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**MILK ARROWROOT BISCUITS**  
**- Bridging the Expectation Gap -**

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**Australian Institute of Company Directors**  
**Conference - Darwin**

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Steven Cole  
May 2012

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**A. Milk Arrowroot Biscuits!!**



AUSTRALIAN INSTITUTE  
of COMPANY DIRECTORS

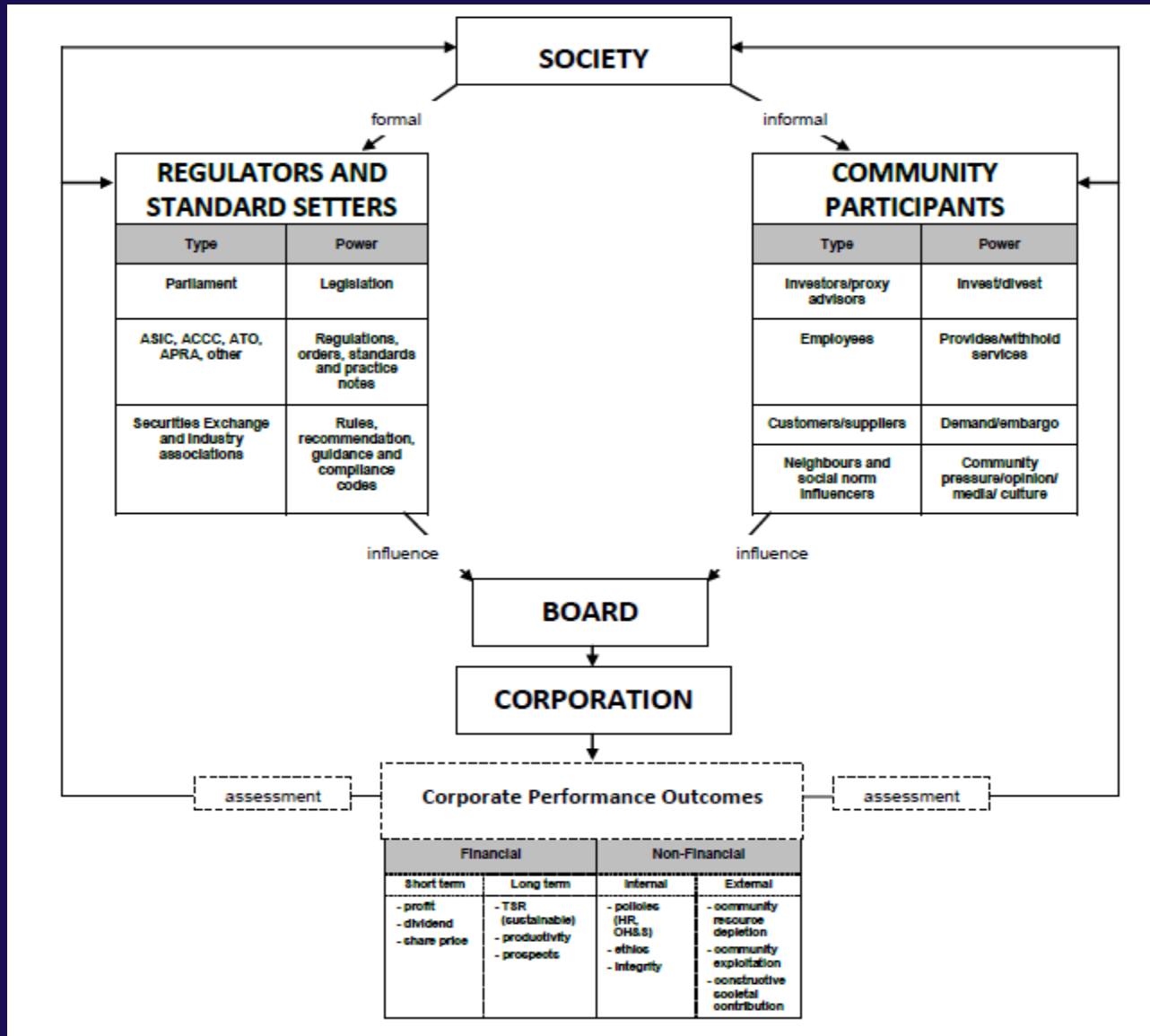
*“Few things could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible”*

Milton Friedman 1962  
Capitalism & Freedom

*“I think there is a world market for maybe 5 computers”*

Thomas Watson  
IBM Chairman & CEO 1943

# NORMATIVE MINDSETS



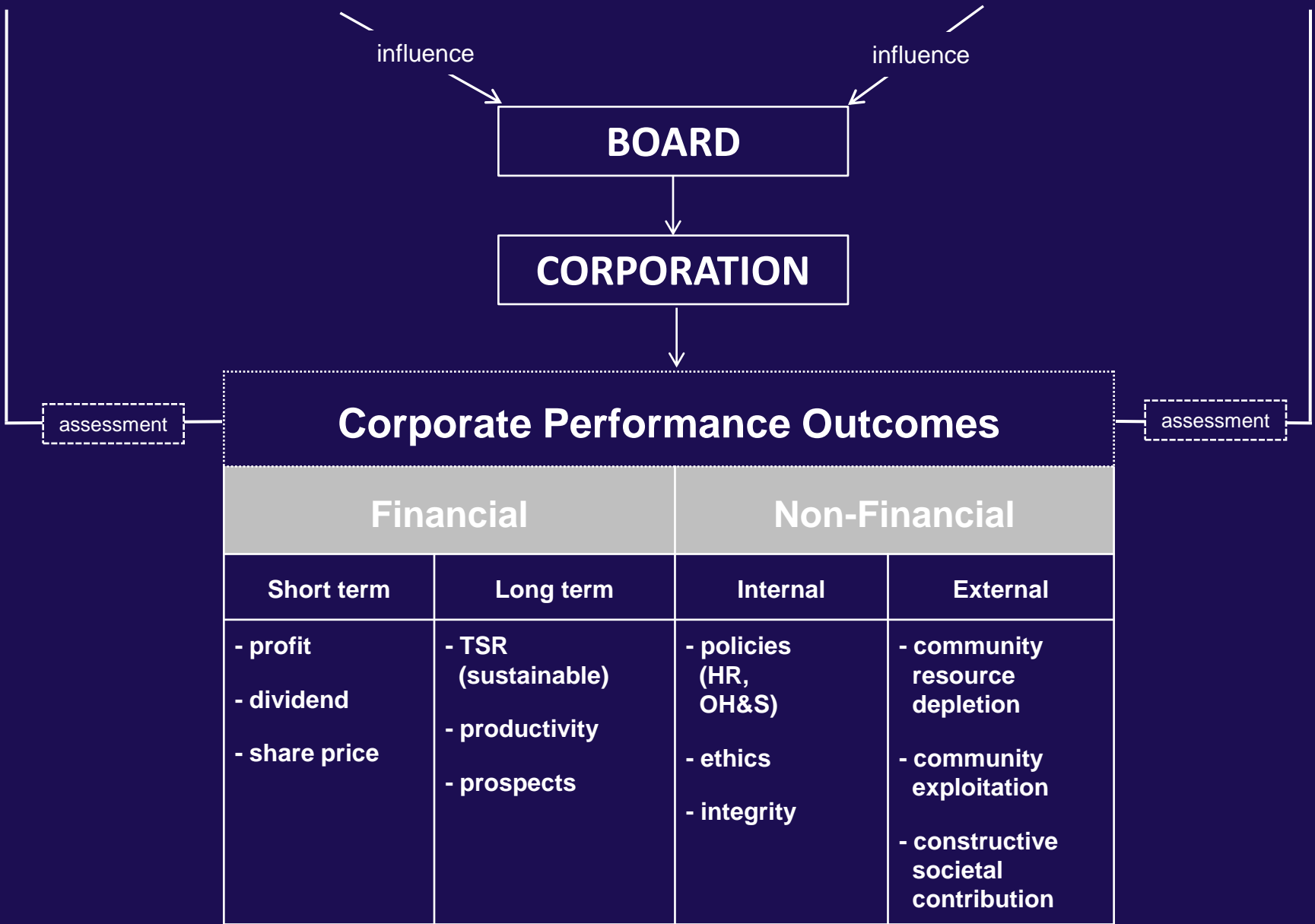


**SOCIETY**

informal

<b>COMMUNITY PARTICIPANTS</b>	
Type	Power
<b>Investors/proxy advisors</b>	<b>Invest/divest</b>
<b>Employees</b>	<b>Provides/withhold services</b>
<b>Customers/suppliers</b>	<b>Demand/embargo</b>
<b>Neighbours and social norm influencers</b>	<b>Community pressure/opinion/ media/ culture</b>

influence



*“the business of business is business”*

*“ethical superiority of the uninvolved”*

**Mark Pastin**  
**Hard Problems of Management**

*“Boards have to come to decisions leading to action, a responsibility which the promoters of principles are largely spared”*

Sir Adrian Cadbury  
The Company Chairman, 1990

*“The Limited Liability Corporation is the greatest single discovery of modern times ... even steam and electricity are far less important than the limited liability corporation.”*

*Nicholas Murray Butler  
President of Columbia University  
16 November 1911*

*“Did you ever expect a corporation to have a conscience when it has no soul to be damned and no body to be kicked”*

Lord Chancellor Edward, First Baron Thurlow  
1731 - 1806

It is the directors to whom society turns to seek its  
“soul to be damned and its body to be kicked”





Risk of unintended consequences to our national well-being:

- reduced productivity
- reduced investment inflow
- reduced new market entrants
- reduced international competitiveness
- reduced social and community dividend

*“it is not possible to isolate the economic elements of business decisions from their social consequences, because companies are part of the social system”*

Sir Adrian Cadbury  
The Company Chairman, 1990

# Levels of corporate responsibility

## 1. Base level

- meet legal and statutory obligations
- generate employment
- pay taxes
- economic dividend

## 2. Secondary level

- Productive use of resources (physical, human, social)
- avoid damage to environment
- avoid harm to society and its values

## 3. Tertiary level (?)

- ? moral imperative
- ? responsibility to improve social framework
- ? respond to society's priorities

*“... It’s about making sure that through all its activities and objectives ... [a corporation’s] ... Footprint enhances the alignment between business and community in all its forms – economic, social and environmental – and brings sustainable benefits ... we can’t sustain a first rate economy with a second rate community”.*

Katie Lahey  
Business Council of Australia CEO  
February 2007

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## Bridging the Expectation Gap:

1. More inclusive with greater transparency
2. Educating society of the core competencies of corporations
3. Leadership from within the director ranks
4. Regain trust and confidence
5. Grow professionally and enhance skills
6. Improve integrity and quality of decision making
7. Explain the scope/impact of the regulatory/liability burden
8. Critically review our conditioned MINDSETS

*“Companies need to turnaround their attitudes and seek  
“...affirmation from our communities that what we are  
doing is the right thing ... so I just think we’ve got to shift  
our point of view”.*

Marius Kloppers  
BHP Billiton CEO  
October 2011



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**BUT IT IS A 2-WAY STREET**

## Risk of unbridled “shareholder democracy”

- no accountability to shareholders as a whole
- no fiduciary constraints
- self interest paramount

# CONCLUSION

## The iron law of responsibility:

*“In the long run those who do not use power in a manner which society considers responsible will tend to lose it.”*

Keith Davis, 1975

Five Propositions for Social Responsibility

**Thank you**

**Steven Cole**