maintained while safeguarding the financial viability of their operations. The power dependent stakeholders have considerable interest in the manner in which this responsibility is undertaken as it has a greater impact on them than any of the other three responsibilities that Carroll identifies.

4.3.2 Legal responsibilities of Australian banks

These responsibilities embody the legal requirements that banks must undertake, complete and maintain in relation to their external and internal operations and include legal requirements relative to government, corporations and individuals. While the power dependent stakeholders may not be too concerned directly with the manner in which banks address this responsibility, failure to comply with all legal requirements can damage banks' reputation.

4.3.3 Ethical responsibilities of Australian banks

These are the actions that banks engage in, or avoid, that are right or wrong, fair or unfair, just or unjust, in the society. The way in which banks fulfil these responsibilities can establish, reinforce or damage banks' reputations.

4.3.4 Discretionary Responsibilities of Australian banks

These are the responsibilities that banks undertake without any legal or economic compulsion to do so. They are generally evidenced by donations, sponsorships, and support extended to individuals or organisations within the community. Frequently, they are linked to banks' publications and advertising programmes.

4.4 SOCIAL RESPONSIVENESS CATEGORIES

Social responsiveness can be regarded as the level of sensitivity Australian banks have to their stakeholders. It relates to how Australian banks respond to pressures, actions and requirements of their stakeholders. It can be positive or negative. It is positive in so far as it is accepting of the pressures from the stakeholders, or negative by responding in a way that thwarts or nullifies the demands of the stakeholders.

4.4.1 Proaction

Proaction refers to the actions that Australian banks take in anticipation of the actions, pressures or requirements of their stakeholders.

4.4.2 Reaction

This relates to actions Australian banks take in response to events that can influence, favourably or unfavourably, any operations of Australian banks. These actions occur after the stakeholders' demands become apparent.

4.4.3 Accommodation

Accommodation describes the degree to which Australian banks accept the pressures, actions or requirements of their stakeholders and respond to them positively. It is the form of social responsiveness that stakeholders seek to create in banks by having banks accede to their demands and accommodate them within their policies and strategies.

4.4.4 Defence

Defence refers to the actions or mechanisms that Australian banks establish to buttress themselves against adverse perceptions or what they perceive as unwelcome pressures to change or not change in a way that they view as unacceptable. These actions are the least desirable and can cause much stakeholder discontent as they perceive an unwillingness on the part of the banks to negotiate.

4.5 ANALYSIS OF FOCUS GROUP PARTICIPANTS' PERCEPTIONS OF AUSTRALIAN BANK SOCIAL RESPONSIBILITY

The information that emerges from the focus group discussions is coded using QSR NUD*IST and divided it into several categories. Then these categories are divided into further sub categories. Each focus group is classified as a category and the predominant social responsibility activities, or concerns, are treated as sub-categories. The sub-categories are determined as relating to social responsibility because they are activities or concerns that impact upon the power dependent stakeholders' perceptions of the scope and purpose of banking services that they require, or which impinges on the manner in which banks deliver those services. The relative importance of each sub-category is determined by the amount of time that each focus group devoted to discussion of the activity or concern. QSR NUD*IST automatically accumulates and calculates the percentage of information under each heading as it relates to the total amount of discussion for all categories. The results are detailed in Table 4.1 below. The totals of each of the columns do not add to 100% because extraneous or unrelated discussion was not included in any of the sub-categories.

Table 4.1:
Significant social responsibility activities of Australian banks as perceived by power dependent stakeholders
(Percentage of total discussion devoted to each activity or concern)

Focus Group → / Social Responsibility Activity/Concern ↓	Personal Customers %	Senior Citizens %	Small Business %	Rural Residents %	Bank Employees %	Retired Bank Employees %	Bank Executives %
Profits	5.5	0	4.4	3.0	10.0	4.9	10.0
Stakeholders	4.7	0	1.3	0	3.7	0	5.3
Electronic Services	15.0	20.0	10.0	24.0	1.6	16.0	13.0
Fees/Switching Costs	10.0	21.0	5.6	9.5	7.1	7.0	6.9
Community Banks	2.8	0.9	5.2	6.7	2.6	9.4	3.1
Branches	3.7	3.4	16.0	14.0	3.0	3.8	6.7
Managers	2.5	2.7	11.0	7.9	1.8	0	3.3
Sponsorships/Donations/ Community Activities	3.2	3.5	1.1	2.3	2.7	9.6	4.4
Lending	1.1	0	6.8	8.6	1.9	4.7	8.2
Reputation	6.2	2.9	6.0	.09	5.0	12.0	4.4
Employment	5.1	2.4	2.7	2.0	33.0	13.0	1.7
NBFIs	1.9	6.4	2.7	1.6	0	0	12.0
Bank Amalgamations/ Privatisation	2.3	6.2	0	0	0	0	0.5
Service	15.0	1.8	14.0	0	0	13.0	9.4
Credit Cards	5.1	0	5.6	12.0	0	1.6	0

4.5.1 Personal customers' perceptions

The participants in the focus group generally do not enthusiastically adopt electronic banking. Most make little use of it although there was one who said he never visited a bank; using ATMs and credit cards for all his transactions. At the other extreme there was one who insisted she would retain her passbook for all her banking requirements and eschewed all overtures from bank staff to change to more modern banking technology. The support for credit cards is negligible, but there is criticism of banks for promoting cards, which ultimately lead to customers over-extending their spending resources.

The reluctance to use electronic banking is further reflected in the group's comments about bank service. There is a view that there is no service. As evidence they cited the inability to have moneyboxes counted on demand, failure to provide change to small business without prior notice, and mistakes in addresses or misspelling names. There was however one voice that supported banks, indicating that his contact with branch staff has been favourable. It is admitted that managers are being withdrawn from branches but the branches where the focus group participants have their accounts still have managers. The problems they encountered were a variation in the quality of the managers and difficulties being able to make an appointment with them. It is insinuated that managers do not know their products well enough to ensure that customers, in particular borrowing customers, obtain the deal best suited to their purpose.

Around 10% of the focus groups' discussion time was devoted to fees. The comments were mainly that they did not like the fees. There is even a little confusion about the government fees that are thought to be fees charged by banks. The participants were not very positive and few indicated that they are aware of arrangements that could be made to organise accounts to reduce or eliminate bank fees. In this regard they are less informed than the senior citizens' focus group. Non-bank financial institutions are not seen as an option for reducing fees. Participants who had associations with credit unions claimed that they are becoming more like banks and are just as ready to levy fees.

The group was divided on the appropriateness of the profit earned by Australian banks. Some felt that the profits are too high but others introduced the relationship to capital invested, which they feel justifies the dollar amount of the profit. Nevertheless, they believe that the demands for high returns by shareholders will always ensure that banks seek to achieve maximum profits. There is a view that customers are as important as shareholders as without them there will be no profit. There is agreement that shareholders and customers should be given equal importance. The privatisation of the two government banks, one Federal and one State, is not viewed well.

While shareholders and customers are two stakeholders it is recognised that there were others; in particular, the employees. The focus group participants are cognisant of pressures being placed on bank staff. The trend to employing greater numbers of part-time staff is noted, but the chief observation is the demand on staff to meet targets. They knew of employees who have resigned because of the burden of achieving these goals. It was suggested that these targets led to badgering of customers to adopt products that they do not really want. This is mentioned unfavourably by participants in the bank employees' focus group also.

Some time was spent discussing banks' reputation but it mostly related to banks' payment to a commercial broadcaster for favourable comment. Without this incident there would have been no suggestion that other issues such as branch closures affected banks' reputation. In fact, branch closures did not attract very much comment other than to suggest that ATMs are going to replace branches, much to their annoyance. They did however express some concern for country towns that are losing their bank branches. There seemed to be some support for country towns turning to community banks as a viable alternative if an established bank withdraws its branch from a town.

With pressure on Australian banks' reputation it would have been expected that the focus group participants would have been aware of a concerted effort by banks to be involved in the community through sponsorships, donations and related activities. Apart from a suggestion that banks' make donations to major fund raising projects like Telethon their view is that these activities are more likely to occur in the country. From the rural residents focus group discussion it is known that involvement in the country is minimal.

4.5.2 Senior Citizens perceptions

One of the most contentious issues that confronts the senior citizens is the expansion of electronic services by Australian banks as their preferred method of service delivery. The senior citizens devoted 20% of their discussion time to comment upon the trend towards electronic banking. Generally they are not accepting of change. They see banking as something of a social experience and regret the loss of the personal interaction with bank staff that would occur if they adopt the electronic methods of doing their banking. The cost of counter transactions is driving them very reluctantly to ATMs and EFTPOS. Nevertheless some of the senior citizens are reasonably well disposed towards electronic banking systems and see some convenience and advantage in adopting electronic banking procedures. However, they express concern about safety when using ATMs. The fact that transactions are conducted at ATMs on footpaths in busy public areas causes them to feel vulnerable and in danger of being assaulted and robbed.

Of similar concern to senior citizens and leading on quite naturally from electronic banking services is their preoccupation with banks' fee structure. The senior citizens devoted 21% of their discussion time to the level of fees charged by Australian banks. While they note that fees are levied for high use of counter transactions and issue of cheques, they also emphasise that there are fees for electronic transactions such as Bpay or they have to bear the cost of the phone call if a transaction is completed by phone. Again, however, there are those who are aware that fees could be reduced or eliminated by appropriately organising their accounts. It was demonstrated by some senior citizens that banks are ready to assist in rearranging existing accounts to lessen or remove fees from banking transactions. This confirms the comments that came from the bank employees' focus group that they have staff available to help in this regard.

Australian bank amalgamations and non-bank financial institutions received some attention taking up around 12% of the discussion time. While there is some apprehension about safety of non-bank financial institutions in the light of past failures it is acknowledged that times have changed and there is an opportunity to gain a more personal, and possibly cheaper, service from a non-bank financial institution. On much the same theme there was regret about Australian bank amalgamations that have seen a small bank with a very personal focus absorbed by a large national bank which seems to give emphasis to profits and shareholder returns. This change in ownership and control lead, according to the senior citizens, to a reduction in community involvement.

In view of the comments in the press it is surprising that there was not more comment on branch closures. This may have been because the focus group participants have not experienced a closure in their areas. Mention was made of one closure but they do not seem to regard this as an inconvenience. Although, in one case, reference was made to withdrawal of a part-time banking facility at a retirement village, that was claimed to greatly inconvenience some of the less mobile residents of the village. In another case, it was stated that a bank had a meeting of customers on a Sunday to reinforce the presence of their branch and the appointment of a new manager.

4.5.3 Small Business perceptions

Of greatest concern to small business proprietors are the issues of managers and branches. Together these issues account for over 20% of the focus group discussion. Dealing first with managers, it is found that small business has good access to business managers or account managers to whom they are allocated which means that they have easy access by phone or in person. The fact that this manager may be in a business centre rather than a regular branch is of no concern to the small business proprietor. It is suggested that the workload of these business or mobile managers could be a problem. A case was cited where one of these managers had to go on stress leave because he had been working seven days a week and taking work home at night.

The closure of branches, however, creates some problems. With branches closing small business proprietors are having trouble banking their daily takings as it involves travelling to a more distant branch. Apart from the inconvenience of travel, it causes a security problem as well as involving time away from the business. Similarly, change requirements are difficult to arrange. Larger amounts of cash have to be held in their floats and in one case it was cited that business people have to exchange cash among themselves, walking up and down the main business street, to obtain the change they need.

The participants do not see community banks as providing much for them. It is their view community banks will have more attraction for personal customers. They will, in their view, be embraced more in the country than in the city, where distance is a consideration. In the city, the loss of all bank branches in a particular suburb, while being inconvenient, is not as great a concern as the loss of all bank branches in a country town where the alternative branches are a great many kilometres away. It was also suggested that the larger banks might welcome the community banks as they may take away the customers that the larger banks do not want.

High on the small business' agenda is the standard of service provided within branches. There is a general view that staff are under-trained, slow and less friendly. The perceived lack of training, they say, causes delays and frequently results in the small business proprietor having to return several times to have a transaction or query completed satisfactorily. Longer queues are a problem as the small business proprietors are anxious to have their banking done quickly so they can return to their businesses. In some cases a commercial teller is available for business banking which relieves some of the delay.

Electronic banking services are being promoted to business customers but the participants in the focus group were not significant users of banks' electronic banking services for their businesses. They seem to be of the opinion that it is better suited to large customers who have the staff to manage their banking requirements through the Internet. As an adjunct to electronic business account management, consideration was given to interaction with the small business customer who wishes to use electronic methods for payment of goods and services. The small business proprietors are under pressure to accept credit cards in payment for goods and services and in most cases they do provide this facility for settlement. However, they make clear that being a credit card merchant is expensive and requires some negotiation with banks to establish the minimum commission charge. The small business proprietors in the focus group resist giving cash out on EFTPOS transactions, as it requires that they carry too large a cash float. The small business proprietors mentioned another problem that originated with ATMs. It is the call on them for change where ATMs dispensed only $50 banknotes. One of the group has an ATM beside his business and is subject to continual pressure to change these large banknotes.

An area that would be expected to generate some interest among small business proprietors is lending procedures among banks, but this is not so. The participants in the focus group are happy with their existing bankers and although they are aware that some of the smaller banks are actively seeking new lending opportunities among the small business community they are not tempted to change banks. However, they did highlight that banks are reluctant to make small loans and are inclined to direct customers to credit cards for small office equipment.

Fees have figured prominently in the personal customers' and senior citizens' focus groups but the small business proprietors do not see fees as a major consideration. This may be because they regard these fees as a legitimate business expense that is deductible for taxation purposes whereas non-business customers must meet the full impact of the fees. Nevertheless, they do see fees on consumer accounts as a factor that impacts on Australian banks' image in their relationship with their non-business customers. Australian banks' reputation, they believe, has declined in recent years and this decline is not helped by banks' attempt to purchase favourable comment from a commercial broadcaster.

In discussing fees there was a natural link to Australian banks' profitability. The small business proprietors do not regard bank profits as excessive, particularly when related to return on shareholders' funds. The feeling is that Australian banks are more concerned with the interests of their shareholders than other stakeholders, but they recognise that banks cannot afford to overlook the conjunction of customer service and profits: without customers there would be no profits.

4.5.4 Rural residents' perceptions

Rural residents seem to embrace electronic banking more readily than other power dependent stakeholders. This is no doubt a function of the distance they are from the major population centres. This phenomenon is reflected in the amount of discussion given over by the focus group participants to electronic services provided by banks.

A consequence of adopting the electronic services offered by banks for statements, cash transfers, payment and collection of accounts, according to the participants, is that it is more likely that banks would close their branches due to the lower demand being made for physical services. They sense that they are caught between either electronic banking or availability of branch banking. They understand they cannot have both, and it is most likely that ultimately they will not have a branch.

Small country businesses claim that the acceptance of electronic banking has not resulted in any reduction in staff numbers in their business. They still have to reconcile statements, and follow up unidentified deposits or payments from customers. However, electronic banking has meant that they have their banking information instantly which allows them to complete financial statistics much more quickly. This is seen as a decided advantage with the introduction of the Goods and Services Tax (GST). Previously they had to wait on the limited mail service that exists in some country towns where a mail delivery is not made every day.

Some of the participants in the focus group have never banked in the country town they live in and have managed to conduct their banking without too many problems. Now they see that it should be even easier to conduct their banking at a remote location. Electronic banking is seen as enabling rural customers to have a greater choice of banking or lending institutions with which they could deal. One of the problems with banking outside the town has been cashing cheques but with the introduction of credit cards and EFTPOS facilities this is no longer the problem that it used to be. All the participants are users of credit cards, which they see as valuable despite the annual fees. They admit that the fees are to some extent offset by benefits such as frequent flyer points. The business people within the focus group do not accept credit cards in payment for purchases, preferring instead to extend thirty-day account facilities. They see the merchant fees on credit cards as being too high.

With regard to bank fees and charges generally, the participants do not see these as a problem. Some members of the focus group indicated that they are able to come to an arrangement with their bank about fees so that they are reduced or eliminated. On-line banking fees are tolerated but there is a feeling that it is necessary to negotiate with banks to get the best deal.

Australian bank profits raised some comment when related to some of the difficulties experienced by farmers and businesses in the country but overall the view is that banks' profits are reasonable relative to the return on capital. It is thought that banks' public relations' departments do not manage their profit announcements well.

There seems to be an acceptance of branch closures or branch restructuring in the country. The focus group participants see the branches providing a lessor service if they do not close. The change taking the form of counter service only, with lending and control directed from a nearby regional centre. It is noted that where branches do close stores have to meet cash demands of townspeople, particularly where the stores provide an EFTPOS service. This means larger amounts of cash have to be carried in the town and the participants allow that security will be a major problem for those holding more cash. One participant took a very philosophical view in suggesting that banks should not have to provide a social service function. He sees them as legitimate businesses and if the government wants them to provide a social service (such as maintain an unprofitable branch) they should pay banks to do so.

The participants have first hand knowledge of community banks from the experience gained in the establishment of one in a nearby town. The bank has received good support but it is admitted that it will take quite a while to become profitable. The main benefit that is seen from the growth of a network of community banks is that country towns experience some empowerment. They have a conviction, rightly or wrongly founded, that if they lose their bank branches they will be able to get support to establish a community bank in their town.

The absence of a bank manager in a town is not seen as a major disadvantage. Managers have been relocated to the major regional centre in the vicinity and re-titled business manager or rural manager. They are very mobile and apparently quite ready to call on customers. The service provided is similar to that mentioned by the small business focus group, and seems to be quite acceptable. In addition, farmers have access to rural advisers and agri-business managers on request. These mangers service a large number of rural locations. The sale of bank managers' houses in some of the towns has given some finality to the decision to relocate mangers. It was mentioned that there was little or no sponsorships or donations under the new structure. Any allowance given to the business manager or rural manager is small and irrelevant when spread over all the towns subject to the manager's control.

According to the participants any sponsorships appear to be related to major events undertaken by banks' head-offices.

With the changes that have taken place there has been no lessening of competition between banks when it comes to lending. The participants suggest that this may be due to private farm advisers who seek out the best deal for their client. The focus group members indicated that when it comes to the best deal there is not much loyalty to any bank. There is substantial funding for rural lending which they believe is another reason for the competition among lenders. One of these lenders, a specialist rural lender, the Primary Industry Bank of Australia, advises its core lending rate every day so that comparison can be made with any existing facility that the borrower may have or be intending to arrange.

4.5.5 Bank Employees perceptions

It can be seen from Table 4.1 that the main issue affecting Bank Employees is that of their employment within banks. Through an analysis of the transcription of the focus group discussion it is found that 33% of the overall discussion related to employment. Bank Employees have been confronted with major changes. The lifetime tenure that existed for bank employees has been replaced with employment contracts for full-time employees who are now supported by large numbers of part-time workers.

Most of the discussion on employment centres around remuneration and targets. The system of business acquisition targets introduced in recent years, as a staff performance measure, is an item of contention, particularly where it is related to remuneration. It was mentioned that continual failure to achieve specified targets can lead to loss of employment.

Next in order of importance for bank employees is the issue of bank profits. In this case 10% of the focus group's time was devoted to bank profits. The bank employees, generally, are of the opinion that the level of bank profits is reasonable. They acknowledge that banks now have a strong profit orientation, which is publicly reflected in the fee structure. It is the bank employees' view that the public perception of excessive bank profits is unfair.

Attracting some comment by the bank employees is the issue of fees. Over 7% of the time was spent on discussing fees with the general consensus that Australian banks are adopting a user-pays approach, but the bank employees stated, in fairness to banks, banks are offering a range of products that can reduce or eliminate fees altogether. The bank employees feel that fees should not be the major issue with the public that they are.

On the matter of Australian banks' reputation, it is the opinion of the bank employees that they have lost some standing in the community as the reputation of banks falls. The unfortunate matter of the undisclosed payment to a commercial broadcaster for favourable comment is seen by the bank employees as a commercial decision that went wrong rather than something that should not have been attempted.

Overall the bank employees are of the view that banks are meeting their social responsibility obligations They see competing pressures on banks making it difficult to satisfy everyone but there is an acceptance that shareholders are probably viewed by Australian banks as their prime stakeholders.

4.5.6 Retired Bank Employees

This group has considerable experience with traditional banking systems. Most of the participants have retired in the last 10 years but one member of the focus group has been retired 20 years, so he was well aware of the changes and he was able to identify them, while acknowledging an unfamiliarity with much of banks' current internal operations and procedures.

Because they are officers who have been retired for several years it is not surprising that their main comments are directed to electronic banking. This group was arranged to provide some input from a group of stakeholders who had had experience in banking as it was and who were very interested observers of the changes that have taken place and were still taking place. Fees are of no concern to this focus group as they have the advantage of concessions extended to them by their bank but they do note that banks are much more ready to charge for services now than in the past. Electronic banking services are of the greatest interest to them. They are not users of Internet banking or Bpay facilities, but they are in general consumers of telephone banking facilities which relate to obtaining account balances and making transfers. Like many senior citizens they have not, as a group, fully embraced the technology. The credit card is seen as a boon for travel. It was pointed out that a cardholder can go into an hotel, while travelling, make a purchase and be given cash along with the purchase if required. However, as mentioned, the more sophisticated technology, such as phone banking, Internet banking and Bpay, is not used. With this group the level of current service offered is regarded as unfavourable compared with what was given when they were in the bank. The customer, they suggest, no longer seems to be as important as in the past.

In addition, the retired officers feel that Australian banks' reputation has been degraded in recent years. The staff's identification with banking as a career is not perceived to be as great. However, there is a strong support for community banks, probably because the retired officers see them as representative of traditional banking. There is a feeling that community banks would not have profit as their raison d'être. Service, it was suggested, would be their aim. It was volunteered that people who contribute to, and support, the community banks would be looking for service not necessarily profitability. They see community banks seeking to achieve an optimum profitability rather than a maximum profitability.

4.5.7 Australian bank executives' perceptions

This group is close to the policy-making area of banks so it is interesting to record that the main topic of interest for this focus group is the activities of non-bank financial institutions. The institutions they are concerned about are those providing, in many cases, only one financial product, such as housing loans or credit cards, although some of these institutions, as they pointed out, are now packaging these two products to make their deals more attractive. The involvement of these housing loan providers, the focus group revealed, has greatly eroded interest rate margins and reduced bank profits from this source.

Non-bank financial institutions, such as credit unions and building societies, providing a wider range of banking-type products are not seen as a similar threat to that offered by the narrower focused non-bank financial institutions. The focus group participants state that building societies, of which there are only a very restricted number, might have only a limited life. It is the participants' view building societies provide no threat to banks. Similarly, credit unions are becoming less of a concern to banks as they proceed to introduce fees similar to banks and, in fact, are becoming more like banks. This comment is supported by the remarks made by the participants of the personal client focus group, where they expressed their disappointment about the direction credit unions were moving.

Of more concern to the focus group participants is the move by telecommunication corporations into providing on-line banking services, while insurance companies seek to broaden their interests by entering direct banking. On-line stockbroking also provides opportunities for non-bank financial institutions to introduce a wider banking service. In the end, however, the participants took some consolation from the fact that Australian banks are perceived to be more secure than most, if not all, the non-bank financial institutions. The four pillars' policy of the government was mentioned by the focus group members in the context that it is designed to maintain competition between the large banks so that their social responsibility obligations will be fulfilled.

The participants spent some time discussing Australian banks' profits. There is a view that the criticism of banks' profit is unfair. They proffered the notion, that is supported in other focus groups, that the dollar profit has to be related to the funds invested - the shareholders funds. This relationship, they expounded, now applied to the privatised government banks, which in the past, when under direct government ownership, they did not have to be concerned about. Stress was put on the fact that they believe that Australian banks' shareholders are banks' prime stakeholders although they do broadly acknowledge that they have a commitment to the community generally.

One feature that participants felt Australian banks' lobby-group have not highlighted, in an endeavour to counter unfavourable perceptions about banks' profits, is that banks pay more taxes than other corporations and are subject to a wider range of regulations than most major enterprises. They accepted that it is an unfortunate truth that Australian banks' profits have been, to a major extent, increased by a reduction of 30000 employees over the last five or six years.

The participants again highlighted the financial security of Australian banks. They see banks as secure institutions for customers to place their money; therefore the participants are of the opinion that sound profits are an indication of security through retained earnings. Past non-bank financial institution failures are highlighted as justification for focusing on profits.

The focus group spent some time discussing their lending procedures particularly in relation to giving loans to small business against the family home or the home of a relative. This is done so lower interest rates can be applied. However the participants are of the view that they have a social responsibility to assess these loans very carefully and if the business is not sound to decline them even though the security is adequate. Many non-bank financial institutions that are their competitors, they claim, are not so scrupulous which results in criticism of banks for being over cautious.

Lending is becoming more competitive and the participants believe that their customers are receiving very fair treatment. Large corporations, with a sound credit rating, are able to raise loans directly, thereby bypassing banks. These corporations can negotiate very satisfactory terms on their borrowings. This trend, the participants state, makes lending to small and medium size enterprises very desirable business to be targeted by Australian banks to replace the lending formerly directed to the large corporations.

As senior executives directly involved in the promotion of electronic banking services their views reflect the desires of banks. The focus group members clearly expressed the view that they want more customers to use electronic banking services. They believe that it will reduce costs and meet the demands of their customers. They concede that they have customers who enjoy the social experience of personal banking. This social experience, the participants suggest, may have to come from banking within supermarkets and kiosks within large shopping centres; but it will still be based on electronic delivery systems. The solution, they see, lies in education of the customers, but they did express the view that given time today's elderly will be replaced by the next generation of elderly who will be able to handle electronic banking. They have the conviction that new customers will come largely to banks through banks' Internet banking sites rather than by coming in through the doors of a branch: for this reason banks have invested heavily in electronic banking services.

Where branches do exist in one form or another, it is expected that there will be no traditional bank manager. The focus group indicated that at the customer interface there will be a customer service officer to deal with routine matters but for the more complex there will be, and in fact there are, mobile managers who can meet with customers to discuss and resolve their problems.

Although customers see fees as a method of encouraging them to use electronic banking services the focus group participants stated that it is driven by the decreasing margins on loans, in particular housing loans. The margin on housing loans ten years ago was claimed to be 4% per annum while now it is about 1%. This meant cross-subsidisation of products can no longer be tolerated. Although not a cost entirely generated by banks there was some discussion about costs of switching between financial institutions. The focus group members see this as a benefit for banks as this, when coupled with normal customer inertia, allows them to retain customers even if they can get better deals elsewhere.

The group participants were disappointed about the payment to a commercial broadcaster for favourable comments but they see this more as a misjudgment than an infraction. In general they believe that Australian banks act very ethically. They are of the view that banks try to have a good community involvement through staff participation in community organisations, donations and creation of employment opportunities. There is a belief that Australian banks need chief executives or senior executives who are well skilled in presenting a case for banks to counter adverse criticism.

4.5.8 Summary of stakeholders' perceptions of Australian bank social responsibility

The power dependent stakeholder focus groups produced some interesting insights into how each of the different stakeholders related to banks and how they perceived Australian banks' social responsibility in meeting their wants and needs for financial services. However, while the emphasis of each group is different, the different emphases are not unexpected.

Personal clients, surprisingly, are not as supportive of electronic banking as would have been expected. They still have a desire for traditional branch banking availability and systems. Equally as surprising is the ambivalence about credit cards among the focus group participants. Overall this focus group exhibits more of the profile of the customer thought to be generating the adverse media comment on banks than any of the other groups.

Small business proprietors are interested in branches and service, but it is notable that apart from some inconvenience with daily banking requirements the new branch banking arrangements are not of great concern to them. Whilst they have easy access to senior bank officers at specialised banking centres, they are critical of service at the branch level where the branch has been retained in a restructured form.

Rural residents have accepted electronic banking and they indicate that it meets their requirements quite well. The closure of country branches is not a major worry but they take some comfort from the fact that community banks could be established to meet some of their immediate needs. Managerial support in the rural locations is still very good.

Bank employees see their employment conditions as the main area of concern. In general they see banks changing in the way they relate to their staff and not all those changes are welcomed. The senior citizens, not surprisingly, direct their attention to electronic banking services and fees. This group has been the most vocal in their criticism of the direction that Australian banks have moved on the delivery of banking services. However, there is some indication that senior citizens are adapting to electronic banking and structuring their accounts to reduce or eliminate fees.

The retired bank employees were included among the focus groups because it is believed that they have an appreciation of the changes that have taken place and are able compare the new systems with those that existed when they were serving bank employees. Major concerns seem to relate to electronic banking, declining reputation, changes in employment conditions, and service levels generally. All this is much in accord with other groups but fees and charges received less attention because of the concessions extended to them as former bank employees.

The remaining focus group, bank executives, provides a good foil for the other groups by presenting a view from banks' perspective. This group is dependent on banks for their employment and they are vulnerable to changes within the banking system but they are very supportive of the direction banks are going. Their greatest concern is about the inroads that non-banking institutions could make into banks' traditional markets and no doubt this could diminish their promotional opportunities and career paths if banks lost their momentum for growth.

In summary, profits generated a reasonable level of discussion, mainly in the bank employee and bank executive groups, but electronic services produced substantial discussion in all groups except bank employees. Fees and switching costs seemed to be a significant concern of senior citizens and personal customers, while closure of branches were of more interest to small business and rural customers than other groups. The presence of branch managers was of interest to Small business but to not to other groups. The important matter of banks' reputation was of more concern to retired bank officers than any other group. Discussion on employment, as would be expected, was addressed mainly by serving and retired employees. Service standards attracted significant mention by small business, personal customers and retired bank employees. Credit cards received some attention from rural residents who saw both advantages and disadvantages in their use. The different levels of interest by each focus group highlights the need for Australian banks to accept that their power dependent stakeholders are not all the same and their separate needs should be addressed by a variety of methods.

4.6 ANALYSIS OF FOCUS GROUP PARTICIPANTS' PERCEPTIONS OF AUSTRALIAN BANKS' PERFORMANCE WITHIN EACH OF THE SOCIAL RESPONSIBILITY CATEGORIES

As with the social responsibility activities and concerns detailed in Table 4.1 the information that emerged from the focus group discussions is again coded using QSR NUD*IST and divided it into four social responsibility categories of social responsibility – Economic, Legal, Ethical, and Discretionary. These categories are divided into further sub categories to show the total amount of discussion that took place on each sub-category as a percentage, this time, of the total discussion that occurred in all the focus groups combined. The QSR NUD*IST qualitative research programme calculated the percentage of information and the summary is included in Table 4.2, below:

Table 4.2:
Significant social responsibility activities of Australian banks classified into their social responsibility categories
(Percentage of total discussion devoted to each activity or concern)

Social Responsibility Categories	Ethical Responsibilities %	Economic Responsibilities %	Legal Responsibilities %	Discretionary Responsibilities %
Ethical Responsibilities				
Essential service	0.9			
Performance	0.9			
Lending	0.4			
Reputation	4.2			
Safe environment	1.3			
Total	7.7			
Economic Responsibilities				
Profit (including Fees)		14.0		
Service		7.2		
Employment		7.5		
Electronic Services		16.0		
Stakeholders		2.6		
Lending		7.5		
Branches		7.0		
Managers		4.6		
Total		66.4		
Legal Responsibilities				
Total			0	
Discretionary Responsibilities				
Sponsorships/ Donations/ Community Involvement				2.7
Total				2.7

4.6.1 Perceived performance of ethical responsibilities

On the whole, the focus groups consider Australian banks' ethical responsibility performance to be reasonable. A little less than 8% of all the focus groups' discussion time was devoted to commenting upon Australian banks' ethical behaviour. The main attention was given to banks' reputation and the way it has declined over the years. The payment to a commercial broadcaster for favourable comment is seen as the main evidence that Australian banks are not sufficiently aware of the need to protect their reputation against suggestions that they act unethically. If this incident had not occurred there would have been very little criticism of banks' ethical conduct. Other factors that the focus groups saw as affecting banks' reputation is the perceived pursuit of greater profits through the introduction of higher fees. It is also suggested that removal of managers from branches eliminated a highly regarded representative of banks who could relate to customers.

An item of concern that arose was banks' ethical requirement to ensure that their customers are not put at risk when using electronic banking in public places. In particular, the siting of ATMs worries both the personal clients' focus group and the senior citizens' focus group. There is a general feeling of insecurity when using these cash machines. However, from the comments of the bank executive focus group it did not appear that this issue is high on banks' agenda for change. They have the view that whatever is done will only marginally change the risk. It is seen as something that the customer must address personally.

4.6.2 Perceived performance of economic responsibilities

Of all the four areas of social responsibility the economic responsibility generates by far the most discussion, with electronic banking services generating the bulk of the comment. As we have already seen, there is significant interest in this category initiated by the personal clients and the senior citizens who appear to have varying levels of acceptance of banking through these means. On the other hand, there is an even greater interest in electronic banking in rural areas where, in the main, it is being embraced as a channel that enables them to overcome the remoteness of their location, whether they have a local branch or not.

The bank executives are strongly committed to the introduction of an increasing range of electronic services. This being the case, it can be allowed that there is little prospect that there will be a reversal of the trend to electronic banking.

Australian banks' profits were the next area that created significant discussion. In analysing this sector of the economic responsibility, the discussion on fees is included with the profit because of their importance to the earnings of Australian banks. The focus groups are divided about the appropriateness of the level of Australian banks' profits, but there is a readiness to concede that Australian banks have large capital investment and therefore are entitled to make large (but reasonable) dollar profits. The argument is introduced that with such large profits some relief could be given by reducing fees and charges.

Strangely, much of the comment on Australian banks' profits came from the bank employees' focus group and the bank executive focus group. It is probably because they are aware of the sensitivity of bank profits and its ability to generate criticism of banks' operations. Even so, there is some feeling that Australian banks might pursue profits and returns to shareholders too vigorously.

Service, employment, lending and branches all received more or less equal attention but not from the same focus groups. Service is of concern to small business and personal clients; employment is overwhelmingly of interest to the employees; lending and branches quite naturally are of interest to small business and rural residents. In all cases there is disquiet about the changing structure of these elements of banks' economic responsibility, but the structures which have been put in place do not seem to be capable of reversal or broad change.

Finally, as an outcome of the change in branch staffing and location, there was discussion about the removal of managers and the change in the nature of their duties. The general feeling of those most affected, the small business proprietors and the rural residents, is that the service they are receiving from the managerial structure was as good as that available previously.

4.6.3 Perceived performance of legal responsibilities

Not surprisingly there were no comments whatsoever about the performance of Australian banks in meeting their legal requirements. Australian banks have always been cognisant of their obligations to meet high legal standards in the operation of their business and when this is coupled with regulatory scrutiny, regular audits, and international borrowing requirements, there must be the utmost probity in their operations.

4.6.4 Perceived performance of discretionary responsibilities

The low level of discussion about Australian banks' discretionary responsibilities seems to reflect a negligible expectation on the part of the focus groups that banks would or should undertake activities of an altruist nature. The bank executive focus group has most comment as they feel that banks' contribution to the community by way of donations, sponsorships, and staff participation in community organisations is greater than acknowledged. The reason for this is deemed to be banks' poor public relations organisation.

4.6.5 Summary of focus group participants' perception of Australian banks' social responsibility performance

Clearly economic responsibility is seen as the most important responsibility of the four social responsibility categories. The manner in which Australian banks address this category of their overall operations dictates the intensity of comment upon their social responsibility performance. Therefore, if the economic responsibility is seen as the major or dominant category of social responsibility then it would appear to be this area that Australian banks need to concentrate upon if they are to achieve their optimum social responsibility performance.

4.7 ANALYSIS OF FOCUS GROUP PARTICIPANTS' PERCEPTIONS OF AUSTRALIAN BANKS' METHODS OF SOCIAL RESPONSIVENESS

Finally, the analysis of the focus group discussions embraces social responsiveness. Once again the information that emerged from the focus group discussions is analysed using QSR NUD*IST and divided it into four social responsiveness categories – Proaction, Reaction, Accommodation, and Defence. These categories (in fact, only two categories – Reaction and Defence - because the other two categories attracted no comment from the focus group participants) are divided into further sub categories to show the total amount of discussion, in percentage terms, generated on each sub-category. The percentage of time devoted to each category is in relation to the total discussion that emerged from all the focus groups amalgamated. The calculated percentages are summarised in Table 4.3, below:

Table 4.3:
Significant social responsibility activities of Australian banks classified into their social responsive categories
(Percentage of total discussion devoted to each activity or concern)

Social Responsiveness Categories	Proaction %	Reaction %	Accommodation %	Defence %
Proaction	0			
Total	0			
Reaction				
Community Banks		3.7		
Non-bank Financial Institutions		4.1		
Brokers		0.3		
Total		8.1		
Accommodation			0	
Total			0	
Defence				
Bank Amalgamations and privatisations				2.3
Total				2.3

4.7.1 Perceived proaction by Australian banks to social responsibility demands

The focus group participants did not highlight any area where they perceived proaction on the part of Australian banks. This is unfortunate because it tends to show Australian banks as insensitive to signals within the community. It could be assumed that there are many directions in which Australian banks could move and show initiative. Failure to be proactive may indicate that banks are complacent about their operations and their role as providers of an important service, thereby allowing critics the opportunity to challenge their social responsibility performance.

4.7.2 Perceived reaction by Australian banks to social responsibility demands

The focus group participants were able to identify areas where Australian banks were reactive. In contrast to their lack of proaction, Australian banks are perceived to be able to act when there is a clearly recognised threat to their operations. By far the greatest reaction is believed to occur when other institutions have invaded what they regard as their preserve. Non-bank financial institutions are identified as predators and banks appear to have reacted with many services that matched those on offer from non-bank financial institutions. Community banks are not perceived to have had the same impact. The reaction in this case seems to have been to do nothing. It is even suggested that Australian banks might welcome the emergence of community banks, as they would take away business that the major or larger regional banks do not want. The move to the use of brokers is noted as being no more than action to match the non-bank financial institutions that have used brokers as a source of business rather than establish a branch network.

4.7.3 Perceived accommodation made by Australian banks to social responsibility demands

There is no evidence of Australian banks being very accommodating in any of the areas of concern to the focus group participants. This could be interpreted as an indication of inflexibility on the part of Australian banks. There are doubtless areas of concern for the focus groups that could be addressed by banks being more accommodating. Their perceived readiness to adopt procedures or introduce changes that are regarded as unacceptable by certain customers, mainly the power dependent stakeholders, may be partly the cause for criticism of their social responsibility performance. If Australian banks were more accommodating and flexible the criticism may be reduced or eliminated.

4.7.4 Perceived defence mounted by Australian banks to social responsibility demands

Australian banks are perceived as ready to act defensively, mainly through amalgamations. The object is to gain a larger share of the market through joining together, rather than by the slower, and less certain, means of organic growth. The privatisation of government banks has provided opportunities for amalgamations as most privatised banks have been wholly or partly acquired by the major or larger, domestic or international banks.

4.7.5 Summary of perceptions of Australian banks' social responsiveness

Plainly, the social responsiveness category is the least important element of social responsibility performance as far the focus group participants are concerned.

CHAPTER FIVE

QUANTITATIVE DATA COLLECTION AND ANALYSIS OF SOCIAL RESPONSIBILITY STANDARDS AND PERFORMANCE

5.1 SURVEY OVERVIEW

The methodology, described in Chapter 3 provided, inter alia, for the investigation to draw upon both qualitative and quantitative research. The qualitative research was undertaken through a series of seven focus group discussions, the results of which are described in Chapter 4. The focus group findings provided valuable information that enabled the survey questionnaire to be refined, as well as strengthening the content validity of the instrument. The quantitative research, undertaken through a telephone survey, is described in this chapter. Patton (1990) states that it is now quite common for qualitative findings to be presented in combination with quantitative research outcomes. The survey was the primary research instrument as it was the researcher's view that quantitative research was more inclined to be free from the inherent bias that exists in much qualitative research. McDaniel and Gates (1993) state that by its nature qualitative research must be subjective as it depends so much on interpretation of the researcher.

The telephone survey (Appendix A) was conducted by a random sample of 400 respondents drawn from the households of those persons with telephone numbers listed in the White Pages of the 1999 Western Australian telephone directories covering both the metropolitan and country areas. It included persons over the age of 18 years. The survey was designed to elicit the power dependent stakeholders' perceptions of Australian banks' social responsibility and the extent to which Australian banks realised those social responsibility expectations. The survey was split into six main sections. The first section related to ***Australian banks' perceived social responsibility to provide financial services and contribute to the broader community (social responsibility standards)***; The second section related to ***how the power dependent stakeholders perceived that Australian banks were actually performing in fulfilling their social responsibility (social responsibility performance)***.and the third section sought to establish the ***power dependent stakeholders' perception of the priority that should be assigned to aspects of banks' social responsibility***. The other three sections of the questionnaire were descriptive and provided a profile of the respondents to enable further analysis. The descriptive information sought related to the institutions with which the respondents maintained accounts, the age of the respondents, the location of the respondents, and whether they maintained personal or business accounts as their main account with those institutions.

5.2 SURVEY ANALYSIS

The survey was divided into two major parts, which contained, in total, 45 variables or questions relating to those two parts. The first part relating to Social Responsibility Standards had 18 variables and the second part relating to Social Responsibility Performance had 27 variables. Of the variables relating to Social Responsibility Performance, 8 were concerned with bank employees and their responses are examined in a separate section. A five point Likert scale was used with 1 indicating "Strongly disagree" and 5 indicating "Strongly agree" (provision was made for "Don't know"). The variables were designed to measure the attitude to the issues relating to the power dependent stakeholders' (customers) perception of the underlying standards and performance of Australian bank social responsibility. In order to gauge the strength of the responses to each of the hypotheses (detailed in Chapter 6), that are developed from the survey a One-Way Analysis of Variance (ANOVA) was undertaken for responses based on financial institution of the respondents, and on the age of the respondents. Burns and Bush (1998, p.516) indicate that this analysis determines "whether a statistically significant difference exists between the means for any two groups in [the] sample with a given variable regardless of the number of groups". In undertaking this analysis it was noted that certain assumptions apply, namely that the data has an interval level of measurement, the scores have been randomly sampled from the population of interest and finally, the scores are normally distributed.

In most cases because of the strength of perceptions the results were negatively skewed so it was necessary to undertake natural logarithmic transformation of the data using the SPSS10 transformation programme. The Lilliefor's statistic for each variable still suggested, that there was a problem with normality but, according to Coakes and Steed (1999), after transformation, even with the failure to achieve normality, all other diagnostic data are satisfactory. Chou (1975) states that "tests of homogeneity are designed to determine whether two or more independent samples are drawn from the same population or from different populations". Levene's test of homogeneity is used, which states if there is a probability greater than .05, you can assume populations are relatively equal (Coakes & Steed, 1999). Despite some variables violating the test of homogeneity variance, the ANOVA has still been accepted because Davis (1996 p.395) points out that even if assumptions are violated "the one-way ANOVA is very robust in terms of violation of its basic assumptions", so for this reason it is assumed that the scores in each group have homogeneous variances. In events where there were only two populations, as in the case of location of the respondents (metropolitan or country) and account type maintained by respondents (business or personal) t-tests were undertaken.

5.2.1 Groupings explained

Customers select the financial institution for their banking requirements for different reasons so it is important to consider whether the attitudes of customers of the different financial institutions are also different. For this purpose financial institutions have been divided into three groups, namely: major banks represented by the four largest banks - National Australia Bank, Commonwealth Bank of Australia, Australia and New Zealand Bank, and Westpac Banking Corporation; minor institutions mainly represented by Bank of Western Australia and fringe institutions which are comprised of building societies, credit unions, and foreign banks; and multiple institutions where customers have accounts with several banks, or a combination of banks and minor institutions.

There is a view that, depending on age, power dependent stakeholders have a different perception about the social responsibility of Australian banks. Senior citizens are perceived to be amongst the most vocal about changes occurring within the banking industry. In consideration of this, respondents have been divided into five groups - under 30 years of age; 30 years to 39 years of age; 40 years to 49 years of age; 50 years to 59 years of age; and 60 years of age and over. A grouping under 20 years of age was not included as the sample, relative to this group, was not large enough. As Australian banks are frequently subject to comment about the service that they provide in country regions, groupings were established for metropolitan and country respondents to allow differences in perceptions about Australian banks in the two regions to be tested. Finally, small business (including farming) and personal respondents were separated into two groups to establish if these groups perceive Australian banks' social responsibility differently. As stated, the ANOVA demonstrates if there are differences between the respondents depending on the arrangement of their banking relationships and on age, while the t-test is used to determine differences between respondents based on location and account type.

A series of hypotheses were tested and the results of the hypothesis tests are detailed in Chapter 6. The arrangement of the hypotheses (with minor adjustments) follows the groupings obtained through the factor analysis. There were six groupings provided by the factor analysis for social responsibility standards. The groupings were reduced to four by combining some related groups to establish the predominant social responsibility standards of Australian banks as - Community Support and Participation, Public Integrity, Focus on Profits and Service Standards.

5.3 DESCRIPTIVE STATISTICS

The following information is provided to give an insight into the characteristics of the respondents to the survey with appropriate statistics relative to each.

5.3.1 Banking relationships of respondents

The spread of banking relationships among the respondents was much in accordance with expectations. Non-bank financial institutions were included because these financial institutions provide banking-type services, which are used by many people as viable and acceptable alternatives to the traditional banks. The four major banks had the greatest share of the banking business with over 60% of the respondents having accounts with them. BankWest, as a local regional bank, had a significant share (16.80%) of the accounts maintained by respondents. Again this was in accordance with expectations.

It was interesting to note that one overseas bank was making an impression with 1.87% of the respondents having accounts with this bank. The reason for the success of this bank was not apparent but it was significant when it was compared with the fact that all 'other' banks added together (apart from the four major banks and the one regional bank) attracted accounts from only 3.27% of the respondents.

Of the non-bank financial institutions, it was found that the credit unions were attracting a reasonable percentage of the accounts of the respondents with 9.64% having an account relationship with them. Many of the credit unions were small and employment-related, but the Police and Nurses Credit Society has achieved a high profile with the public generally. The other noteworthy performer among the non-bank financial institutions was the building societies' group, but in reality this related to Home Building Society which accounted for all but one of the account relationships recorded for building societies. Although the percentage at 2.33% is relatively small in the total milieu it becomes more consequential if it is seen as being 18% of the account relationships that National Australia Bank recorded among the respondents.

Finally, it is worth directing attention to the existence of over 2.49% of the account relationships being with a variety of financial institutions. In themselves they are not of great consequence but they do signify a readiness by consumers of financial services to seek out institutions that may provide them with a service that is more in accord with their requirements than that offered by the larger institutions.

Table 5.1
Banking relationships maintained by respondents

Bank		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Westpac/Challenge	124	18.90	19.28	19.28
	Commonwealth	112	17.07	17.42	36.70
	BankWest	108	16.46	16.80	53.50
	ANZ	90	13.72	14.00	67.50
	NAB	834	12.65	12.91	80.40
	Credit Unions	62	9.45	9.64	90.05
	Building Societies	15	2.29	2.33	92.38
	Citibank	12	1.83	1.87	94.25
	Other Banks	21	3.20	3.27	97.51
	Other Financial Institutions	16	2.44	2.49	100.00
	Total	656	98.02	100.00	
Missing		13	1.98		
Total		669	100.00		

It should be observed that there are more account relationships than there are respondents. This is because many respondents have accounts with several financial institutions.

In order to relate the details of the banking relationships directly to the number of respondents the statistics have been consolidated in the following table:

Table 5.2
Banking relationships classified by nature of institution

Institution		Frequency	Percentage	Valid Percent	Cumulative Percent
Valid	Major banks	145	36.3	37.5	37.5
	Minor Institutions	70	17.5	18.1	55.6
	Multiple Relationships	172	43.0	44.4	100.00
Total		387	96.8	100.00	
Missing		13	3.3		
		400	100.00		

This table highlights the large number of customers who maintain accounts with more than one financial institution. There does not appear to be a strong loyalty to one institution with 44.4% of the account holders being prepared to maintain accounts with more than one institution.

5.3.2 Age of respondents

The age of the respondents was considered to be particularly important in order to allow an analysis to be made of the perceptions of the various age groupings.

Table 5.3
Respondents classified by age

Age range	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Under 30 years	65	16.3	16.3	16.3
30 years to 39 years	96	24.0	24.1	40.4
40 years to 49 years	97	24.3	24.30	64.7
50 years to 59 years	72	18.0	18.0	82.7
60 years and over	69	17.3	17.3	100.0
Total	399	99.8	100.0	
Missing	1	0.3		
Total	400	100.0		

The division of respondents by age groupings provided a sufficient number in each classification to allow for meaningful analysis.

5.3.3 Location of respondents

Because of the substantial interest in the activities of banks in regional and country areas and the supply of services by banks in those locations information was sought to identify the location of the respondents. As would be expected the majority of the respondents were in the metropolitan area but the division was sufficient to allow for material analysis of the perceptions of respondents in metropolitan and country areas.

Table 5.4
Respondents classified by location

Account Type		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Metropolitan	288	72.0	74.6	74.6
	Country	98	24.5	25.4	100.0
	Total	386	96.5	100.0	
Missing		14	3.5		
Total		400	100.00		

5.3.4 Types of accounts maintained by respondents

The classification of respondents by types of accounts maintained by the respondents allows respondents to be classified into business and non-business (personal) categories in order to establish if different perceptions exist between these two groups of respondents. Within the "Personal" classification there are gathered the bank employees (including retired employees), bank executives, senior citizens, rural residents (non-business) and the broad personal.

Table 5.5
Respondents classified by account type

	Account Type	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business (Including farm)	45	11.3	11.7	11.7
	Personal	339	84.8	88.3	100.0
	Total	384	96.0	100.0	
Missing		16	4.0		
Total		400	100.00		

The fact that the bulk of the respondents maintain personal accounts is as would be expected, and as it should be, thereby giving credibility to the randomness of the sample.

5.3.5 Respondents' perceptions of what Australian banks should regard as their social responsibility

In order to have some idea of the force of the perceptions that power dependent stakeholders might have about what constitutes Australian banks' social responsibility they were asked (in section 3 of the survey questionnaire) to allocate a level of importance based on a scale of from one to a hundred, with one being the least important and one hundred the most important. Because of the very subjective nature of the question, this broad scale was selected so respondents would not opt for a very general or centralised response.

This survey was independent of the variables detailed in the questionnaire on social responsibility. It sought to establish a priority based on the fact that stakeholders live in an imperfect world where it is not possible to have everything that they might want. They were, therefore, given an opportunity to suggest, on a scale of 1 to 100, how important certain social responsibility categories were to them. A low score did not indicate that they did want Australian banks to address these social responsibility issues, but rather, they were not very important.

The questions in this case adopted some of the broad categories that were included in the questionnaire designed by Kraft (1991a) in his research into the importance of social responsibility in organisational effectiveness. It was intended that the responses to these questions would allow attitudes of respondents to be bundled in a way that they could be compared with the results of the more detailed questions in the questionnaire.

Table 5.6

<u>Respondents' perception of what Australian banks should regard as their social responsibility</u>

Variable	Statement	Number	Mean	Standard Deviation
Q3_1	The essential nature of banking	368	76.56	23.62
Q3_2	Early notice of changes in service	395	75.09	22.59
Q3_3	Regulation and control of banks	393	77.15	23.55.
Q3_4	Banks' involvement in community welfare	391	60.48	26.72
Q3_5	Banks involvement in national welfare	389	58.90	26.19
Q3_6	Banks involvement in world welfare	387	51.05	27.06
Q3_7	Profitability of banks	397	57.25	27.06
Q3_8	Providing employment	398	70.19	23.47
Q3_9	Personal service	399	82.44	21.90

The responses to these questions showed that the respondents considered personal service to be the most important aspect of Australian banks' social responsibility, which probably indicates electronic banking is not accepted as the pre-eminent, or preferred, method for the delivery of banking services. What was of interest was that the respondents did not rate the discretionary responsibilities of Australian banks as being very important. Profitability of banks along with involvement in world welfare, national welfare, and community welfare were not seen as being matters with which Australian banks should be greatly concerned.

5.4 FACTOR ANALYSIS

Having analysed, individually, each of the variables comprised in the questionnaire it was appropriate to proceed to a factor analysis, which provides the basis for the grouping and creates the foundation for the hypotheses. Although Nunnally (1978) indicates that 10 respondents per variable is a recommended minimum for factor analysis, Hair, Anderson and Tatham (1987) suggest a general rule of 100 observations or more with a ratio of four or five times as many observations as variables. However, Hair, Anderson and Tatham do acknowledge that there may be occasions where there are only 50 observations and the researcher is forced to factor analyse with a 2:1 ratio of observations to variables, while Nunnally concedes that factor analysis is frequently undertaken with a ratio less that 10:1. Based on these comments the number of respondents and the number of variable ratios can be regarded as an acceptable sample for factor analysis for this study.

5.5 FACTORS OF SOCIAL RESPONSIBILITY STANDARDS

The analysis of the social responsibility standards, which is the first part of the questionnaire survey, was undertaken using the SPSS 10 quantitative analysis programme. In order to confirm the appropriateness of the data-set for factor analysis several tests were completed, including the calculation of the coefficients, a Kaiser-Meyer-Olkin measure of sampling adequacy, and a Bartlett test of sphericity. The measures of sampling adequacy (MSA) as presented in an anti-Image correlation matrix revealed that all the MSAs are above, or close to, the level of 0.5 quoted as being acceptable by Coakes and

Sheridan (1999). However, the Communalities, which Hair, Anderson and Tatham (1987) claim show the amount of variance in a variable that is accounted for by all the factors taken together, is not large, nevertheless, small Communalities viewed on their own are not sufficient reason for suggesting the data is not suitable for factor analysis.

As shown in Table 5.7 the Bartlett test of sphericity is significant and the Kaiser-Meyer-Olkin measure of sampling adequacy is greater than 0.6.

Table 5.7
Kaiser-Meyer Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity

Kaiser- Meyer Olkin Measure of Sampling Adequacy		0.773
Bartlett's Test of Sphericity	Approx. Chi-Square	1167.305
	df	153
	Sig.	0.0000

The factor analysis method used is principal axis factoring with eigenvalues of greater than 1. The other frequently used method is principal component factoring but the former is chosen for this analysis as there is little to chose between the two methods and the principal axis method is supported by Coakes and Steed (1999). The initial eigenvalues are detailed in Table 5.8, which indicated six factors could be extracted having eigenvalues greater than 1.

Table 5.8
Total variance explained

Factor	Initial Eigenvalues		
	Total	% of Variances	Cumulative
1	4.069	22.605	22.605
2	1.842	10.231	32.836
3	1.337	7.429	40.265
4	1.196	6.642	46.907
5	1.104	6.133	53.040
6	1.017	5.648	58.688
7	0.904	5.024	63.712
8	0.848	4.710	68.422
9	0.806	4.479	72.901
10	0.756	4.202	77.103
11	0.710	3.943	81.046
12	0.684	3.800	84.845
13	0.585	3.248	88.094
14	0.540	3.001	91.095
15	0.470	2.609	93.704
16	0.439	2.441	96.145
17	0.408	2.265	98.410
18	0.286	1.590	100.000

Extraction Method: Principal Axis Factoring

This table lists the factors and their associated eigenvalues, percentage of variances and cumulative variances showing that six factors can be extracted because they have eigenvalues greater than 1 and account for almost 59% of the total variance.

A rotated factor matrix was applied to six extracted factors. Hair, Anderson and Tatham (1987) point out that an unrotated factor solution does not necessarily always provide a meaningful patterning of variables so they suggest rotation is more desirable and will simplify the factor structure. It is confirmed by Nunnally (1978 p.371) that "from a statistical point of view, the rotated factors are 'just as good' as the unrotated factors. Thus if rotated factors are more easily interpreted than unrotated factors, the investigator has every right to rotate". The rotation was then undertaken using a Varimax rotation with Kaiser Normalisation. The results were sorted by size and absolute values less than 0.3 were suppressed (Table 5.9). Factors 1 and 2 and Factors 5 and 6 were deemed to have similarities which made it appropriate to combine them under similar headings for the purpose of analysis and comment.

Table 5.9
Rotated Factor Matrix

		Factor Loadings					
Variable and Factor Description		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
		Community Support and Participation		Public Integrity	Focus on Profits	Service Standards	
Q1_5	Bank employees should have representatives on bank boards	0.716					
Q1_6	Banks should have consumer representatives on bank boards	0.708					
Q1_4	Banks should say what they have done for the community	0.430					
Q1_7	Banks should make donations to charity		0.795				
Q1_8	Banks should support community activities		0.768				
Q1_10	Banks should lend for new inventions		0.420				
Q1_18	Banks should always be ethical			0.605			
Q1_16	Banks should be equal opportunity employers			0.525			
Q1_15	Banks should strive to provide job security	0.372		0.411			
Q1_9	Banks should make trade and commerce easy			0.373			
Q1_13	Banks should not focus on profits only				0.537		
Q1_12	Banks should not assist in illegal international dealings				0.524		
Q1_17	Banks should worry about their public image			0.353	0.363		
Q1_3	Banks should say how fees are calculated					0.537	
Q1_1	Banking is an essential service					0.410	
Q1_2	Banks should provide services to everyone						0.683

Extraction Method: Principal Axis Factoring
Rotation Method: Varimax with Kaiser Normalisation
A Rotation converged with 8 iterations

5.5.1 Analysis of components of the factors

It is fitting to undertake an exploratory examination of each of the variables that comprise each of the four groups developed from the six factors and apply appropriate analysis to them, in order to have an understanding of the strength of variables and their significance for the research. In particular attention was paid to the mean, standard deviation, and inter-item reliability of the independent and dependent variables. Then a Cronbach alpha reliability check was calculated for each factor grouping.

Table 5.10
Community Support and Participation

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q1_4	Banks should say what they have done in the community	399	4.18	1.03	0.4591
Q1_5	Employees' representatives on bank boards	384	3.74	1.19	0.4895
Q1_6	Consumer representatives on bank boards	393	4.26	1.01	0.4770
Q1_7	Banks should make donations to charity	395	3.77	1.28	0.5453
Q1_8	Banks should support community activities	400	4.07	1.06	0.5171
Q1_10	Banks should lend for new inventions	390	3.67	1.14	0.3689
Q1_15	Banks should strive to provide job security	397	4.37	0.91	0.3820

Reliability Coefficients 7 items Alpha .7464

Coefficient alpha for the seven variables was 0.7464, which is in excess of the minimum of 0.60 quoted by Sekaran (1984) for exploratory research. The means of the variables showed a strong agreement among the respondents about their perception of the extent of the participation and support within the community. The weakest areas related to employee representation on Australian banks' boards of directors, donations to charity, and lending for new inventions. In these cases the mean were 3.74, 3.77 and 3.67 respectively which are only an expression of a moderate level of agreement. On the other hand there was quite strong support for community representation on Australian banks' boards of directors and banks providing job security. The attitude to lending for new inventions was not as might have been expected, particularly when it is noted that there is continual pressure (Chapman, 1999; Clayton, 2000; Raby, 2000) to make venture capital available for creative entrepreneurs. The respondents were not aggressively supporting lending by Australian banks for these borrowers.

Table 5.11
Public Integrity

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q1_9	Banks should make trade and commerce easy	388	4.57	0.70	0.2711
Q1_16	Banks should be equal opportunity employers	397	4.79	0.55	0.2740
Q1_17	Banks should worry about their public image	400	4.60	0.78	0.2810
Q1_18	Banks should always be ethical	398	4.83	0.50	0.4593

Reliability Coefficients 4 items Alpha .5447

Coefficient alpha for the four variables was 0.5447, which is below the minimum of 0.60 quoted by Sekaran for exploratory research. But the means of the variables showed a strong agreement among the respondents, about their perception of the extent that Australian banks should act with integrity, so it is an important factor in the analysis of the stakeholders perception of how Australian banks should behave within the community.

Table 5.12
Focus on Profits

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q1_12	Not assist illegal international transactions	394	4.68	0.90	0.2803
Q1_13	Banks should not focus on profits only	400	4.49	0.99	0.2926
Q1_17	Banks should worry about their public image	399	4.60	0.76	0.2169
Reliability Coefficients 3 items Alpha .4301					

Coefficient alpha for the three variables was 0.4301, which is below the minimum of 0.60 quoted by Sekaran for exploratory research. However, the means of the variables showed a strong agreement among the respondents, about their perception of the extent that Australian banks should pursue profits. It is an important factor in the analysis of the stakeholders perception of how Australian banks should organise their priorities.

Table 5.13
Service Standards

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q1_1	Banking an essential service	399	4.63	0.86	0.2363
Q1_2	Banks should provide services to everyone	400	4.71	0.73	0.2264
Q1_3	State how fees are calculated	398	4.37	1.18	0.1701
Reliability Coefficients 3 items Alpha .3794					

With a coefficient alpha for three variables of only 0.3794 it is below the minimum of 0.60 quoted by Sekaran for exploratory research. However, the means of the variables showed a strong agreement among the respondents, about their perception of the importance of Australian banking as an essential service that should be delivered to everyone at a reasonable and transparent cost. Therefore, this factor is included in further analysis.despite the low correlation alpha.

5.5.2 Summary

The four groupings account for the significant factors that contribute to the issues that power dependent stakeholders identify as the elements of the social responsibility standard of Australian banks. The social responsibility standards identified by the power dependent stakeholders as having the least interest in the area of Australian banks' community support and participation were seen as involving donations to charity, assistance with venture capital and employee representatives on Australian bank boards. On the other hand there was a strong desire to reduce their power dependence and become, instead, empowered through consumer representation on Australian bank boards. This would be innovatory but it would certainly ensure that Australian banks would be more aware of the desires of the weakest of their stakeholder cohorts.

Obviously operating from inside banks is the most desirable relationship the stakeholders could have but they have also identified that if this cannot be done there are other elements that create a greater intimacy between Australian banks and their power dependent stakeholders. These include Australian banks being accountable through reporting on their performance as a good corporate citizen, or ensuring that they provide a vehicle for job security.

Of particular interest in recent times has been the perceived level of Australian banks' integrity. The payment to a commercial broadcaster for favourable comment (Pennells, 1999a; Pennells, 1999b) placed Australian banks' integrity under intense scrutiny so it was not unexpected that one of the factors related to banks' public integrity. It was clearly shown that power dependent stakeholders expect Australian banks to act ethically and show concern about their public image. At the same time there was a further expectation that they will acknowledge that an important element of their reason for being is to make trade and commerce easy.

A factor of interest was the focus on profits of Australian banks. The need for banks to make a profit was not a major factor in the assessment of the issues of concern to the power dependent stakeholders in establishing the social responsibility standards of Australian banks. However they did feel that Australian banks should not focus on profits only, but when striving for profitability they should be aware that there is an adverse image presented if profits are excessive. Gathered within this factor was the concern about facilitating international transactions that may not be legal. Such transactions may be profitable to Australian banks but they should be guided by considerations of integrity and probity ahead of profit.

The final factor addressed was the issue of service in delivering banking facilities. This factor embraced the need for Australian banks to be aware that they must provide a banking service that is both convenient and reasonably priced so that it is readily available to all who need the service, which, because of its essential nature, is all the public.

With the major elements of social responsibility standards established progress could be made to testing the hypotheses associated with these elements. These hypotheses and the test results are presented in Chapter 6.

5.6 SOCIAL RESPONSIBILITY PERFORMANCE

The second part of the survey dealt with the analysis of the social responsibility performance. As with the first part of the survey dealing with Social Responsibility Standards, analysis was undertaken using the SPSS 10 quantitative analysis programme. Again the appropriateness of the data set for the factor analysis was confirmed by calculation of the coefficients, undertaking a Kaiser-Meyer-Olkin measure of sampling adequacy, a Bartlett test of sphericity, and an anti-imaging matrix. The method used, as before, was principal axis factoring with eigenvalues of greater than 1 used to limit the number of factors. The initial eigenvalues are detailed in Table 5.14, indicated five factors could be extracted having eigenvalues greater than 1.

Table 5.14
Total Variance Explained

Factor	Initial Eigenvalues		
	Total	% of Variances	Cumulative
1	5.942	29.711	29.711
2	1.769	8.841	38.557
3	1.634	8.171	46.728
4	1.447	7.236	53.965
5	1.141	5.705	59.670
6	0.956	4.778	64.448
7	0.864	4.319	68.767
8	0.785	3.926	72.693
9	0.739	3.693	76.386
10	0.683	3.415	79.801
11	0.634	3.171	82.972
12	0.566	2.832	85.804
13	0.485	2.427	88.231
14	0.444	2.220	90.452
15	0.417	2.085	92.537
16	0.361	1.806	94.342
17	0.338	1.690	96.032
18	0.307	1.533	97.5660
19	0.256	1.280	98.846
20	0.231	1.154	100.000

Extraction Method: Principal Axis Factoring

The rotated factor matrix was used to extract 5 factors. As in the analysis relating to the Social Responsibility Standards, the extraction was undertaken using a Varimax rotation with Kaiser Normalisation. The results were sorted by size and absolute values less than 0.3, which were regarded as not significant, were suppressed (See Table 5.15).

Table 5.15
<u>Rotated Factor Matrix</u>

Variable and Factor Description		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
		Factor Loadings				
		Community Support and Participation	Public Integrity	Focus on Profits	Service Standards	
Q2_24	Bank advertising is honest		0.660			
Q2_23	Bank advertisements explain all aspects of their services		0.657			
Q2_22	Customers are always told of new fees and charges		0.540			
Q2_1	Bank service is always of a high standard		0.364		0.344	0.365
Q2_25	Banks never ask staff to act in a manner that is unethical		0.354			
Q2_13	Fees charged by banks are not too high			0.707		
Q2_11	Bank profits are not too high			0.656		
Q2_14	Fees are the best way to make sure the right person pays for the service			0.513		
Q2_12	Bank profits must be high because banking is risky			0.473		
Q2_26	Profit is not the banks' main goal		0.412	0.471		
Q2_8	Managers are well informed		0.416		0.605	
Q2_7	All branches have managers				0.579	
Q2_2	A full range of services is available at all branches		0.337		0.551	
Q2_3	Branches have adequate staff				0.481	0.390
Q2_27	Banks' profits do not give a high return to shareholders				0.451	
Q2_4	Banks financially support cultural activities	0.853				
Q2_3	Banks support community activities	0.728				
Q2_10	One always feels safe using ATMs					0.617
Q2_9	Electronic banking is simple to use					0.594
Q2_5	Banks are conveniently located		0.349		0.415	0.453

Extraction Method: Principal Axis Factoring
Rotation Method: Varimax with Kaiser Normalisation
A Rotation converged with 8 iterations

The measures of sampling adequacy (MSA) as presented in the anti-Image correlation matrix reveal that all the MSAs are above, or close to, the level of 0.5 which is regarded as acceptable by Coakes and Sheridan (1999). The Communalities, which Hair, Anderson and Tatham (1987) claim show the amount of variance in a variable that is accounted for by all the factors taken together, is not large, nevertheless, as mentioned in the previous section on Social Responsibility Standards, small Communalities viewed on their own are not sufficient reason for suggesting the data is not suitable for factor analysis.

Following the same process as used in Section 5.5.1 Social Responsibility standards, the factors associated with the performance were subject to further analysis. Table 5.16 shows that the Bartlett test of sphericity is significant and the Kaiser-Meyer-Olkin measure of sampling adequacy is greater than 0.6

Table 5.16
Kaiser-Meyer Olkin Measure of Sampling Adequacy and Bartlett's Test of Sphericity

Kaiser- Meyer Olkin Measure of Sampling Adequacy		0.820
Bartlett's Test of Sphericity	Approx. Chi-Square	859.996
	df	190
	Sig.	0.0000

5.6.1 Analysis of components of the factors

This exploratory examination of each of the variables that encompass each of the four factor groups provides an analysis of the factors that demonstrates the strength of variables and their significance for the research. The analysis provides the mean, standard deviation, and inter-item reliability of the independent and dependent variables. A Cronbach alpha reliability check was calculated for each factor grouping.

In some cases the rotated factor matrix distributed loadings in excess of 0.3 across several factors, so a decision was made to include the variable only in the factor which was deemed most appropriate. For example variable Q2_1 "Bank service is always of a high standard" was distributed over Factors 2 (Public Integrity) and 4 and 5 (Service Standards). The analysis treats the variable as relating to Service Standards and ignores it in the analysis of Public Integrity.

Table 5.17
Community Support and Participation

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q2_3	Banks support community activities	280	2.76	1.14	0.6209
Q2_4	Banks financially support cultural activities	278	2.75	1.06	0.6209
Reliability Coefficient 2 items Alpha 0.7661					

Coefficient alpha for the two-item scale was 0.7661, which is above the minimum of 0.60 quoted by Sekaran for exploratory research. The means of the variables indicate that power dependent stakeholders see Australian banks giving a low level of support to community activities.

Table 5.18
Public Integrity

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q2_24	Bank advertising is honest	385	2.22	1.13	0.6849
Q2_23	Bank advertisements explain all aspects of their services	391	2.24	1.18	0.6274
Q2_22	Customers are always told of new fees and charges	390	2.61	1.48	0.5359
Q2_25	Banks never ask staff to act in a manner that is unethical	259	3.08	1.21	0.4250
Reliability Coefficient 4 Items 0.7354					

Coefficient alpha for the four-item scale was 0.7354, which is well in excess of the minimum of 0.60 quoted by Sekaran (1984) for exploratory research. The means of variables showed a strong agreement among the respondents about their perception of the ethics and reputation of Australian banks. The mean for each of the variables indicates a below average perception of Australian banks' ethics and reputation, apart from Variable Q2_25 that was close to the mid-point of 3.00.

Table 5.19
Focus on Profits

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q2_11	Bank profits are not too high	391	1.45	0.96	0.4373
Q2_12	Bank profits must be high because banking is risky	388	1.98	1.10	0.3698
Q2_13	Fees charged by banks are not too high	398	1.59	0.98	0.5839
Q2_14	Fees are the best way to make sure the right person pays for the service	382	2.10	1.23	0.4594
Q2_26	Profit is not banks' main goal	392	1.51	0.99	0.4291
Reliability Coefficient 5 Items Alpha 0.7013					

Coefficient alpha at 0.7013 for the five-item scale was in excess of the minimum of 0.60 quoted by Sekaran for exploratory research. The means indicate a very poor perception of Australian banks' focus on profits as related to their social responsibility performance. There appears to be a perception that Australian bank profits are too high.

Table 5.20
Service Standards

Variable	Description	Number	Mean	Standard Deviation	Item Total Correlation
Q2_1	Bank service is always of a high standard	395	2.38	1.20	0.4953
Q2_2	A full range of services is available at branches	379	2.96	1.32	0.5618
Q2_5	Banks are conveniently located	397	2.54	1.37	5404
Q2_6	Branches have adequate staff	390	2.32	1.31	0.5633
Q2_7	All branches have managers	292	3.43	1.32	0.3909
Q2_8	Managers are well informed	312	2.90	1.19	0.4937
Q2_9	Electronic banking is simple to use	385	3.62	1.34	0.2880
Q2_10	One always feels safe using ATMs	391	2.23	1.25	0.2504
Q2_27	Bank' profits do not give a high return to shareholders	268	2.62	1.36	0.1909

Reliability Coefficients 9 items Alpha 0.7416

Coefficient alpha for the nine-item scale of 0.7416 is above the minimum of 0.60 quoted by Sekaran for exploratory research. Q2_27 has a low item total correlation, which indicated that it could be removed with advantage from the factor grouping. If this is done the coefficient alpha for the eight-item scale will improve to 0.7538. With means of the variables below average it can be stated that there appears to be a perception that the Australian banks' service is not up to standard

The means of the variables present an interesting outcome in so far as the respondents considered all the elements of the factor to be below average with the exception of agreement that all branches have managers and an acceptance that electronic banking is simple.

5.6.2 Summary

All four groupings are significant factors in the assessment of the power dependent stakeholders' perception of Australian banks' social responsibility performance.

The power dependent stakeholders, when responding to the survey on social responsibility standards perceived community support and participation as important factors contributing to the fulfilment of Australian banks' social responsibility. However in assessing the perception of performance of that social responsibility it was found that the respondents regarded it as below average.

The level of Australian banks' public integrity was also perceived by banks' power dependent stakeholders as being important within the consideration of Australian banks' social responsibility standard, particularly in the light of payment to a commercial broadcaster for favourable comment, which placed Australian banks' public integrity under considerable scrutiny. It was weakly accepted that Australian banks would not ask staff to act in a manner that was unethical, but this was totally negated by the poor perception of Australian banks' integrity expressed through their responses to all other variables included in 'Public Integrity'.

The respondents, when establishing the social responsibility standards of Australian banks, saw the focus on profits as an important factor in their social responsibility. The general view was that Australian banks should not focus on profits only, but in their quest for profitability banks should be aware that the high profit without consideration of other factors can lead to diminished reputation.

Service Standards rated poorly in the perception of the power dependent stakeholders. This can be related to the essential nature of banking identified by the respondents in establishing the social responsibility standard. It will be recalled that service standards was considered to relate to such elements as Australian banks being mindful that they must provide a banking service that is convenient to customers and subject to fees and charges that are reasonable. Convenience was taken to include branch location, staff quality, electronic banking and safety of the environment in which they must do their banking. Overall it was found that Australian banks were not perceived to have performed well in these areas, even though, surprisingly, it was found that electronic banking had a reasonably high level of acceptance.

With the social responsibility performance factors documented, testing the hypotheses related to social responsibility performance was undertaken. The results are detailed in Chapter 6.

CHAPTER SIX

HYPOTHESES

6.1 OVERVIEW

The hypotheses are divided into three sections. The first group of hypotheses relates to the social responsibility standards of Australian banks; those standards that are perceived to be the basis of the Australian banks' social responsibility. The second group of hypotheses relates to social responsibility performance of the Australian banks in achieving the social responsibility standards. The third group of hypotheses relates the relationship between the Australian banks and their staff.

The hypotheses, concerned with social responsibility standards and social responsibility performance, were created to measure the differences between the groups of respondents. That is to say, any differences that may exist in the perception of power dependent stakeholders depending on the institution with which they bank, their age, their location, or whether they are small business customers or personal customers of the banks. The hypotheses concerned with bank/staff relationships measure differences between the bank staff (present and former) who responded to the survey.

The hypotheses are tested at a 5% significance level. That is to say, if the probability is equal to or less than 5% ($P \leq 0.05$) the hypothesis is rejected.

6.2 TESTS OF HYPOTHESIS RELATIVE TO SOCIAL RESPONSIBILITY STANDARDS

6.3 *$H1_0$ (COMMUNITY SUPPORT AND PARTICIPATION)*

There is no difference in perception between the various stakeholders of Australian banks about the importance of Australian banks' commitment to community support and participation.

Comment

Community Support and Participation embraces Australian banks' saying what they have done in the community, having employee and consumer representatives on their boards, making donations to charity, lending for new inventions and providing job security.

6.3.1 Australian banks should say what they have done for the community

Overall there was a strong agreement that Australian banks should say what they have done for the community. This is reflective of a desire for some communication in the form of a report to all stakeholders in addition to the financial reports, which are reports to only one stakeholder, namely the shareholders. The survey results including the hypothesis tests and significance are shown below:

6.3.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.18	1.01	F 1.647	0.194
Age		4.17	1.03	F 1.969	0.099
Location	Metropolitan	4.13	1.05	t –1.097	0.273
	Country	4.27	0.97		
Account type	Business	4.02	1.03	t –1.069	0.286
	Personal	4.20	1.02		

6.3.1.2 Conclusion

Clearly there is no significant difference between the respondents based on the financial institutions, age, location, and account type, that Australian banks should say what they have done for the community.

6.3.2 Bank employees should have representatives on Australian bank boards

The results of the analysis of this variable indicate that the respondents have only a weak agreement about this aspect of Australian banks' social responsibility. The results arranged according to the groupings are as follows:

6.3.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.72	1.19	F 0.326	0.722
Age		3.74	1.19	F 1.801	0.128
Location	Metropolitan	3.72	1.19	t –0.089	0.929
	Country	3.73	1.25		
Account type	Business	3.42	1.40	t –1.641	0.107
	Personal	3.78	1.15		

6.3.2.2 Conclusion

Again it can be stated that there is no significant difference between the respondents based on the financial institutions, age, location, and account type, about whether bank employees should have representatives on Australian bank boards.

6.3.3 Australian banks should have consumer representatives on their boards

The results of the analysis of this variable indicate the respondents have a different view of this aspect of Australian banks' social responsibility, when it relates to consumer representatives on Australian bank boards compared with their attitude to employee representatives on Australian bank boards. The results are detailed below.

6.3.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.24	1.01	F 3.870	0.022
Age		4.26	1.01	F 3.344	0.010
Location	Metropolitan	4.26	1.03		
	Country	4.24	0.98	t 0.182	0.855
Account type	Business	3.96	1.21		
	Personal	4.30	1.96	t –1.845	0.071

6.3.3.2 Conclusion

As regards this variable, the outcome is not as positive. Significant differences are noted within two groups (institutional affiliation and age) which did not allow the clear acceptance of the hypothesis that the respondents have the same attitude to having consumer representatives on Australian bank boards.

Details of the results of the survey for those groupings with significant differences relative to this variable, divided into their constituent parts, are included in the following tables (Tables 6.1 and 6.2).

Table 6.1
Responses by age

Age	Mean	Number	Standard Deviation
Under 30 years	4.52	62	.74
30 years to 39 years	4.29	95	.93
40 years to 49 years	4.27	96	.92
50 years to 59 years	4.00	70	1.38
60 years and over	4.22	69	.94
Total	4.26	392	1.01

Table 6.2
Responses by institutional affiliation

Bank	Mean	Number	Standard Deviation
Major bank	4.46	141	.87
Minor institution	4.15	68	1.08
Multiple	4.10	173	1.07
Total	4.24	382	1.01

The means for each of the groups are such that it, nevertheless, can be stated that there is some support for consumer representation but with differing intensity.

6.3.4 Australian banks should make donations to charities

The results of the analysis of this variable indicate that respondents see the making of donations to charities as a noteworthy, but not necessarily a very important element of Australian banks' social responsibility. The focus groups revealed that the power dependent stakeholders were aware that Australian banks were selective in their donations, but they were not critical of banks' attitude.

6.3.4.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.78	1.28	F 1.356	0.259
Age		3.77	1.28	F 1.828	0.123
Location	Metropolitan	3.78	1.24	t –0.149	0.882
	Country	3.80	1.40		
Account type	Business	3.56	1.37	t –1.239	0.216
	Personal	3.81	1.26		

6.3.4.2 Conclusion

The respondents are positive in their approach to this variable, but they do not give great emphasis to the need for Australian banks to make donations to charities as an essential part of their social responsibility.

6.3.5 Australian banks should support community activities

The results of the analysis of this variable testify that respondents see supporting community activities as an important element of Australian banks' social responsibility, as indicated by the following results which show a solid agreement among the respondents.

6.3.5.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.07	1.06	F 0.661	0.517
Age		4.07	1.06	F 0.156	0.960
Location	Metropolitan	4.06	1.05	t –0.874	0.383
	Country	4.16	1.07		
Account type	Business	4.07	1.01	t –0.025	0.980
	Personal	4.07	1.07		

6.3.5.2 Conclusion

The respondents are in agreement about this variable. They see support of community activities as an important part of Australian banks' social responsibility but they are not militant in demanding an Australian bank involvement in community activities.

6.3.6 Australian banks should lend for new inventions

The results of the analysis of this variable indicate that the respondents are not strongly allied to the idea that Australian banks should lend for new inventions as part of their social responsibility. This is despite the fact that Australian banks have been criticised for not making venture capital available to small business (Clayton, 2000).

6.3.6.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.69	1.14	F 0.696	0.499
Age		3.67	1.14	F 1.380	0.240
Location	Metropolitan	3.63	1.15	t –1.297	0.195
	Country	3.80	1.07		
Account type	Business	3.60	1.28	t –0.501	0.618
	Personal	3.71	1.12		

6.3.6 2 Conclusion

The respondents acknowledged that making loans for new inventions is part of Australian banks' social responsibility but they do not give the activity a high priority. It is surprising that the business respondents do not suggest that Australian banks should be more involved in venture capital lending. A possible reason for the weak support for this activity by the Australian banks could be because it is viewed as being more related to the risky or highly entrepreneurial business operations.

6.3.7 Australian banks should strive to provide job security

The results of the analysis of this variable indicate that respondents see the provision of job security within Australian banks as an important element of Australian banks' social responsibility. This can be viewed against the background of branch closures, downsizing, and workplace contracts. The actual results arranged according to the groupings are detailed below.

6.3.7.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.37	0.89	F 2.359	0.096
Age		4.37	0.91	F 1.399	0.233
Location	Metropolitan	4.34	0.93		
	Country	4.44	0.85	t –1.003	0.316
Account type	Business	4.23	1.03		
	Personal	4.39	0.88	t –1.159	0.247

6.3.7.2 Conclusion

The respondents are very positive in their approach to this variable. Clearly they considered that the provision of job security is an important aspect of Australian banks' social responsibility.

6.3.8 Interpretation

The responses to variables within the elements of the hypothesis show that the respondents perceive Community Support and Participation to be an important component of Australian banks' social responsibility standard, but of the seven elements of the hypotheses six were validated and one was not. Obviously consumer representation on Australian banks' boards, which was the variable that had significant difference (based on institutional affiliation and age) is not uniformly accepted as an important part of Australian banks' social responsibility.

In view of the significant differences to which reference has been made with respect to Australian banks' social responsibility for a commitment to community participation, the hypothesis, that there is no difference in the perception between the various power dependent stakeholders of Australian banks about the importance of a commitment to community participation, cannot be accepted.

6.4 *$H2_0$ (PUBLIC INTEGRITY)*

There is no difference in the perception between the various stakeholders of Australian banks about the importance of Australian banks' public integrity.

Comment

Public Integrity is demonstrated by the manner in which the Australian banks address the issues of making trade and commerce easy, being equal opportunity employers, showing concern for their public image and always acting ethically.[1].

6.4.1 Australian banks should make trade and commerce easy.

The analysis of this variable shows that the respondents strongly support what must be regarded as a basic function of the Australian banks. Their public integrity is undoubtedly influenced by the degree to which Australian banks fulfil this fundamental role of banking. Overall the mean of the responses related fairly consistently across all the groups of respondents.

[1] In the factor analysis Australian banks' commitment to providing job security, was included in this grouping but because it straddles two factors a decision was made to include it only in the grouping forming Community Support and Participation which was deemed to be more appropriate

6.4.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.58	0.67	F 0.632	0.532
Age		4.57	0.70	F 2.253	0.063
Location	Metropolitan	4.58	0.68	t. 0.696	0.487
	Country	4.53	0.73		
Account type	Business	4.68	0.56	t. 1.412	0.163
	Personal	4.55	0.71		

6.4.1.2 Conclusion

The respondents, in all groupings, agree very positively that Australian banks should make trade and commerce easy.

6.4.2 Australian banks should be equal opportunity employers

Whilst many respondents supported the idea of Australian banks as equal opportunity employers, the results, shown below, reveal a significant variation based on location with only 5 chances in 1000 that the variation based on location could be due to sampling error.

6.4.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.79	0.55	F 2.760	0.065
Age		4.80	0.55	F 0.628	0.643
Location	Metropolitan	4.75	0.62	t –2.827	0.005
	Country	4.89	0.32		
Account type	Business	4.62	0.81	t –1.568	0.123
	Personal	4.82	0.50		

6.4.2.2 Conclusion

The respondents, in all groupings, have a strong agreement, based on the mean, that Australian banks should regard being equal opportunity employers as part of their social responsibility. But the significant difference in the standard deviations related to the location of the respondents suggests that the proposition that Australian banks should be equal opportunity employers cannot be accepted.

6.4.3 Australian banks should worry about their public image

The analysis of this variable indicated that there is very strong agreement among the respondents that Australian banks' social responsibility includes a concern for their public image. This was a particularly relevant variable, as Australian banks' image has been perceived as diminished by recent actions related to branch closures (Manly, 2000), bank fees, and reports of high profits (Pratley, 2000).

6.4.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.61	0.77	F 0.420	0.658
Age		4.60	0.78	F 1.473	0.210
Location	Metropolitan	4.63	0.74	t 0.307	0.759
	Country	4.60	0.74		
Account type	Business	4.51	0.87	t –0.869	0.386
	Personal	4.62	0.75		

6.4.3.2 Conclusion

The respondents, in all groupings, have a strong agreement that Australian banks should worry about their public image as part of their social responsibility.

6.4.4 Australian banks should always be ethical

The analysis of this variable reveals, much as would be expected, that the respondents strongly agree that Australian banks should always be ethical. The response to this variable was the strongest of all the variables presented to the power dependent stakeholders.

6.4.4.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.84	0.48	F 2.903	0.056
Age		4.83	0.51	F 1.520	0.195
Location	Metropolitan	4.82	0.54	t. −0.737	0.461
	Country	4.87	0.37		
Account type	Business	4.87	0.34	t. 0.448	0.655
	Personal	4.83	0.52		

6.4.4.2 Conclusion

The respondents, in all groupings, have a strong agreement that Australian banks should always act ethically. These results indicate the high expectations that power dependent stakeholders have about the ethical conduct of Australian banks' as part of their overall social responsibility standards and the way in which banks act in dealing with their stakeholders.

6.4.5 Interpretation

The responses to each of the variables that form this hypothesis confirms that the respondents perceive public integrity as a vital part of Australian banks' social responsibility. All the elements, which were considered appropriate to the hypothesis, were not validated, so the hypothesis that there is no difference in the perception between the various power dependent stakeholders of Australian banks about the importance of banks' public integrity, regardless of the institution with which they bank, their age, their location, or whether they are business or personal customers of banks, must be rejected.

6.5 $H3_0$ *(FOCUS ON PROFITS)*

There is no difference in the perception between the various stakeholders of Australian banks about the extent to which Australian banks should focus on profits.

Comment

The perceived focus on profits by Australian banks has been subject to considerable comment in the media and by government (O'Malley & Malpeli, 2000; Thornhill, 2000). The hypotheses in this case embrace assistance in illegal international transactions, profit as the sole focus of Australian bank, and the concern for Australian banks' image

6.5.1 Australian banks should not assist in illegal international dealings

Overall there is a strong agreement that Australian banks should not assist in illegal international dealings. This is a problem that has been highlighted in high profile funds transfers and international transactions that have been the subject of significant court cases. The part Australian banks play in these transactions can be crucial to their success (Barry, 2000).

6.5.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.69	0.89	F 1.541	0.216
Age		4.68	0.89	F 2.205	0.068
Location	Metropolitan	4.69	0.85	t.-0.138	0.891
	Country	4.71	0.89		
Account type	Business	4.82	0.68	t –1.390	0.169
	Personal	4.66	0.90		

6.5.1.2 Conclusion

All groupings of respondents have a strong agreement that Australian banks should not assist in illegal international dealings. These results confirm the power dependent stakeholders' perception and expectation that Australian banks' social responsibility is to act honestly and not undertake transactions that are not strictly legal just because they deliver significant profit.

6.5.2 Australian banks should not focus on profits only

Here again it is seen that there is a strong agreement about how Australian banks should relate to the pursuit of profit. In this case the respondents addressed the perception that Australian banks were focusing on profits only.

6.5.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.52	0.94	F 0.450	0.638
Age		4.49	0.99	F 1.923	0.106
Location	Metropolitan	4.47	1.01	t –1.540	0.125
	Country	4.62	0.82		
Account type	Business	4.49	0.94	t. 0.005	0.996
	Personal	4.49	0.98		

6.5.2.2 Conclusion

All groupings of respondents strongly agree that Australian banks should not focus on profits only. These results confirm the power dependent stakeholders' perception that Australian banks' social responsibility is to embrace more than profit targets for the benefit of only one stakeholder - the shareholder.

6.5.3 Australian banks should worry about their public image

The factor analysis included this variable in the elements comprising the factor related to Focus on Profits as well as including it in the factor on Public Integrity. The allocation of this variable to two factors is quite appropriate because a focus on profit only diminishes Australian banks' image and impacts on the integrity of the service provided to the public particularly in relation to the fees charged, location of branches, and services provided.

6.5.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.61	0.77	F 0.420	0.658
Age		4.60	0.78	F 1.473	0.210
Location	Metropolitan	4.63	0.74	t 0.307	0.759
	Country	4.60	0.74		
Account type	Business	4.51	0.87	t –0.869	0.386
	Personal	4.62	0.75		

6.5.3.2 Conclusion

The respondents, in all groupings, have a strong agreement that Australian banks should worry about their public image as part of their social responsibility. The results show a reasonable uniformity across all groupings reinforcing the importance of the Australian banks' image when dealing with their power dependent stakeholders.

6.5.4 Interpretation

The responses to the variables comprising this hypothesis show that the respondents do not believe that Australian banks should be focusing primarily on profitability. Despite the importance of Australian banks being profitable the power dependent stakeholders perceive Australian banks' social responsibility embracing a much wider landscape. All the elements, which were considered appropriate to the hypothesis, were validated, therefore the hypothesis that there is no difference in the perception between the various power dependent stakeholders of Australian banks about the focus on profits, can be accepted.

6.6 *$H4_0$ (SERVICE STANDARDS)*

There is no difference in the perception between the various stakeholders of Australian banks, about Australian banks' Service Standards.

Comment

Much of the comment about Australian banks' methods of delivering service to their customers has been predicated on the belief that banking is an essential service and therefore should be widely available at reasonable cost and at convenient locations.

6.6.1 Banking is an essential service

There is a strong agreement that banking is an essential service. The whole debate on Australian banks social responsibility is founded upon the perception that banking is an essential service, even to the extent that it has been suggested that banks are public utilities.

6.6.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.62	0.86	F 0.796	0.452
Age		4.63	0.86	F 0.815	0.516
Location	Metropolitan	4.65	0.82	t. 0.850	0.396
	Country	4.57	0.96		
Account type	Business	4.62	0.98	t –0.015	0.988
	Personal	4.62	0.83		

6.6.1.2 Conclusion

All groupings of respondents strongly agree that banking is an essential service.

6.6.2 Banks should provide services to everyone

Banking can be viewed as an essential service therefore it would be expected that banking services should be made available to everyone, not just those who have substantial bank balances, maintain loans that are profitable to banks, or who are able to access banking services by electronic means. Banking services should be available to the disadvantaged, disabled and elderly even if it means offering a variety of service channels including a branch network, fee free accounts, and wheelchair access.

6.6.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.70	0.72	F 1.671	0.156
Age		4.70	0.73	F 2.756	0.028
Location	Metropolitan	4.69	0.72	t –0.388	0.698
	Country	4.72	0.80		
Account type	Business	4.56	0.81	t –1.458	0.151
	Personal	4.74	0.68		

6.6.2.2 Conclusion

The results indicate that while there is a very strong view that banks should provide banking services for everyone there is a significant variance between the age groups. The following table (Table 6.3) shows that despite the statistical differences between the age groups, mainly reflected in the 60 years and over, it can be stated that there is nevertheless a strong view that banking services should be available to everyone.

Table 6.3
Responses based on age

Age	Mean	Number	Standard Deviation
Under 30 years	4.69	65	.61
30 years to 39 years	4.74	96	.60
40 years to 49 years	4.74	97	.74
50 years to 59 years	4.67	72	.77
60 years and over	4.65	69	.92
Total	4.70	399	.73

6.6.3 Australian banks should say how fees are calculated

If it is accepted that banking is an essential service then the level of fees and charges imposed for the use of the service impacts on its availability. Accordingly, it would be expected that there should be a degree of openness in the method by which those fees and charges are calculated and levied (Stanton, 2000).

6.6.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		4.36	1.19	F 0.849	0.429
Age		4.37	1.18	F 1.113	0.350
Location	Metropolitan	4.33	1.21	t –1.507	0.133
	Country	4.53	1.03		
Account type	Business	4.32	1.23	t –0.387	0.699
	Personal	4.39	1.16		

6.6.3.2 Conclusion

All groupings of respondents strongly agree that Australian banks should say how fees are calculated.

6.6.4 Interpretation

The responses to the variables comprising this hypothesis show that the respondents perceive that Australian banks should acknowledge that banking is an essential service. This is an important perception because if it is accepted it forms the basis for how Australian banks should behave to achieve an appropriate level of social responsibility performance. However, all the elements, which were considered appropriate to the hypothesis, were not validated, so the hypothesis, that there is no difference in the perception between the various power dependent stakeholders of Australian banks that banking is an essential service, must be rejected.

6.7 TESTS OF HYPOTHESES RELATIVE TO SOCIAL RESPONSIBILITY PERFORMANCE

6.8 *$H1_0$ (COMMUNITY SUPPORT AND PARTICIPATION)*

There is no difference in the perception of the various stakeholders of Australian banks about Australian banks' community support and participation.

Comment

Australian banks have always been very visible in their support for the community through donations and sponsorships of cultural and sporting activities. But with the focus on efficiency and profits there appears to be a perception that Australian banks have become more discerning in undertaking these discretionary responsibilities.

6.8.1 Australian banks support community activities

This refers to a range of activities that involves making donations to charitable organisations including, among others, hospitals, Telethon, Community Chest, schools, the youth, the aged and the disabled support groups.

6.8.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.76	1.12	F 0.004	0.996
Age		2.76	1.14	F 1.436	0.222
Location	Metropolitan	2.82	1.13	t. 0.764	0.446
	Country	2.70	1.14		
Account type	Business	2.67	1.24	t –0.534	0.594
	Personal	2.78	1.12		

6.8.1.2 Conclusion

The various groupings of power dependent stakeholders do not agree that Australian banks support community charities.

6.8.2 Australian banks support cultural activities

This refers to activities which Australian banks might become involved in which do not have a wide public appeal but which are important to the vibrancy and fabric of the community.

6.8.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.74	1.06	F 0.039	0.962
Age		2.75	1.07	F 0.727	0.574
Location	Metropolitan	2.81	1.06	t. 1.149	0.252
	Country	2.64	1.07		
Account type	Business	2.67	1.05	t –0.382	0.703
	Personal	2.74	1.05		

6.8.2.2 Conclusion

Each of the groupings of power dependent stakeholders do not agree that banks support cultural activities.

6.8.3 Interpretation

The hypothesis, that there is no difference in the perception of the various stakeholders of Australian banks about banks' community support and participation, can be accepted.

6.9 *$H2_0$ (PUBLIC INTEGRITY)*

There is no difference in the perception of the various stakeholders of Australian banks about the public integrity of Australian banks

Comment

Public Integrity encompasses the ethics and reputation of Australian banks and refers to the way in which Australian banks interface with their stakeholders to inform the stakeholders of all activities that may concern them. It can include advertising, service, fees and profits and the standard of ethics expected of Australian banks' staff.[2]

6.9.1 Australian bank advertising is honest

All advertising is designed to inform. What is important is that the content of those advertisements should be honest. Australian banks, which use all media,

[2] In the factor analysis Australian banks' commitment to high levels of service, profits as a goal, managers' knowledge, service in branches and location of branches covers three factors which more appropriately relate to Service Standards and Focus on Profits, they have been ignored in assessing stakeholders' perceptions of Australian banks' Public Integrity.

are amongst the largest advertisers in the country. In assessing the power dependent stakeholders' perception of Australian banks' ethics and reputation the perception of the honesty of Australian banks' advertising is important.

6.9.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.23	1.13	F 1.774	0.171
Age		2.22	1.14	F 0.197	0.940
Location	Metropolitan	2.22	1.13	t –0.389	0.698
	Country	2.27	1.16		
Account type	Business	2.20	1.10	t –0.179	0.858
	Personal	2.23	1.14		

6.9.1.2 Conclusion

All groupings of respondents disagree with the proposition that Australian bank advertising is honest.

6.9.2 Australian bank advertisements explain all aspects of their services

Again, based on the premise that advertising is designed to inform, Australian bank advertisements are examined to see if power dependent stakeholders perceive Australian bank advertisements to be informative.

6.9.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.24	1.18	F 0.383	0.682
Age		2.24	1.19	F 0.851	0.494
Location	Metropolitan	2.26	1.17	t. 0.195	0.924
	Country	2.25	1.23		
Account type	Business	2.11	1.15	t –0.617	0.537
	Personal	2.23	1.17		

6.9.2.2 Conclusion

All groupings of respondents disagree with the proposition that Australian bank advertisements explain all aspects of their service.

6.9.3 Customers are always told of new fees and charges

With advertising being designed to inform, one of the most important pieces of information to be given to customers should be details of changes in fees and charges.

6.9.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.60	1.48	F 0.383	0.682
Age		2.61	1.48	F 1.625	0.167
Location	Metropolitan	2.57	1.46	t –1.136	0.257
	Country	2.77	1.55		
Account type	Business	2.50	1.58	t –0.364	0.716
	Personal	2.59	1.46		

6.9.3.2 Conclusion

All groupings of respondents disagree with the suggestion that customers are always told of new fees and charges

6.9.4 Australian banks never ask staff to act in a manner that is unethical

In an endeavour to expand their business and increase profits it may be possible for Australian banks to encourage staff to act in a manner that may not be strictly proper or ethical. In view of the adverse comment about Australian bank practices and the criticism that they have invited as a result of changed service delivery methods it was thought to be important to assess the perceptions of the power dependent stakeholders about pressures that may be placed on staff to act unethically in pursuit of Australian banks' goals.

6.9.4.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.09	1.22	F 0.532	0.588
Age		3.09	1.21	F 1.949	0.103
Location	Metropolitan	3.07	1.17	t –0.719	0.473
	Country	3.19	1.31		
Account type	Business	3.42	1.09	t. 1.597	0.112
	Personal	3.05	1.22		

6.9.4.2 Conclusion

All groupings of respondents weakly agree that Australian banks never ask their staff to act in a manner that is unethical.

6.9.5 Interpretation

Clearly Australian banks have a problem with the perception held by their power dependent stakeholders about their ethics and reputation. In all cases, apart from the pressure that Australian banks may apply to staff to act unethically, the respondents disagree with all the propositions.

The hypothesis, that there is no difference in the perception between the various power dependent stakeholders about the ethics and reputation of Australian banks, can be accepted.

6.10 *$H3_0$ (FOCUS ON PROFITS)*

There is no difference in the perception of the various stakeholders of Australian banks about Australian banks' focus on profits

Comment

An area of Australian banks' operations that attracts a considerable amount of adverse comment in the press and politically, is the level of Australian banks' profits and the perception that the pursuit of profits is their main purpose. This results in the further perception that the main stakeholder group to be satisfied is the shareholders.

6.10.1 Australian bank profits are not too high

This proposition seeks to gauge the power dependent stakeholders' perception about Australian bank profits by suggesting that they are not too high.

6.10.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		1.43	0.94	F 0.595	0.552
Age		1.45	0.96	F 0.396	0.811
Location	Metropolitan	1.45	0.94	t −0.088	0.930
	Country	1.46	1.01		
Account type	Business	1.49	1.08	t. 0.322	0.747
	Personal	1.44	0.95		

6.10.1.2 Conclusion

All groupings of power dependent stakeholders strongly disagree with the inference that Australian bank profits are not too high.

6.10.2 Australian bank profits must be high because banking is risky.

In the early 1990s Australian banks suffered substantial losses on their lending portfolio which impacted on profits and ultimately on share values and shareholder wealth. In order to provide for similar events in the future, it is suggested that Australian bank profits must be high in the good times to allow for the accumulation of reserves to meet future loan losses.

6.10.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		1.97	1.09	F 1.849	0.159
Age		1.97	1.10	F 0.786	0.534
Location	Metropolitan	1.93	1.07	t –1.386	0.167
	Country	2.11	1.17		
Account type	Business	1.71	0.84	t –1.832	0.068
	Personal	2.03	1.13		

6.10.2.2 Conclusion

The various groupings of power dependent stakeholders disagree with the suggestion that Australian bank profits must be high because banking is risky, but not with the same strength that they disagree about the proposition concerning profits generally.

6.10.3 Fees charged by Australian banks are not too high

As part of the assessment of perceptions about Australian bank profitability generally it was appropriate to seek the power dependent stakeholders' perceptions about bank fees and charges particularly as much of Australian banks' profit comes from this source and generates much adverse comment from customers.

6.10.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		1.58	0.97	F 0.855	0.426
Age		1.59	0.98	F 0.799	0.526
Location	Metropolitan	1.55	0.92	t –1.152	0.250
	Country	1.68	1.13		
Account type	Business	1.49	0.84	t –0.700	0.485
	Personal	1.60	0.98		

6.10.3.2 Conclusion

Each of the groupings of power dependent stakeholders disagree with the view that fees charged by Australian banks are not too high.

6.10.4 Fees are the best way to make sure the right person pays for the service

In the past, according to Australian banks, housing loan borrowers have subsidised many of the free or low cost services provided by Australian banks to both home loan borrowers and non-home loan borrowers. This, Australian banks claim, was unfair. They believe that a user-pays system is more reasonable and more equitable.

6.10.4.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.09	1.22	F 1.870	0.156
Age		2.10	1.23	F 0.633	0.640
Location	Metropolitan	2.07	1.20	t –1.013	0.313
	Country	2.23	1.32		
Account type	Business	2.14	1.16	t. 0.220	0.826
	Personal	2.10	1.25		

6.10.4.2 Conclusion

All groupings of power dependent stakeholders disagree with the view that charging fees is the best way to make sure that the right person pays for the service.

6.10.5 Profit is not Australian banks' main goal

Media comment suggests that profit is Australian banks' main goal. It appears to be an important focus in the drive to improve shareholder value to the disadvantage of other stakeholders.

6.10.5.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		1.51	0.98	F 3.055	0.048
Age		1.51	0.99	F 3.121	0.015
Location	Metropolitan	1.53	0.98	t –0.451	0.652
	Country	1.47	1.02		
Account type	Business	1.42	0.81	t. 0.582	0.561
	Personal	1.51	0.99		

6.10.5.2 Conclusion

The various groupings disagree with the premise that profit is not Australian banks' main goal but two groups (the institutional affiliations' groups and the age groups – see Tables 6.4 and 6.5 below) exhibit significant variations between the groups. In view of this the proposition that there is no significant differences between groups could not be accepted.

Table 6.4
Responses by institutional affiliation

Bank	Mean	Number	Standard Deviation
Major bank	1.39	140	.90
Minor institution	1.47	70	.97
Multiple	1.62	169	1.05
Total	1.51	379	.98

Table 6.5
Responses based on age

Age	Mean	Number	Standard Deviation
Under 30 years	1.86	63	1.20
30 years to 39 years	1.48	96	.88
40 years to 49 years	1.43	94	.93
50 years to 59 years	1.46	71	1.01
60 years and over	1.39	67	.90
Total	1.51	391	.99

6.10.6 Interpretation

The hypothesis that there is no difference in the perception of the various stakeholders of Australian banks about banks' focus on profits cannot be accepted as there are significant differences in the responses to some variables based on either institutional affiliation or age.

6.11 *$H4_0$ (SERVICE STANDARDS)*

There is no difference in the perception of the various stakeholders of Australian banks about Australian banks' service standards.

Comment

There is a perception that Australian banks' service standards are declining as Australian banks move to reduce staff, use part-time staff rather than career bank employees, and remove managers in what appears to be an endeavour to increase profits and returns to shareholders.

6.11.1 Australian bank service is always of a high standard

This suggestion draws out the respondents' perception of Australian banks' service generally and tests whether they believe Australian banks are maintaining service standards.

6.11.1.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.39	1.21	F 0.547	0.579
Age		2.38	1.21	F 0.077	0.989
Location	Metropolitan	2.30	1.17	t –2.336	0.020
	Country	2.63	1.28		
Account type	Business	2.38	1.15	t. 0.098	0.922
	Personal	2.36	1.20		

6.11.1.2 Conclusion

The groups of power dependent stakeholders disagreed with the proposition that Australian banks' service is always of a high standard, however there is a significant difference between the respondents based on location. The grouping based on location exhibits significant differences among the groups, which prevented acceptance of the proposition that responses are similar.

6.11.2 A full range of services is available at all branches

As Australian banks have restructured branches there have been suggestions that the range of services available has been reduced.

6.11.2.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.97	1.32	F 0.393	0.675
Age		2.96	1.32	F 1.002	0.406
Location	Metropolitan	2.85	1.28	t -2.755	0.006
	Country	3.28	1.40		
Account type	Business	2.88	1.33	t. 0.372	0.710
	Personal	2.96	1.30		

6.11.2.2 Conclusion

Apart from the grouping based on location, the groups of power dependent stakeholders reflect no significant difference in the responses concerning the submission that a full range of services is available at branches. Based on location there is a significant difference in responses among the respondents.

6.11.3 Australian banks are conveniently located

As branches are closed or relocated there are protests about the inconvenience caused by the changes. Australian banks have established many service centres in supermarkets to provide what they believe will be a very convenient location to replace the traditional branch.

6.11.3.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.54	1.36	F 1.539	0.216
Age		2.54	1.37	F 4.175	0.003
Location	Metropolitan	2.44	1.33	t. –1.923	0.055
	Country	2.74	1.45		
Account type	Business	2.27	1.23	t –1.640	0.106
	Personal	2.59	1.38		

6.11.3.2 Conclusion

The various groupings of power dependent stakeholders do not agree that Australian banks are conveniently located but there is a significant difference in the responses of the age grouping. The division of responses into age groups is detailed in Table 6.6 below:

Table 6.6
Responses based on age

Age	Mean	Number	Standard Deviation
Under 30 years	3.00	65	1.43
30 years to 39 years	2.66	96	1.42
40 years to 49 years	2.33	95	1.23
50 years to 59 years	2.14	71	1.33
60 years and over	2.65	69	1.34
Total	2.54	396	1.37

6.11.4 Branches have adequate staff

With the perception that Australian banks are focused on profits has come the perception that Australian banks have reduced staff numbers in branches to a level that has reduced the service standards.

6.11.4.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.32	1.31	F 0.117	0.890
Age		2.96	1.31	F 1.139	0.338
Location	Metropolitan	2.18	1.23	t –2.963	0.004
	Country	2.68	1.46		
Account type	Business	2.65	1.33	t. 1.850	0.065
	Personal	2.26	1.30		

6.11.4.2 Conclusion

All groups of power dependent stakeholders disagreed with the submission that branches have adequate staff, but based on location it is noted that there is a significant difference in responses in this grouping.

6.11.5 All branches have managers

Australian banks have been progressively withdrawing managers from branches. This variable sought to test how far this process was perceived to have gone, acknowledging that in many cases the respondents may not even be aware that the managers had been withdrawn.

6.11.5.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.43	1.31	F 0.810	0.446
Age		3.43	1.32	F 0.601	0.662
Location	Metropolitan	3.38	1.30	t –1.204	0.230
	Country	3.60	1.34		
Account type	Business	3.06	1.41	t –1.612	0.108
	Personal	3.45	1.29		

6.11.5.2 Conclusion

All groups of power dependent stakeholders agreed that all branches have managers.

6.11.6 Managers are well informed

With the management structure changing within branches there can be a perception that the managers within branches have less status and knowledge than the managers within the regional offices or super-branches.

6.11.6.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.90	1.18	F 0.426	0.654
Age		2.90	1.19	F 1.759	0.137
Location	Metropolitan	2.78	1.18	t –3.121	0.002
	Country	3.25	1.19		
Account type	Business	2.75	1.32	t –0.898	0.370
	Personal	2.93	1.17		

6.11.6.2 Conclusion

All groups of power dependent stakeholders, other than those classified by location, disagree with the view that managers are well informed. There are significant differences between metropolitan and country respondents.

6.11.7 Electronic banking is simple to use

With the Australian banks promoting electronic banking as a viable alternative to transacting business within a branch it is important to gauge if electronic banking is as user-friendly as suggested.

6.11.7.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		3.60	1.34	F 1.314	0.270
Age		3.61	1.34	F 8.079	0.000
Location	Metropolitan	3.64	1.33	t. 0.516	0.606
	Country	3.55	1.42		
Account type	Business	3.44	1.35	t –0.920	0.358
	Personal	3.64	1.33		

6.11.7.2 Conclusion

The various groupings of power dependent stakeholders agreed that electronic banking is simple to use but there is a significant difference in responses within the age groupings. The responses for each of the age groups are shown in the following Table 6.7:

Table 6.7
Responses based on age

Age	Mean	Number	Standard Deviation
Under 30 years	3.98	63	1.10
30 years to 39 years	3.89	96	1.20
40 years to 49 years	3.67	93	1.24
50 years to 59 years	3.45	71	1.44
60 years and over	2.92	61	1.56
Total	3.61	384	1.34

6.11.8 One always feels safe using ATMs.

One the main electronic interfaces that Australian bank customers have is through use of the automatic teller machines (ATMs) that Australian banks have installed in various locations, frequently in public pedestrian traffic areas. It has been suggested that these public thoroughfares are not safe and secure enough for banking transactions.

6.11.8.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.22	1.24	F 0.459	0.632
Age		2.23	1.25	F 5.067	0.001
Location	Metropolitan	2.28	1.25	t. 1.646	0.101
	Country	2.03	1.21		
Account type	Business	2.30	1.36	t –0.449	0.653
	Personal	2.21	1.23		

6.11.8.2 Conclusion

The various groupings of power dependent stakeholders disagree with the suggestion that one always feels safe using external ATMs but there is a significant difference in responses within the age groupings. A table (Table 6.8) detailing the responses of each age group is shown below.

Table 6.8
Responses based on age

Age	Mean	Number	Standard Deviation
Under 30 years	2.74	65	1.34
30 years to 39 years	2.32	96	1.23
40 years to 49 years	2.11	95	1.28
50 years to 59 years	2.13	70	1.18
60 years and over	1.84	64	1.04
Total	2.23	390	1.25

6.11.9 Australian banks' profits do not give a high return to shareholders

Many of the changes that have taken place that impact on service standards are designed to increase efficiency and improve profitability. Australian banks claim that because of the size of the capital necessary to provide a banking service, profits in money terms must be high, although not necessarily high in percentage terms. This variable tests the respondents' perception of this proposition.

6.11.9.1 Results

		Mean	Standard deviation	Test	Significance
Institutional affiliation		2.59	1.35	F 3.584	0.029
Age		2.61	1.36	F 0.213	0.931
Location	Metropolitan	2.60	1.37	t. 0.562	0.575
	Country	2.71	1.36		
Account type	Business	2.64	1.29	t. 0.348	0.728
	Personal	2.55	1.28		

6.11.9.2 Conclusion

All groups of power dependent stakeholders, based on the mean of their responses, disagree with the view that Australian banks' profits do not give a high return to shareholders, however there is a significant difference in the responses provided by the grouping based on institutional affiliations. The responses for each of the institutional affiliation groupings are detailed in Table 6.9 below.

Table 6.9
Responses by institutional affiliation

Bank	Mean	Number	Standard Deviation
Major bank	2.39	87	1.28
Minor institution	3.09	47	1.44
Multiple	2.55	124	1.33
Total	2.59	258	1.35

6.11.10 Interpretation

In view of the significant differences occurring in the responses from some groupings, the hypothesis, that there is no difference in the perception of the various stakeholders of Australian banks about Australian banks' service standards, cannot be accepted.

6.12 TESTS OF HYPOTHESES RELATIVE TO AUSTRALIAN BANK EMPLOYEES

This investigation focused on all power dependent stakeholders but it was acknowledged that one group of power dependent stakeholders had a special relationship with banks. This group is the bank employees. Bank employees are more dependent on banks than most groups. Their hopes, their aspirations, and their futures are dependent on banks. They are confronted with the changing environment of banking not only externally, which is the prime focus of this research, but also internally as banks amalgamate, downsize staff numbers, and change structure and procedures: they probably have less flexibility in responding to change within the banking environment than many other stakeholders. In view of this it was decided that a separate group of variables would be directed to bank employees.

The variables presented to Australian bank employees related specifically to their working conditions, remuneration, and prospects. The following table (Table 6.10) presents the statistics relevant to those responses.

Because of the small number of responses, between 30 and 40, which refer to present and past bank employees, it is not possible to establish groupings based on bank affiliation, age, and location, as the number in each grouping is too small. It was decided to treat all the respondents as a discrete grouping within each variable, and apply a one-way ANOVA to test the hypotheses.

Table 6.10
Australian bank employees' work environment and conditions

	N	Mean	s.d.	F	Sig.
Q2_15 Bank wages and salaries are paid in accordance with awards	36	2.94	2.06	80.664	0.000
Q2_16 Staff are always paid for overtime worked	32	2.50	1.80	25.714	0.000
Q2_17 Occupational health and safety is a high priority of banks	37	2.81	1.66	45.949	0.000
Q2_18 Banks always quickly fix any occupational health and safety practices that present a problem	35	2.57	1.65	35.357	0.000
Q_19 Banks are equal opportunity employers	40	3.53	1.75	103.301	0.000
Q2_20 Banks do not discriminate in their work practices	37	2.57	1.69	29.574	0.000
Q2_21 Banks always inform staff of their career prospects	37	2.30	1.61	28.180	0.000

6.13 $H1_0$ *(AUSTRALIAN BANK EMPLOYEES' WAGES AND SALARIES ARE PAID IN ACCORDANCE WITH AWARDS)*

There is no significant difference in the views of Australian bank employees that Australian bank employees' wages and salaries are paid in accordance with awards

6.13.1 Interpretation

The responses by Australian bank employees to this variable produced a mean of 2.94 and a standard deviation of 2.06. This would indicate that Australian bank employees were ambivalent about the commitment of Australian banks to pay award remuneration.

The ANOVA test produces an F statistic of 80.664 with a significance of 0.000. The differences in responses to this variable are significant therefore the hypothesis must be rejected.

6.14 $H2_0$ *(AUSTRALIAN BANK EMPLOYEES ARE ALWAYS PAID FOR OVERTIME WORKED)*

There is no significant difference in the views of Australian bank employees that Australian bank employees are always paid for overtime worked.

6.14.1 Interpretation

The mean response by Australian bank employees to this variable was 2.50 with a standard deviation of 1.80. This seems to indicate that bank employees are not always paid for the overtime worked.

The ANOVA test produces an F statistic of 25.714 with a significance of 0.000. The differences in responses to this variable are significant therefore the hypothesis cannot be accepted.

6.15 *$H3_0$ (OCCUPATIONAL HEALTH AND SAFETY IS A HIGH PRIORITY OF AUSTRALIAN BANKS)*

There is no significant difference in the views of Australian bank employees that occupational health and safety is a high priority of Australian banks.

6.15.1 Interpretation

The response by Australian bank employees to this variable was 2.81 with a standard deviation of 1.66. This would appear to show that bank employees do not see Australian banks as giving a high priority to occupational health and safety.

The ANOVA test produces an F statistic of 45.949 with a significance of 0.000. The differences in responses to this variable are significant, so the hypothesis cannot be accepted.

6.16 *$H4_0$ (AUSTRALIAN BANKS ALWAYS QUICKLY FIX ANY OCCUPATIONAL HEALTH AND SAFETY PRACTICES THAT PRESENT A PROBLEM)*

There is no significant difference in the views of Australian bank employees that Australian banks always quickly fix any occupational health and safety practices that present a problem

6.16.1 Interpretation

The Australian bank employees' expressed some disagreement with this proposition. The mean was only 2.57 with a standard deviation of 1.65.

The ANOVA test however indicates that there was a significant difference in responses. The F statistic was 35.357 with a significance of 0.000. The differences in responses to this variable are significant therefore the hypothesis cannot be accepted.

6.17 *$H5_0$ (AUSTRALIAN BANKS ARE EQUAL OPPORTUNITY EMPLOYERS)*

There is no significant difference in the views of Australian bank employees that Australian banks are equal opportunity employers.

6.17.1 Interpretation

The Australian bank employees' response to this variable was favourable but not strongly so. The mean of 3.53 with a standard deviation of 1.75 does appear to confirm that bank employees think of Australian banks as equal opportunity employers.

The ANOVA test however indicates that there is a significant difference in the responses. The F statistic was 103.301 with a significance of 0.000. The differences in responses to this variable are significant therefore the hypothesis must be rejected.

6.18 *$H6_0$ (AUSTRALIAN BANKS DO NOT DISCRIMINATE IN WORK PRACTICES)*

There is no significant difference in the views of Australian bank employees that Australian banks do not discriminate in work practices.

6.18.1 Interpretation

The responses to this variable did seem to suggest that there is some discrimination in Australian banks' work practices with a mean of 2.57 and a standard deviation of 1.69.

The ANOVA test shows that there is a significant difference between the responses with an F statistic of 29.574 and a significance of 0.000. Therefore, as the differences in responses to this variable are significant the hypothesis cannot be accepted.

6.19 *$H7_0$ (AUSTRALIAN BANKS ALWAYS INFORM STAFF OF THEIR CAREER PROSPECTS)*

There is no significant difference in the views of Australian bank employees that Australian banks always inform staff of their career prospects.

6.19.1 Interpretation

There was disagreement about the proposition that Australian banks inform their staff about career prospects. The mean is 2.30 with a standard deviation of 1.61.

The ANOVA presents an F statistic of 28.180 with a significance of 0.000. The differences in responses to this variable are significant therefore the hypothesis cannot be accepted.

CHAPTER SEVEN

DISCUSSION AND ANALYSIS OF RESEARCH FINDINGS

7.1 DISCUSSION

7.1.1 Structure and Form of the Analysis

The research methodology was intentionally structured to involve both qualitative and quantitative research, which provided the basis for analysis. The qualitative research in the form of focus groups was designed to personalise the collection of data. It allowed uninhibited and unstructured discussion by the users of banking services. The personal experiences of the focus group participants established the basis for much of the input for the creation of the more structured and formal survey questionnaire that was the foundation for the quantitative research and analysis. The issues raised by the participants in the seven focus groups related to sixteen different areas with varying degrees of intensity for each focus group. The issue that created the most discussion over most focus groups was electronic banking. Fees and charges also attracted attention from all the focus groups, but more particularly from the senior citizens and personal customers.

The quantitative analysis was divided into three main parts – social responsibility standards, social responsibility performance and Australian banks' relationship with their staff. The results of the research into the standards, the performance, and the staff relationships identified the perceptions of the power dependent stakeholders of Australian banks' social responsibility in each of these cases.

The research provided information about perceptions of Australian banks' social responsibility standards and their performance relative to those social responsibility standards, while scrutinising their relationship with their very important internal stakeholder – their employees. This showed how effectively Australian banks had reacted to the demands of the power dependent stakeholders, how they accommodated those demands, whether they were proactive in addressing the demands and finally, how readily they defended the actions they had taken in managing those demands. In addition, other information was obtained from the investigation relating to descriptives that allowed for a profile of the respondents to the survey to be established.

7.1.2 Respondents' profile

There were 400 respondents to the survey and they were found to be a reasonable cross-section of the community. A high proportion banked with the major banks, almost 50% were between the ages of 30 years to under 50 years, by far the most lived in the metropolitan area, and only a small percentage operated their own business. Because of the low number of farmers among the respondents, farmers were classified as small business operators. All these statistics were in accordance with the expected profile of the Western Australian community.

7.1.3 Perceptions of social responsibility

Part of the literature reviewed, in particular Kraft (1991a; 1995), showed broader research than encompassed in this study had been undertaken to establish corporate social responsibility so it was decided to allow the respondents to the survey undertaken for this research to rate nine different categories of social responsibility, including service, profitability of Australian banks, control of Australian banks, providing employment, and involvement of Australian banks in the community, national welfare issues, or international welfare issues. It was found that personal service was regarded as the most important category of the Australian banks' social responsibility, in their perception. An acknowledgment of the essential nature of banking, regulation of Australian banks and early notice of changes in service were also regarded as important. An involvement in welfare issues, national and international, was not seen as very important, while the level of profitability of Australian banks was not among the main concerns of the power dependent stakeholders.

7.2 ANALYSIS OF FINDINGS OF THE HYPOTHESES

In Chapter 6 each of the hypotheses was tested and accepted or rejected using either ANOVA or t-tests and the following analysis of those findings associated with the hypotheses is now presented.

7.2.1 Social responsibility standards

The social responsibility standards were divided into four areas, following a factor analysis embracing all the variables comprising the survey questionnaire relative to social responsibility standards. They were Community Support and Participation; Public Integrity; Focus on Profits; and Service Standards.

All the hypotheses relating to these four separate social responsibility standards were accepted and the following comments are presented concerning the elements within each of the hypotheses.

7.2.1.1 Hypothesis One

It can be seen from the following table that there is a relatively strong agreement about three of the variables that relate to the hypothesis ($H1_0$) that *there is no difference in perception between the power dependent stakeholders about the importance of Australian banks' commitment to community support and participation*. However, the variables concerning employee representatives on Australian bank boards, making donations to charity and lending for new inventions were the least positive.

Table 7.1
Variability - Community Support and Participation

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q1_4 Banks should say what they have done for the community	4.17	1.03	-1.159	0.759
Q1_5 Bank employees should have representatives on bank boards	3.74	1.19	-0.675	-0.359
Q1_6 Banks should have consumer representatives on bank boards	4.26	1.01	-1.533	2.073
Q1_7 Banks should make donations to charity	3.77	1.28	-0.658	-0.695
Q1_8 Banks should support community activities	4.07	1.06	-1.023	0.506
Q1_10 Banks should lend for new inventions	3.67	1.14	-0.437	-0.585
Q1_15 Banks should strive to provide job security	4.37	0.91	-1.567	2.306

7.2.1.2 Hypothesis Two

The following table relative to $H2_0$ demonstrates the strength of importance that power dependent stakeholders attach to Australian banks' public integrity. There is a very solid agreement about all the variables that constitute the hypothesis that *there is no difference in perception between the power dependent stakeholders about the importance of Australian banks' public integrity.*

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Table 7.2
Variability – Public Integrity

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q1_9 Banks should make trade and commerce easy	4.57	0.70	-1.723	3.400
Q1_16 Banks should be equal opportunity employers	4.79	0.55	-3.534	15.671
Q1_17 Banks should worry about their public image	4.60	0.78	-2.176	4.686
Q1_18 Banks should always be ethical	4.83	0.50	-4.059	20.912

7.2.1.3 Hypothesis three

The table below demonstrates that the power dependent stakeholders believe that Australian banks should not give priority to the generation of profit. All the variables that constitute the hypothesis ($H3_0$) that *there is no difference in perception between the power dependent stakeholders about the extent to* *which Australian banks focus on profits* have attracted strong agreement from the respondents.

Table 7.3
Variability – Focus on Profits

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q1_12 Banks should not assist in illegal international dealings	4.68	0.90	-3.064	8.775
Q1_13 Banks should not focus on profits only	4.49	0.99	-2.094	3.769
Q1_17 Banks should worry about their public image	4.60	0.78	-2.176	4.686

7.2.1.4 Hypothesis Four

The variables that comprised hypothesis ($H4_0$) *that there was no difference in the perception between the power dependent stakeholders about service standards* quite strongly supported the view that banking is an essential service that should be available to everyone at a transparent cost, as the following table shows.

Table 7.4
Variability – Service Standards

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q1_1 Banking is an essential service	4.63	0.86	-2.709	7.334
Q1_2 Banks should provide a service for everyone	4.71	0.73	-3.014	-1.818
Q1_3 Banks should say how fees are calculated	4.37	1.18	-1.818	2.038

7.2.2 Social responsibility performance

Naturally, in order to present the comparison of the performance with the standard, social responsibility performance was also divided into the same four areas using the factor analysis based on the variables included in the section of the survey questionnaire relating to social responsibility performance. The four divisions are Community Support and Participation; Public Integrity, Focus on Profits; and Service Standards.

Following testing of the hypotheses using ANOVA, hypotheses $H1_0$ and $H2_0$ were accepted and hypotheses $H3_0$ and $H4_0$ were rejected

7.2.2.1 Hypothesis One

There are only two variables focused on the hypothesis, that there is no difference in perception of the various power dependent stakeholders about Australian banks' Community Support and Participation, and in both instances the respondents agree with the views extended in the two variables.

Table 7.5
Variability - Community Support and Participation

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q2-3 Banks support community charities	2.76	1.14	0.090	-0.660
Q2_4 Banks financially support cultural activities	2.75	1.06	-0.051	-0.639

7.2.2.2 Hypothesis Two

The following table shows that the power dependent stakeholders do not agree with any of the propositions contained in the second hypothesis, that there is no difference in perception of the various power dependent stakeholders about the public integrity of Australian banks, other than that which suggests Australian banks would never ask staff to act in a manner that is unethical, and even then the response is more in the range of uncertainty.

Table 7.6
Variability – Public Integrity

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q2-22 Customers are always told of new fees and charges	2.61	1.48	0.372	-1.334
Q2_23 Bank advertisements explain all aspects of their services	2.24	1.18	0.744	-0.325
Q2_24 Bank advertising is honest	2.22	1.13	0.569	-0.508
Q2_25 Banks never ask staff to act in a manner that is unethical	3.08	1.21	-0.124	-0.755

7.2.2.3 Hypothesis Three

Even though the hypothesis, that there is no difference in perception of the various power dependent stakeholders about Australian banks' focus on profits, is rejected because there are significant differences between the responses based on age and location, the following table shows some disturbing statistics regarding the power dependent stakeholders responses to the propositions concerning Australian banks' focus on profits.

The respondents solidly disagree with the all the variables that comprise this hypothesis. The attitudes reflected in the responses should give Australian banks concern about their approach to profitability, even allowing that tests have shown that there are significant differences in the responses of some groups.

Table 7.7
Variability – Focus on Profits

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q2-11 Bank profits are not too high	1.45	0.96	2.316	4.679
Q2_12 Bank profits must be high because banking is risky	1.98	1.10	1.010	0.257
Q2_13 Fees charged by banks are not too high	1.59	0.98	1.851	2.898
Q2_14 Fees are the best way to make sure the right person pays for the service	2.10	1.23	0.834	-0.453
Q2_26 Profit is not banks' main goal	1.51	0.99	2.297	4.800

7.2.2.4 Hypothesis Four

In all cases, expect one, the respondents do not agree with the premise contained in the variables within the hypothesis, that there is no difference in perception of the various power dependent stakeholders about Australian banks' service standards.

The only variable with which the respondents agree relates to managers in branches. It would seem that although Australian banks are withdrawing managers from branches the impact of this change is not being felt by the power dependent stakeholders. Nevertheless the statistics do allude to a poor standard of service being offered by Australian banks.

As regards the convenience and safety of the changing banking environment and service delivery methods, there are significant differences in the responses for the groups based on age, regarding their agreement on the propositions that electronic banking is simple, and that one always feels safe using external ATMs.

Although the mean for the variable suggesting that electronic banking is simple to use indicates that respondents have a reasonably strong agreement, it can be seen that the strongest agreement is amongst those under 30 years of age and this changes, to disagreement with the proposition, for those over 60 years of age. The variable which proposes that one always feels safe using external ATMs created disagreement at all age levels but it is strongest amongst the oldest groups, particularly those over 60 years of age.

Table 7.8
Variability – Service Standards

Variable	Mean	Standard deviation	Skewness	Kurtosis
Q2-1 Bank service is always of a high standard	2.38	1.20	0.599	-0.526
Q2_2 A full range of service is available at branches	2.96	1.32	-0.056	-1.169
Q2-5 Banks are conveniently located	2.54	1.37	0.392	-1.199
Q2_6 Branches have adequate staff	2.32	1.31	0.649	-0.808
Q2_7 All branches have managers	3.43	1.32	-0.517	-0.871
Q2_8 Managers are well informed	2.90	1.19	-0.030	-0.867
Q2_9 Electronic banking is simple to use	3.62	1.34	-0.704	-0.697
Q2_10 One always feels safe using external ATMs	2.23	1.25	0.816	-0.388
Q2_27 Banks' profits do not give a high return to shareholders	2.62	1.36	0.678	0.656

7.2.3 Australian banks' social responsibility relative to bank employees

The results of the focus on bank employees, who are internal stakeholders, and who can be seen as a special sub-group within the power dependent stakeholder structure produce interesting results.

7.2.3.1 Hypothesis One

The first hypothesis *($H1_0$)*, *there is no difference in the views of Australian bank employees that Australian banks pay wages and salaries in accordance with awards*, is not accepted. There are significant differences amongst the respondents.

Nevertheless, it is important to note that the mean response is in the range of 'neither agree nor disagree that Australian banks' remuneration is in accordance with awards'.

7.2.3.2 Hypothesis Two

The second hypothesis *($H2_0$)*, *there is no difference in the views of Australian bank employees that Australian bank employees are always paid for overtime worked,* is also rejected.

With a mean of 2.50 it can be seen that bank employees disagree with the proposition that they are always paid for overtime worked. It would be of concern if Australian banks do not, as a matter of policy, ensure that any overtime that is worked is paid.

7.2.3.3 Hypothesis Three

The third hypothesis *($H3_0$), there is no difference in the views of Australian bank employees that occupational health and safety is a high priority,* is also rejected, The mean of 2.81 would suggest that bank employees disagree, to some extent, with the proposition.

7.2.3.4 Hypothesis Four

The fourth hypothesis *($H4_0$), there is no difference in the views of Australian bank employees that Australian banks always fix any occupational health and safety practices that present a problem,* is rejected. However, the mean of 2.57 seems to indicate that Australian banks do not always attend to these occupational health and safety problems.

7.2.3.5 Hypothesis Five

The fifth hypothesis *($H5_0$), there is no difference in the views of Australian bank employees that Australian banks are equal opportunity employers,* was rejected. Actually the mean of the responses showed a reasonably strong agreement that Australian banks are equal opportunity employers but clearly the differences among the respondents was significant enough to prevent acceptance of the hypothesis.

7.2.3.6 Hypothesis Six

The sixth hypothesis *($H6_0$), there is no difference in the views of Australian bank employees that Australian banks do not discriminate in their work practices,* is rejected. The mean of 2.57 appears to suggest that the respondents do not agree with the proposition, despite the significant difference among respondents.

7.2.3.7 Hypothesis Seven

Finally, hypothesis seven *($H7_0$)*, *there was no difference in the view of Australian bank employees that Australian banks always inform staff of their career prospects,* is not accepted. This variable attracts the strongest disagreement with a mean of only 2.30.

7.2.3.8 Comment on Hypotheses

The mean responses to the variables indicate a disagreement, or at best, a weak agreement about the propositions, but in all cases the hypotheses are rejected. The significant differences in the responses which caused rejection of all the hypotheses may reflect the varying backgrounds of the respondents who could work within either branches, head office, or be retired employees. The small number of respondents, as mentioned, prevents detailed analysis through further groupings.

7.3 A NEW STAKEHOLDER APPROACH TO BANKING RELATIONSHIPS

As an outcome of research including the focus groups, surveys, and hypothesis testing it has become apparent that Australian banking cannot continue to operate within the existing environment of banking social responsibility (Figure 3.1). The banks must accept that to persist with the existing approach to stakeholder and reputation management will bring pressure from significant lobby groups including the media which will ultimately force banks to acknowledge that there is a distinction between powerful and dependent stakeholders that requires each to addressed in a unique manner. The Conceptual Model of Future Environment of Banking Social Responsibility in Australia (Figure.7.1) encompasses that changed social environment in which Australian banks must operate.

This model presents a revised view of the corporate social responsibility of the banking industry. It identifies dependent stakeholders and shows that they are significant banking constituents who, despite a limited capacity to gain attention as individuals, can through the media, the government, lobby groups and proxy organisations bring pressure to bear on the reputation, and operations of Australian banks, and the industry as a whole. There is a shift required from a short term focus on shareholder value and profit to a longer term view based on operational legitimacy and capacity to succeed within the increasingly challenging economic and social domain.

As mentioned, in Chapter 3, a conceptual diagram was constructed (Figure 3.1) showing the current banking environment for social responsibility relationships in Australia. In the light of the findings from this study a revised model has been generated to show the dichotomous relationship that exists between Australian banks and their stakeholders. On one hand they must acknowledge that there are powerful stakeholders and dependent stakeholders each of which must be recognised and managed according to their respective stakes in a broad range of banking activities, extending beyond the purely economic domain into society and environment, and on the other hand they must continue to reconcile the need to provide adequate profits and shareholder returns. At all times the banks should be conscious that while dependent stakeholders lack individual power, they can through proxies, impact on banking reputation and operations through influencing legislative and policy change.

In this revised equation shareholders are viewed as key stakeholders who have legitimate claims on the banks' economic, social and environmental returns as part of a broader constellation of stakeholders who can shape, and who are shaped by, the banks' policies, activities, and strategic goals. The nature and impact of these reciprocal relationships is captured in Figure 7.1 below:

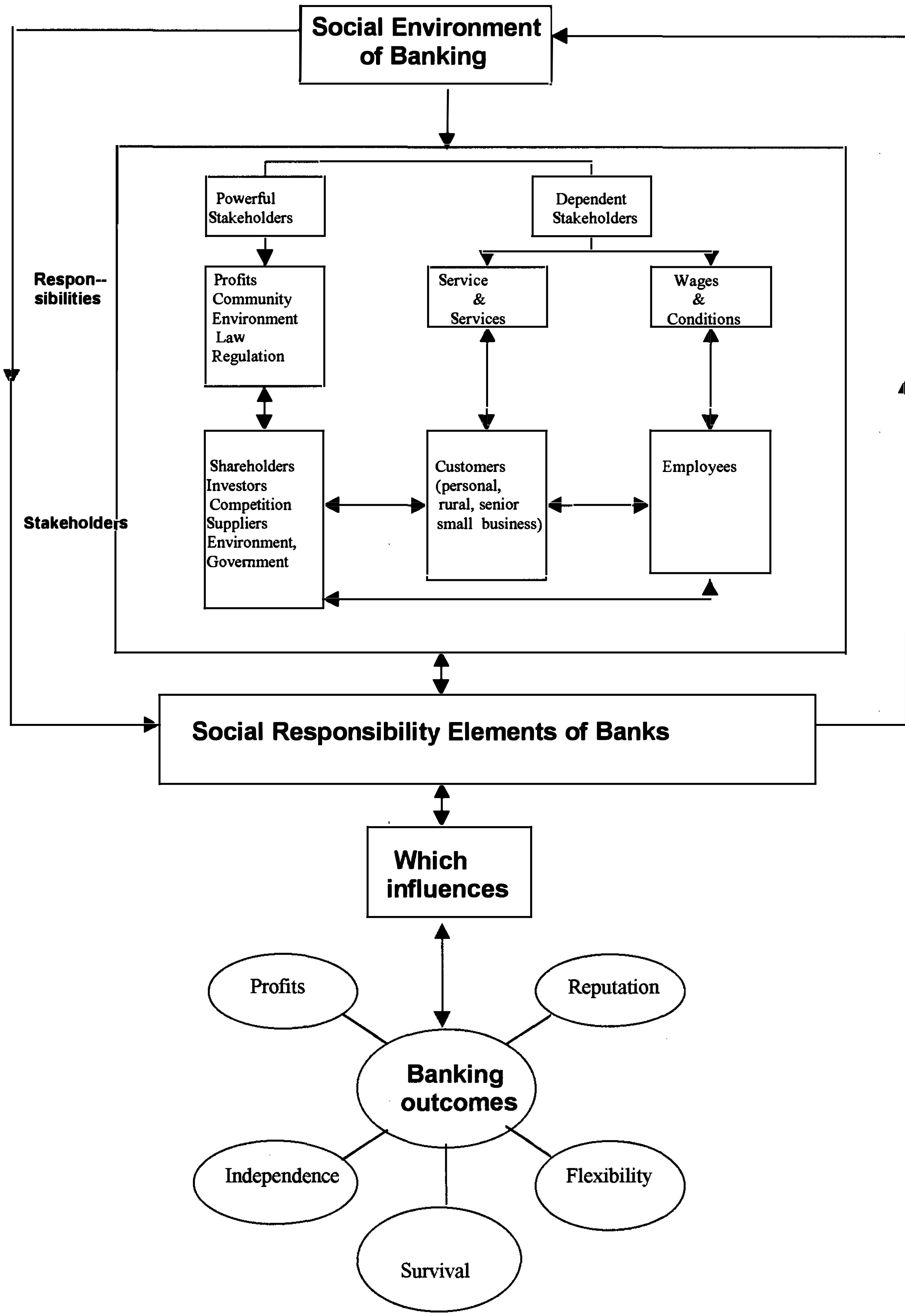

Figure 7.1. Conceptual model of the future environment of banking social responsibility in Australia

7.4 SUMMARY

There is obviously a strong perception, by all stakeholders (including their own staff), that Australian banks are not meeting a social responsibility performance that these stakeholders consider acceptable. Recent responses by the Australian banks give the impression that Australian banks are acknowledging that their commitment to social responsibility has not been adequate. Boreham (2001) states, with particular reference to the disadvantaged customers, that the Australian banks have more or less surrendered and admitted that they need a more socially responsible attitude when relating to this stakeholder group. Stewart (2001) reported that the chairman of a major Australian bank (Westpac Banking Corporation, 2001) recognises that Australian banks have a problem which could affect their long-term future. He sees the central issue as the community questioning of the balance that Australian banks have between profitability and social responsibility.

With this background, there is fertile ground for introduction of the new model of the future environment of social responsibility of Australian banking (Figure 7.1) which unlike current shareholder-focused or social responsibility models allows them to serve both powerful and dependent stakeholders in an operationally efficient and effective manner, while providing fair and reasonable returns to their shareholders.

CHAPTER EIGHT

CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

8.1 CONCLUSIONS

The literature has shown that corporations should be aware of their social responsibility obligations, which flow from their charter that is granted to them by society to undertake commercial activities. In exchange for that charter it is expected that they will act legally and ethically. In addition, they will be expected to ensure that their services are available at reasonable prices to all who seek those services whilst maintaining awareness of the impact that their business will have on all the stakeholders in the corporation.

The definition of the 'stakeholder' adopted throughout this research has been that 'stakeholder' includes all parties who are influenced or affected by, or who can influence or affect the corporation (Freeman, 1984). The stakeholder concept has placed pressure upon the long held view that the only stakeholder that the corporation should acknowledge is the shareholder. Indeed it has been suggested that to disregard all other stakeholders and to ignore the public interest will ultimately lead to greater public intervention (Walters, 1977).

This investigation focused on an industry whose key players are commonly perceived to be dismissive of their social responsibility obligations to provide, a (banking) service, at a reasonable price and at convenient locations to everyone who seeks that amenity.

Australian banks, it has been suggested, have focused primarily on their shareholders and they have tailored their relationship with other stakeholders to fit with the interests of shareholders. The research methodology was designed to test this perception by targeting those banking stakeholders who are power dependent, that is, those who rely on others to represent their rights and interests with respect to the provision of a reasonably priced and convenient banking service.

The conclusions that can be drawn from the research are summarised under the following three main areas of the investigation: Social responsibility standards of Australian banks; their social responsibility performance; and Australian banks' relationship with their staff.

8.1.1 Social responsibility standards

The responses to the survey questionnaire have allowed four hypotheses to be formulated relating to what the power dependent stakeholders perceived as the issues that form the basis of Australian banks' social responsibility standards. The four hypotheses tested related to Community Support and Participation, Public Integrity; Focus on Profits; and Service Standards.

In all cases the hypothesis tests confirmed that there were no significant differences between the various groups of power dependent stakeholders in their responses to the several variables that were comprised in the hypotheses. In almost all cases the respondents agreed quite strongly with propositions concerning the social responsibility standards. The variables receiving the least support related to employee representatives on Australian bank boards (Section 6.3.2), Australian banks making donations to charities (Section 6.3.4), and Australian banks lending for new inventions (Section 6.3.6). This would seem to indicate (not surprisingly) that power dependent stakeholders are more concerned with the social responsibility issues that affect them more directly. This was reflected in Section Three of the questionnaire where respondents were asked to rate in order of importance a number of social responsibility issues gleaned from the literature and from the focus groups.

The responses to Section Three showed that service was perceived as the pre-eminent social responsibility issue. Availability of a banking service was taken to include an acknowledgment that banking is an essential service, the control and regulation of Australian banks, and the early advice of changes in service. If banking is seen as an essential service there is a clear obligation on Australian banks to ensure that the service is readily available. It follows logically that in order for the service to be available, related fees and charges should be reasonable and advised promptly so that customers can either adjust their existing banking arrangements or (through pressure groups) - seek to have those fees adjudicated and amended. Because banks in Australia can be regarded as oligopolies there should be some form of control and regulation in order to ensure that Australian banks provide the desired level of service while at the same time remaining viable.

Of much less concern are broad discretionary activities. These are seen as involvement in community welfare, national welfare, and world welfare.

However the power dependent stakeholders were largely supportive of the idea that Australian banks should be involved in more locally directed discretionary undertakings as part of their CSR. The focus group sessions observed that banks appear to be less inclined to make donations and participate in and support community activities than they were in the past. What is being demonstrated is that while power dependent stakeholders expressed a desire to see Australian banks undertake discretionary activities, these activities were not regarded as the most important social responsibility issues facing the industry.

Finally the respondents, in their rating of social responsibility standards saw profitability as only a minor consideration. Hence, delivery of high levels of profits was not perceived to be a significant element of social responsibility for this group. Obviously Australian banks must be profitable in order to remain viable and attract investors to provide the infrastructure that is necessary to meet the expanding needs of their customers. However, the survey confirmed, that the respondents strongly agreed that Australian banks should not focus on profits only.

8.1.2 Social responsibility performance

The social responsibility performance of Australian banks was not rated highly in the perceptions of the power dependent stakeholders. The four hypotheses reveal some very interesting outcomes. Beginning with the perceptions of the level of Community Support and Participation (Section 6.8) extended by Australian banks; it was perceived to be low. However, the power dependent stakeholders, when asked to rate the importance of selected social responsibility issues – Section Three of the questionnaire – they did not regard this discretionary activity to be of great significance to them.

On the matter of Public Integrity (Section 6.9), the responses indicated that this dimension of Australian banks' reputation is perceived to be poor. There were generally weak responses to the majority of the propositions that suggested that Australian banks were honest and open in their communications with their power dependent stakeholders.

There is a strong perception that Australian banks concentrate on profits – the Focus on Profits (Section 6.10). On the basis of the mean of the responses to variables included in the hypothesis relating to Australian bank profits it is clear that the power dependent stakeholders have a problem with the level of profitability of Australian banks. However, there was a significant difference in the responses of the groups, resulting in the rejection of the hypothesis "that there is no difference among the groups about Australian banks' focus on profits".

The power dependent stakeholders largely rejected the propositions relating to Service Standards (Section 6.11) by Australian banks, and disagreed with all the variables except that which suggests that all branches have managers. In this case, there was solid acceptance that managers are available in branches indicating that most respondents seem to be unaware that lower level customer service officers have replaced managers. Australian bank service standards are clearly seen as inadequate. This should be of concern to Australian banks because the respondents identified personal service as the most important social responsibility issue.

With the extension of electronic banking services there is a new configuration of service delivery methods. Branches now play a less significant role in the strategy of Australian banks even though maintaining a presence in strategic locations is still important. The mean responses of the respondents to the variables that relate to convenience and safety of the new banking structure indicate that they are not accepting of the arrangements. There were however significant differences based on age. Notably - older customers of the Australian banks do not find the new banking systems agreeable, with those under 30 years of age adopting the new banking system more readily (Section 6.11).

Finally, with respect to social responsibility performance, it can be stated that if the way in which Australian banks respond to the issues raised by the power dependent stakeholders establishes whether they are socially responsible in addressing the requirements of those stakeholders, then variables constituting the hypotheses concerning Australian banks' social responsibility performance clearly show, that there is a perception that Australian banks are not meeting the social responsibility standards.

8.1.3 Relationship with staff

The survey of Australian banks to establish the nature of their relationship with their employees has produced interesting results. In all cases the responses to the survey variables has shown that Australian bank staff believe their employers could perform better in the area of staff relations. Staff can be viewed as neglected internal stakeholders whose value in recent times, through the introduction of substantial structural procedural changes has been overlooked.

It is surprising there has not been a stronger response confirming that Australian banks pay wages and salaries in accordance with awards; however there are significant differences between respondents. Similarly with overtime payments there has been a view expressed, through the responses, that Australian banks do not pay for all overtime worked, although there were significant differences between the respondents on this point.

Other areas of concern for Australian banks are the responses that suggest the banks may discriminate in work practices and do not inform staff of their career prospects. The strongest responses (with a mean of 3.53) related to Australian banks' performance as equal opportunity employers, but the hypothesis test shows that there are significant differences between respondents (Section 6.17).

The results demonstrate that the Australian banks need to give more attention to their staff, who are their internal stakeholders. With the rapid changes that have occurred in recent years there is a likelihood that banks may have overlooked the importance of investing in staff relations in their pursuit of new structures, systems, products and market niches.

This study shows that some structure or framework is necessary to clarify and highlight the nature of social responsibility relationships in the Australian banking system based on stakeholder perceptions. It has been accepted that these perceptions can be different from the perception that banks have of their own behaviour and operational environment, even though they believe that they are being socially responsible. This perception gap can result in Australian banks unintentionally alienating their stakeholders.

The_conceptual model of future environment of banking social responsibility in Australia (Figure 7.1) provides a platform for narrowing the gap between the perceptions that banks have of their social responsibility performance and the perception that their stakeholders have of that performance. The model presents a significant reference point by highlighting that stakeholders are diverse and complex and must be treated differently, not only to maximise banking profits but to ensure that banks deliver the appropriate banking service in accordance with their social charter. The model shows the dichotomous nature of the banking stakeholders, yet acknowledges there are interrelationships that can add a degree of complexity. The management of stakeholders, social responsibility and ultimately banking reputation can best be achieved by embracing the proposed new environment of banking social responsibility

An example of conflicting social responsibility perceptions and reality, which are explicit within the old environment, is demonstrated by the banks' approach to the introduction of electronic banking. The research shows that the acceptance of electronic banking is directly related to age. Senior citizen stakeholders who are confronted by the introduction and expansion of electronic services as the Australian banks' preferred method of service delivery are both wary and confused by the new technology. It has been shown that, generally, senior citizens have not welcomed this change even though banks believe that it simplifies transactions, speeds access and reduces cost to all parties. The acceptance by younger age groups confirms the Australian banks' commitment to the introduction of more technology, but senior citizens seek to have a personal interaction with bank staff, who in the past have been ready to spend time with them and help resolve their banking and financial queries and problems. Thus it can be stated that Australian banks should acknowledge that different customer groups have different needs and banks should act accordingly.

The study develops the view that banks have not managed their public interface well. Whilst it can be recognised that there is much that the Australian banks have done well, they have failed to effectively challenge unfavourable perceptions about excessive profitability with minimal regard to their social obligations. It has been suggested that they could stress the fact that Australian banks pay more taxes than other corporations and that they are subject to a wider range of regulations than most major enterprises. Despite the fact that a significant proportion of banks' profits have been generated through downsizing of its workforce which saw a reduction of 15% in finance sector employees, over the period from 1991-1995, while employment in the total workforce grew by 9% (Dawkins & Littler, 2001), they have the opportunity to reconcile their position with many power dependent stakeholders who are also shareholders (see the arrowhead links in Figure 7.1) and benefit from the flow of increasing dividends.

Even though Australian banks were not viewed as unethical in most of their pursuits their integrity has declined over the years. Incidents such as the association with a commercial broadcaster, which generated the perception that banks were paying for favourable comment, have been damaging to the banks' integrity and reputation. The perceived quest for greater profits has created pressure for more control and direction of banks on the provision of services and the limitation of fee levels as banks are not comprehended as being capable of self regulating. Unless banks more readily accept that they must act, and be seen to be acting in a socially responsible manner, it seems likely that they will continue to damage their reputation. This will promote a gradual shift from self regulation of fees, services and branch locations, towards increased government regulation and control, advanced through lobbying and pressure from various disaffected or marginalised stakeholders.

Finally, mention should be made of the results of the survey of the staff to establish the relationship that exists between the Australian banks and their staff. There is a definite indication that there could be some necessity for Australian banks to investigate the quality of morale within the ranks of their staff due to the degree of change that has occurred in recent years, coupled with downsizing of staff and increasing work loads.

8.2 LIMITATIONS

This research was undertaken in Western Australia on the assumption that it could be generalised to the whole of Australia. This is not an unreasonable assumption when it is understood that banking is mainly undertaken by four major banks operating nationally, and subject to laws that are virtually uniform. However, without a survey, with a much larger sample across all States there can be no certainty about the power dependent stakeholders' perceptions of what constitutes banks' social responsibility standards and the banks' level of performance, in achieving those social responsibility performance standards, throughout Australia.

The design of the social responsibility issues was based on information gathered from several focus groups and with reference to a review of the literature. This process lacked the degree of refinement that is necessary to give a highly precise definition of social responsibility. It was created to provide the parameters for defining perceived social responsibility, which was the purpose of this investigation.

The survey questionnaire could have been more probing and included many more variables of significance as well as seeking more descriptive information so that the investigation would have been more inclusive of other groups. Such groups as ethnic minorities, disabled, and women, all of whom would have special requirements just as the aged, and rural customers who were included in the research have special needs. Again, this highlights the size of the sample. If these additional groups are to be incorporated then a much larger survey is needed as it would be difficult to obtain a meaningful sample size for all these groups. The survey of bank staff was undertaken as part of the larger survey. As a result the number of respondents was relatively small (40). A larger survey would provide a much more acceptable basis for analysis and give greater confidence about the outcomes and findings.

8.3 RECOMMENDATIONS FOR FURTHER RESEARCH

Banking is an industry where the customer has less discretion and flexibility than is the case with other commercial or industrial relationships. Dissatisfied customers cannot transfer their business easily and in almost every instance the transfer of the business, which is both time consuming and costly, does not automatically result in improved service or satisfaction to the customer. Customers on transferring can be confronted with changed circumstances that create an environment that is no different from that which existed at, and was the cause for the transfer from, the previous bank with which the customer maintained the accounts.

Government fees and charges, along with a need for identification through a points system which must be established each time a new banking relationship is established, inhibit competition between Australian banks who can make use of these imposts to ensure that customers cannot transfer between banks without some financial penalty or considerable inconvenience. These forms of government impositions deny flexibility to banking customers. Customers who lack choice when dissatisfied will always be critical of their supplier. Australian banks can introduce systems and procedures with the knowledge that their customers have little alternative but to accept them.

It is possible for the Australian Bankers' Association to provide a forum for the introduction, by its members, of systems and structures that, while not being the same, have sufficient similarity to cause the customers to perceive that there may be some level of consensus. It could be said that all good ideas can be copied quickly thereby preventing the competition from gaining too great an advantage. But, there seems to be enough occasions when Australian banks, as a group, introduce systems, fees and charges that appear to primarily benefit the banks, without significant benefit or advantage to customers.

In view of these restrictions to free competition between Australian banks, there appears to be adequate opportunity for further research to be done. This research could investigate the impact on customers and the extent to which fees and charges are higher, interest rates on loans are higher, and rates on deposits are lower because of the inflexibility of the banking system. Further the costs and impediments that are imposed from outside the banking system by governments both State and Federal need serious investigation and amendment if the banking system is to have flexibility. Finally, the greatest danger exists to Australian banks themselves. If Australian banks persist in their intransigence and reluctance to accommodate the needs of the power dependent stakeholders there is no doubt there will be, ultimately, government intervention. This intervention will most likely be by way of legislation and regulation which, as Walters (1977 p.42) states, is "a result that is an anathema to the conservative position".

There is definitely a need for a more significant and focused research project specifically focusing on the forgotten internal stakeholders – bank staff, to be undertaken to assess the level of staff morale within Australian banks. This research should establish whether or not changed procedures and processes are effective. It should also confirm that the vigorous downsizing programmes that have been undertaken by Australian banks have produced the results that they were supposed to achieve, whilst ensuring the capability of their employees to perform effectively within an increasingly complex and demanding economic and social domain

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APPENDICES

APPENDIX A

Telephone Questionnaire

EDITH COWAN UNIVERSITY
PERTH WESTERN AUSTRALIA

CORPORATE SOCIAL RESPONSIBILITY SURVEY
BANKING INDUSTRY

Int_Id		STD	
Date		Phone	
Duration		Post Code	

Hello. My name is_________I am calling on behalf of Edith Cowan University which is undertaking a survey of what the public thinks of banks. More particularly your views on social responsibility of banks within Australia; issues related to banks' attitudes to the public and the changing nature of bank services. The survey takes around 10 minutes.

May I speak to the person who is over 18 years of age, and at home, whose birthday is next in your household.

1. Firstly we have some questions about what you think about banking service. How the services should be provided and how banks should be acting. Can you tell me how strongly you agree or disagree with the following statements, on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree.

AGREEMENT

Rotate questions	Strongly disagree		Unsure		Strongly agree	Don't know
1. Banking is an essential service	1	2	3	4	5	6
2 .Banks should provide services for everyone	1	2	3	4	5	6
3. Banks should say how fees are calculated	1	2	3	4	5	6
4. Banks should say what they have done for the community	1	2	3	4	5	6
5. Bank employees should have representatives on bank boards	1	2	3	4	5	6
6. Banks should have consumer representatives on their boards	1	2	3	4	5	6
7. Banks should make donations to charity	1	2	3	4	5	6
8. Banks should support community activities	1	2	3	4	5	6
9. Banks should make trade and commerce easy	1	2	3	4	5	6
10. Banks should lend for new inventions	1	2	3	4	5	6
11. Banks operating overseas should use Australian standards	1	2	3	4	5	6
12. Banks should not assist in illegal international dealings	1	2	3	4	5	6
13. Banks should not focus on profits only	1	2	3	4	5	6
14. Banks' prime purpose should be to provide a banking service	1	2	3	4	5	6
15. Banks should strive to provide job security	1	2	3	4	5	6
16. Banks should be equal opportunity employers	1	2	3	4	5	6
17. Banks *should* worry about their public image	1	2	3	4	5	6
18. The bank should always be ethical	1	2	3	4	5	6

2 Secondly we have some questions about how you think banks are actually performing Again, please tell me how strongly you agree or disagree with the following statements, on a scale of 1 to 5, where 1 is strongly disagree and 5 is strongly agree.

	AGREEMENT					
	Strongly disagree		Unsure		Strongly agree	Don't know
1. Bank service is always of high standard	1	2	3	4	5	6
2. A full range of services is available at branches	1	2	3	4	5	6
3. Banks support community charities	1	2	3	4	5	6
4. Banks financially support cultural activities	1	2	3	4	5	6
5. Branches are conveniently located	1	2	3	4	5	6
6. Branches have adequate staff	1	2	3	4	5	6
7. All branches have managers	1	2	3	4	5	6
8. Managers are well informed	1	2	3	4	5	6
9. Electronic banking is simple to use	1	2	3	4	5	6
10. One always feels safe using external ATMs	1	2	3	4	5	6
11. Bank profits are not high	1	2	3	4	5	6
12. Bank profits must be high because banking is risky	1	2	3	4	5	6
13. Fees charged by banks are not too high	1	2	3	4	5	6
14. Fees are the best way to make sure the right person pays pays for the service	1	2	3	4	5	6

Are you a current or past staff member of a bank? Yes ☐ No ☐

If "No", go to question 21

15. Bank employees wages and salaries are paid in accordance with awards	1	2	3	4	5	6
16. Staff are always paid for overtime worked	1	2	3	4	5	6
17. Occupational health and safety is a high priority of the banks	1	2	3	4	5	6
18. Banks always quickly fix any occupation health and safety practices	1	2	3	4	5	6
19. Banks are equal opportunity employers	1	2	3	4	5	6

20. Banks do not discriminate in their work practices	1	2	3	4	5	6
21. Customers are always told of new fees and charges	1	2	3	4	5	6
22. Bank advertisements always explain all aspects of their services	1	2	3	4	5	6
23 Bank advertising is always honest	1	2	3	4	5	6
24. Banks always inform staff of their career prospects	1	2	3	4	5	6
25. Banks never ask staff to act in a manner that is unethical	1	2	3	4	5	6
26. Profit is not the banks' main goal	1	2	3	4	5	6
27. Banks profits do not give a high return to shareholders	1	2	3	4	5	6

3 In order to gain an understanding of how you regard the following aspects of banking, would you please tell us, using a number out of 100, which of the following features of banking are most important or least important? 100 being the most important. (USE EACH NUMBER ONLY ONCE)

Rotate questions

The essential nature of banking	☐
Early notice of changes in service	☐
Regulation and control of banks	☐
Banks involvement in community welfare	☐
Banks involvement in national welfare	☐
Banks involvement in world welfare	☐
Profitability of banks	☐
Providing employment	☐
Personal service	☐

Lastly, a few quick questions to make sure we speak to a good cross section of people

4 Could you tell us with what institution/s you have an account/s? It doesn't necessarily have to be a bank, and it may be more than one institution.

Westpac ☐

ANZ Bank ☐

National Australia Bank ☐

Commonwealth Bank ☐

St. George Bank ☐

BankWest ☐

SA Bank ☐

Police & Nurses Credit Society ☐

State Credit Society ☐

Other Institutions

.... ☐

.... ☐

.... ☐

.... ☐

5 Age

Could you please tell me which group includes your age

Under 20 years ☐

20 years to less than 30 years ☐

30 years to less than 40 years ☐

40 years to less than 50 years ☐

50 years to less than 60 years ☐

60 years or over ☐

Refused ☐

Interviewer notes only - read if necessary

Personal accounts: Accounts used for normal daily financial transactions. Not related to carry on a business.

Rural (farm) accounts: Accounts used for the management of the finances of any farming operation.

Small business accounts: Accounts maintained by any business with less than 250 employees and a turnover of less than $1million per annum.

6 Lastly, could you please say which description most closely identifies the main type of account you have

Could you please say which description most closely identifies the main type of account you have

Rural (farm) account ☐

Small business account ☐

Personal account ☐

Your kind help in completing this questionnaire is very much appreciated. The information you have proved will be of considerable help in complete the research being undertaken into the social responsibility of banks.

Any questions concerning this telephone survey can be directed to William Phillips of School of Management, Faculty of Business and Public Management, Edith Cowan University on [redacted]

Thank you, to check we done the interview properly, our supervisors sometimes call back, could I have just your first name and may I confirm that I have called you on (read out phone number called)

Name: ______________________ Phone: ______________________

I certify that this interview was conducted according to the code of Professional Behaviour ICC/ESOMAR and has been checked for completeness.

Signed: ______________________