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Paper Title: A Conceptual Framework of the Corporate Management of Social Impacts: The Case of Problem Gambling

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A CONCEPTUAL FRAMEWORK OF THE CORPORATE MANAGEMENT OF SOCIAL IMPACTS: THE CASE OF PROBLEM GAMBLING

ABSTRACT

This paper integrates concepts from the corporate social issues management and corporate social performance literature to develop a framework that might inform future investigations into how organisations manage their social impacts. Drawing on a study examining how registered clubs in New South Wales Australia manage one of their social impacts, problem gambling, the paper first documents historical contributors to the emergence of problem gambling as a corporate social issue for the clubs, before assessing their corporate social performance in addressing problem gambling to the satisfaction of key stakeholders. Some insights into the future direction of the clubs in responsible management of gambling are then given. A theoretical analysis reveals the inadequacy of existing conceptual frameworks of corporate social issues management and corporate social performance in fully explaining the research findings to justify the utility of an integrated framework. Seven factors instrumental in explaining how NSW clubs have managed problem gambling are incorporated into an explanatory model that may have application in similar studies. These factors are environmental influences, corporate social orientation, corporate social responsiveness, corporate social responses, corporate social impacts, corporate social performance, and the development of a corporate social issue.

A CONCEPTUAL FRAMEWORK OF THE CORPORATE MANAGEMENT OF SOCIAL IMPACTS: THE CASE OF PROBLEM GAMBLING

Corporate social issues management and corporate social performance are growing fields of study with a shared focus on organisations and their social impacts. However, few attempts have been made to integrate concepts from these fields. While the corporate social issues literature generally takes a longitudinal perspective to explain how social issues evolve as a function of public policy, stakeholder and organisational changes, the corporate social performance literature has concentrated on snapshot methods and analyses of corporate social principles, processes and outcomes by which an organisation's social performance is judged. Yet, given the complementary emphases of these two fields, such an integration appears potentially valuable in explaining how organisations manage their social impacts.

The utility of an integrated approach was highlighted when attempting to explain how one industry has managed one of its social impacts, as documented in this paper. It was found that concepts drawn solely from the corporate social issues or the corporate social performance field were inadequate in capturing all explanatory factors. That is, the explanation was incomplete without considering both longitudinal influences inherent in understanding the emergence of a corporate social issue, and management principles, processes and outcomes depicted in models of corporate social performance. Integrating these two perspectives allowed a more complete explanation of how the industry under examination has managed one of its social impacts over time and how its corporate social performance has been judged.

The industry under study was the registered clubs industry in the state of New South Wales (NSW) Australia. The social impact examined was problem gambling. The study aimed to examine from past, present and future perspectives, whether and how the clubs have managed problem gambling to the satisfaction of key stakeholders.

The paper commences by summarising historical contributors to the emergence of problem gambling as a corporate social issue for NSW clubs. It then assesses the clubs' contemporary social performance by comparing their principles and practices in responsible provision of

gambling to those advocated by key stakeholders. Some insights into the future direction of the clubs in responsible management of gambling are given, before the research findings inform the development of an explanatory framework of how organisations manage their social impacts. The framework builds upon and integrates previous conceptualisations of corporate social performance and corporate social issues management. The utility of this framework is demonstrated by a theoretical analysis of the research findings.

AN HISTORICAL PERSPECTIVE ON THE EMERGENCE OF PROBLEM GAMBLING AS A CORPORATE SOCIAL ISSUE FOR NSW CLUBS

NSW registered clubs are not-for-profit organisations established to pursue and promote a common sporting, social, cultural or professional interest of their members. They also are now major providers of machine gambling. This first section summarises key historical contributors to the emergence of problem gambling as a corporate social issue for NSW clubs. These are discussed in terms of the role of the clubs and other stakeholders.

The Role of NSW Clubs in the Emergence of Problem Gambling as a Social Issue

As an issue of management concern for NSW clubs, problem gambling had its seeds in their historical development as major providers of machine gambling in NSW and Australia. When gaming machines were legalised in NSW clubs in 1956, prevailing government policy clearly linked legalised gambling to social benefit through, for example, church and charity bingo and state-run lotteries for explicit social and welfare purposes. The official not-for-profit status, restricted membership, and social benefit objectives of clubs were characteristics that enabled the NSW Government to justify this legal sanctioning of club machine gambling, despite economic objections from NSW hotels and moral objections from church groups and the Protestant middle class. Granting the clubs a state monopoly over machine gambling gave them considerable competitive advantage, spurring a remarkable industry expansion for the remainder of the century.

After 1956, the lure of gaming machine revenues fuelled exponential growth in the number of NSW clubs, while their machine gambling operations and the funnelling of resultant profits into club facilities and services changed the nature of individual clubs. The clubs steadily evolved

from small, elitist organisations in the early 1900s, to mass leisure organisations for people from a wide social spectrum, attracted by the machines and the superior club facilities. Gaming machines became the clubs' chief attraction, replacing an earlier emphasis on pursuing and promoting the common interest of members for which each club had been established. While substantial gaming machine revenues began to divert some club administrators from their clubs' social purposes towards more commercially-driven interests, an implicit acceptance that club machine gaming supported community benefit meant their expansion continued largely unchecked.

By the 1970s, this liberal environment had nurtured the emergence of very large clubs with extensive gaming machine installations, and whose social benefit focus had become increasingly blurred through ambitions to expand membership and patronage through extensive gambling and other club facilities. In the context of increased competition for gambling flowing from expansionist government policies during the 1980s and 1990s, NSW clubs became more aggressively commercial in their machine gambling operations and more politicised in attempting to protect what had become their main revenue source. By the 1990s, the NSW club sector was characterised by increasing industry concentration, with the large clubs yielding considerable political and market influence and pursuing the usual commercial goals of increasing market share, attracting maximum patronage, improving and diversifying their product mix, and generating substantial profits. Their overall priorities had shifted from a predominantly social orientation to an economic focus.

These changes attracted criticism that NSW clubs were violating their not-for-profit status and attendant concessions, by diminishing their charter to provide community benefit. Instead, many had evolved into commercial gambling venues, some with over 500 gaming machines, intent on aggressively marketing and expanding their machine installations with little regard for their social consequences. Thus, the very features of NSW clubs that allowed them to attain dominance over machine gambling in the state had become subordinated to economic interests. By the 1990s, not only had NSW clubs diminished their legitimacy and social contract through refocusing their efforts on commercial rather than social goals, but their competitive approach to machine gambling operations was fuelling concerns for problem gambling.

The Role of Other Stakeholders in the Emergence of Problem Gambling as a Social Issue

The clubs' commercialisation and unfettered expansion and promotion of machine gambling were not isolated factors fuelling the emergence of problem gambling as a corporate social issue in Australia by the 1990s. Additional contextual issues converged that heightened public concern about the social impacts of gambling. The role of governments, gambling operators, the epistemic community and pressure groups were instrumental.

Australian government policy on gambling evolved from emphasising prohibition until the 1920s, to selective liberalisation for social benefit until the 1970s, to an expansionist agenda by the 1990s (McMillen, 1996). Facing mounting fiscal pressures, Australian state governments steadily elevated principles of revenue raising in gambling policy to the dilution of consumer protection, harm minimisation, fair trading and public interest principles. By the mid-1990s, gambling policy was characterised by expansion, market stimulation, competition and increased privatisation. However, to allay community concern and to render expanded gambling options more publicly palatable, Australian governments directed resources at addressing problem gambling. Nevertheless, proactive measures to prevent or reduce the incidence and severity of problem gambling were largely subordinated to those aimed at treating problem gamblers. While some regulatory requirements for gambling operators to provide a responsible gambling environment were tightened, these largely were restricted to new forms of gambling such as casinos. Until 1998, there were minimal legal obligations for NSW clubs to address problem gambling.

By the 1990s, expansionist government policies were mirrored by the competitive strategies of gambling operators. These resulted in unprecedented accessibility and diversity of gambling, substantially expanded machine gambling, and aggressive marketing tactics to cope with an intensely competitive environment. While some gambling operators adopted some responsible gambling initiatives, these were seen as little more than token efforts in the face of what the public perceived as unacceptable levels of gambling problems and their attendant community consequences. It was in this context that calls for more responsible provision of gambling became intensified. As the largest providers of machine gambling at both state and national

levels and with their thinly veiled commercial orientation, NSW clubs became targets for criticisms that gambling operators were exploiting the gambling public (for example, Independent Pricing and Regulatory Tribunal of NSW [IPART], 1998; Productivity Commission, 1999a, 1999b). Pressure intensified from the epistemic community and key pressure groups for gambling operators to adopt harm minimisation and consumer protection measures to provide a more responsible gambling environment.

The epistemic community of Australian researchers and experts in the field was instrumental in projecting problem gambling into the social arena. Several influential researchers, analysts and social commentators rejected the US interpretation of problem gambling as an individual, medical or psychological disorder, instead drawing attention to its social consequences by redefining it as a public health issue (for example, Australian Institute for Gambling Research [AIGR], 1997; McMillen, 1997). This focused demands on governments and gambling operators, rather than individual gamblers, to minimise harm arising from problem gambling and to incorporate adequate consumer protection measures into gambling operations. This changed focus was mirrored by pressure groups seeking gambling reform. While reformers previously had objected to gambling principally on theological and moral grounds and due to concerns about gambling-related crime, social harm arising from problem gambling became the dominant public concern by the 1990s. Pressure groups became increasingly vocal, calling on governments and gambling operators to enact structural changes to minimise gambling-related problems through harm minimisation and consumer protection strategies. No longer was the onus of responsibility on individual gamblers to overcome their affliction or weakness. Instead, responsibility had shifted to governments and gambling operators to prevent or reduce problem gambling and its impacts on its 'victims' and the wider community. This shifted attention from measures to assist problem gamblers, to ways to improve social responsibility in gambling provision.

A CONTEMPORARY ASSESSMENT OF THE CLUBS' CORPORATE SOCIAL PERFORMANCE IN ADDRESSING PROBLEM GAMBLING

Given the heightened status of problem gambling as a corporate social issue for NSW clubs, empirical research was undertaken in 1998 to assess the associated corporate social performance

of NSW clubs. A framework based on theoretical concepts of corporate social performance (Carroll, 1979, 1991; Wartick and Cochran, 1985; Wood, 1991; Zenisek, 1979) structured primary research into the current status of NSW clubs in managing problem gambling to the satisfaction of key stakeholders. It conceptualised social performance in gambling as a function of the congruence between organisational behaviour and key stakeholders' expectations of the principles and practices which gambling operators should adopt to address problem gambling. This congruence was assessed by comparing priorities given by each party to economic, legal, ethical and discretionary dimensions of social responsibility (Carroll, 1979, 1991) in machine gambling, and by comparing preferred policies and programs in responsible provision of gambling.

A Contemporary Club Perspective on Managing Problem Gambling

Three data sources were analysed to assess how NSW club managers viewed their social responsibilities in addressing problem gambling. These comprised in-depth interviews with nineteen NSW club managers, case studies of six NSW clubs with responsible gambling programs, and a mail survey of managers of all NSW clubs with gaming machines, incorporating Aupperle's (1982) corporate social orientation instrument. While word limits preclude a comprehensive explanation of the methodology and analysis, of particular note was the convergence of findings from the three data sources about the degree of acceptance and support amongst NSW clubs for socially responsible principles and practices in gambling provision. This hierarchy of acceptance and support is depicted in Figure 1.

INSERT FIGURE 1 ABOUT HERE

While the club managers considered all of Carroll's (1979, 1991) economic, legal, ethical and discretionary principles and practices important in socially responsible management of gambling, economic concerns clearly attracted the highest priority. The nineteen interviews reflected support by the club managers for only passive strategies in responsible gambling amidst concerns that more interventionist practices might undermine the clubs' revenue base and competitiveness and incur expenses to implement. The six case studies and the quantitative survey also confirmed support for passive over proactive measures. Legal responsibilities were

the next most prioritised area, with the club managers seemingly cognisant of their legal obligations in machine gambling, to regard them as highly important, and to have incorporated mechanisms to maximise compliance. The third most prioritised concern was ethical responsibilities. Within this ethical domain, the club managers most favoured the principle of secondary harm minimisation, operationalised through the provision of patron information on problem gambling and sources of assistance. The next most favoured principle was reactive primary intervention through voluntary self-exclusion programs for patrons acknowledging a gambling problem. Less favoured was primary intervention through limiting access to cash for gambling and consumer protection measures to ensure fair trading by providing more comprehensive product information and by placing certain restrictions on the advertising and promotion of machine gambling. The least favoured principle was discretionary support, particularly if involving financial commitments.

A Contemporary Stakeholder Perspective on Managing Problem Gambling

Principles and practices advocated by key stakeholders in responsible management of gambling were identified via in-depth interviews in 1998 and relevant submissions to the *NSW Gaming Inquiry* (IPART, 1998).¹ The views of three non-industry stakeholder groups were examined - the NSW Government, the epistemic community and pressure groups – with data sources shown in Table 1.

INSERT TABLE 1 ABOUT HERE

The three stakeholder groups supported adherence to all of Carroll's (1979, 1991). Key pressure groups and the epistemic community favoured the broadest range of practices, supporting financial contributions from gambling operators to implement responsible gambling strategies and to fund problem gambling and community support services. They also called for better compliance to existing legislation and additional legal obligations in responsible conduct of gambling. These constituencies proposed a wide range of ethical practices to improve secondary and primary harm minimisation, consumer protection and fair trading in gambling. Emphasis

was placed on greater discretionary liaison between gambling operators and the community to better meet prevailing values and expectations and to develop closer links with problem gambling support agencies. Thus, the epistemic community and key pressure groups advocated a holistic, public health approach to addressing problem gambling, focusing on the public interest, consumer rights, and proactive protection from problem gambling and its consequences.

The NSW Government advocated a narrower range of practices. While supporting further economic contributions by gambling operators to address problem gambling and some additional legislative requirements for gambling operators, the government was reticent to acknowledge criticisms that its policies and regulations did not adequately address problem gambling. Further, it was resistant to improving legal compliance, and coordination, monitoring and enforcement of responsible gambling initiatives. However, it supported a comprehensive set of ethical practices, embracing secondary and primary harm minimisation strategies, and practices to enhance consumer protection and fair trading in the advertising of gambling. It also supported further discretionary in-kind and financial support from gambling operators to address problem gambling. Thus, the NSW Government was generally supportive of most initiatives that shifted responsibility for addressing problem gambling onto gambling operators.

In summary, in contrast to the minimalist approach in responsible gambling favoured by the clubs during, key non-industry stakeholders advocated a more proactive, extensive model, as summarised in Table 2.

INSERT TABLE 2 ABOUT HERE

Divergence Amongst Club Managers' and Stakeholders' Perspectives on Managing Problem Gambling

When the expectations of the three stakeholder groups were compared to principles, policies and programs in responsible gambling supported by NSW club managers, substantial expectational gaps were identified, as shown in Figure 2, contributing to the emergence of problem gambling as a concern of organisational and social significance during 1998.

INSERT FIGURE 2 ABOUT HERE

A FUTURE PERSPECTIVE ON THE MANAGEMENT OF PROBLEM GAMBLING BY NSW CLUBS

Responding to increasingly vocal public concern over the social impacts of gambling, the NSW Government enacted legislation in 1998 obligating the peak NSW club industry association, the Registered Clubs Association (RCA) to publish an enforceable, but self-regulated, problem gambling policy for the industry. Further, key developments during 1998-1999 shaped the RCA's response to the legislation and its development of a statewide responsible gambling program. While the RCA had commenced this development in late 1997 with the assistance of the AIGR, subsequent events in 1998-99 continued to shape the nature of that program and the problem gambling policy that underpinned it.

A critical element in developing the RCA's statewide responsible gambling program was its trial program in nineteen NSW clubs and its subsequent evaluation by the AIGR (1998a). While underpinned by socially responsible principles, processes and practices, the trial demonstrated the inherent weaknesses of self-regulation and the tendency of participating clubs to take a minimalist approach under conditions of competitive rivalry, economic pressures and resistance to change. The passive strategies adopted by most participating clubs reflected the general reluctance of the RCA to encourage a more proactive approach to responsible gambling at that time and its inability to ensure compliance under the self-regulatory model. However, the AIGR's evaluation of the trial program and its recommendations for the statewide program (1998a) challenged the RCA to achieve a more comprehensive and widely implemented program.

This challenge was compounded by recommendations of the *NSW Gaming Inquiry* (IPART, 1998) for minimum mandatory standards in responsible gambling that went beyond those embraced in the RCA's trial. Thus, the AIGR's (1998a) and IPART's (1998) recommendations placed the RCA under unprecedented pressure for a statewide program that would overcome the general reticence of NSW clubs to voluntarily adopt responsible gambling measures and the problems encountered with program compliance. The RCA responded during 1999 by devoting

considerable resources for support, guidance and training to optimise program implementation, by embracing many of the AIGR's recommendations for program refinement (1998a), and by acknowledging calls for improved management practices that the IPART report (1998) had unleashed. By mid-1999 however, the RCA had still not grappled with the more difficult issue of program compliance, instead pursuing self-regulation.

In mid and late 1999, the draft and final reports of the first independent national inquiry into gambling in Australia were released (Productivity Commission, 1999a, 1999b). These added further fuel to arguments that gambling operators should implement more comprehensive, proactive and mandatory measures in responsible conduct of gambling. In combination with the inclusive approaches taken by the AIGR in coordinating the RCA's trial program and by IPART in conducting the *NSW Gaming Inquiry* (1998), the Productivity Commission's reports (1999a, 1999b) provided a conduit for community concerns about the social impacts of gambling, particularly problem gambling. The prominence given to community opinions and the convergence of findings of the AIGR (1998a), IPART (1998) and the Productivity Commission (1999a, 1999b) substantially removed the capacity for governments and gambling operators to establish gambling policy in isolation and for their own interests. It placed the NSW Government and the RCA in an unsustainable position, with the events of 1998-99 culminating in NSW legislation and regulations prescribing stringent mandatory standards in responsible conduct of gambling for all gambling operators.

The *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and the *Registered Clubs Amendment (Responsible Gambling) Regulation 1999 NSW* had considerable implications for the RCA in developing its statewide responsible gambling program. Most significantly, they removed the RCA's former freedom to self-regulate the industry, instead imposing minimum mandatory standards. However, the RCA signalled it would still play a substantial role in implementing these standards throughout NSW clubs. Further, the legislation provided the opportunity for the RCA to develop a program that transcended these minimum requirements. Its capacity as an agent of change for the industry was thus enhanced by the legislation which potentially reduced the RCA's former difficulties with self-regulation, whilst highlighting opportunities for the club industry to demonstrate its social performance in

gambling. By the end of 1999, the RCA had accepted that the convergence of pressures from numerous stakeholders could not be ignored. The RCA's stance on responsible gambling had evolved over 1998-99 from one of reluctant acceptance to one of pragmatic involvement.

Thus, by the end of 1999, a combined legislative and self-regulated approach to responsible gambling appeared the most likely future direction of NSW clubs in addressing problem gambling.

A FRAMEWORK FOR INVESTIGATING KEY INFLUENCES ON THE MANAGEMENT OF CORPORATE SOCIAL IMPACTS

Drawing on the research findings, Figure 3 depicts the key influences on how NSW clubs have managed problem gambling. It is proposed as a tentative framework that might assist future investigations into how organisations manage their social impacts. It attempts to advance the theoretical underpinnings of future research into the management of corporate social impacts by providing a framework grounded in this study's findings and to overcome deficiencies revealed in existing theoretical frameworks in fully explaining these findings. While this study utilised and adapted conceptual models of corporate social performance and corporate social issues to underpin the research, no single existing framework appeared adequate to fully interpret the data. A framework integrating various elements from both fields was the most useful. However, the utility of this model remains to be tested for other organisations, industries, contexts and social impacts.

INSERT FIGURE 3 ABOUT HERE

In summary, seven main elements are incorporated in Figure 3. The framework proposes that how organisations manage their social impacts is subject to environmental influences that shape the corporate social orientation of the organisation. This orientation, reflected in the relative priority given to economic, legal, ethical and discretionary principles, influences the extent and effectiveness of socially responsive processes adopted to deal with the problem, which in turn influence the effectiveness and implementation of the organisation's social responses. It is these responses that determine the nature, extent and degree of the organisation's social impacts.

Based on these impacts, along with the principles, processes and practices underpinning organisational efforts to address the problem, stakeholders make judgements about the corporate social performance of the organisation according to the degree of congruence between their expectations and the organisation's behaviour. If the corporate social performance of the organisation is judged to be poor, reflecting the existence of significant expectational gaps between the organisation and its stakeholders, if controversy exists over how to resolve the problem, and if the organisation accepts that the problem has potential for significant impacts on its operations, then a corporate social issue emerges.

Finally, reflecting the continuous nature of organisational attempts to manage social impacts, the framework depicts the development of a corporate social issue as feeding back into the environmental influences that shape the organisation's social orientation. This emphasises the ongoing nature of organisational attempts at managing corporate social impacts, and the continuously changing external and internal factors that influence these attempts. The framework therefore recognises that managing corporate social impacts is a continuous function of organisations operating in a dynamic environment.

A THEORETICAL ANALYSIS OF THE RESEARCH FINDINGS

This section demonstrates how the framework in Figure 3 was informed by the research findings on the management of problem gambling by NSW clubs.

Factor 1. Environmental Influences

Changing environmental factors have been a major influence on how NSW clubs have managed problem gambling. Up until the 1970s, a political environment linking legalised gambling to social benefit shaped an economic environment for the clubs relatively free from competition and regulatory restrictions, and a social environment endorsing club machine gambling as legitimised through its community benefit role. The resulting industry expansion and emergence of very large clubs meant organisational goals of social benefit were superseded by commercial interests. Club performance came to be judged on economic rather than social criteria, fostering a more commercially-oriented management approach.

From the 1980s, changing external factors further eroded the social orientation of NSW clubs. Expansionist government gambling policies intensified competition and the clubs adopted aggressive marketing and political strategies to consolidate their competitive advantage. However, a resulting social backlash saw problem gambling emerge as a central concern. By the 1990s, NSW clubs were subject to unprecedented pressure from the political and social environments to moderate their commercial agenda. This environment pressured the RCA to develop a responsible gambling program for NSW clubs.

During the late 1990s, a convergence of environmental pressures considerably influenced the RCA's approach. Criticisms of the RCA's trial program (AIGR, 1998a), two government inquiries (IPART, 1998; Productivity Commission, 1999a, 1999b) and new legislation pressured the RCA to shift from a somewhat reluctant and minimalist stance to one of pragmatic acceptance. By the end of 1999, key external influences on the management of problem gambling in NSW clubs had emerged as minimum legislated standards and the RCA's commitment to industry leadership, amidst heightened public pressure for reform of gambling venue practices.

The above summary suggests that examining how organisations manage their social impacts would be incomplete without investigating influential external and internal environmental factors. However, previous models of corporate social performance (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991; Zenisek, 1979) have not made the role of environmental influences explicit, instead presenting the construct as somewhat divorced from contextual factors. Perhaps Wood (1991) has come closest to acknowledging the role of external and internal environmental factors in corporate social performance, depicting motivators for corporate social behaviour as the need for organisations to maintain institutional legitimacy and to respond to public policy (external influences), and the role of managerial discretion in making ethical decisions (internal influences).

External and internal environmental influences on the management of corporate social impacts have, however, received more categorical attention in the issues management literature. For example, various lifecycle models depict issues as moving over time through stages relating to

stakeholder and organisational attention (Bigelow, Fahey and Mahon, 1993; Carroll, 1993; Eyestone, 1978; Mahon, 1989; Molitor, 1977; Starling, 1980). These recognise that how organisations manage their social impacts is not divorced from public policy, social pressures and corporate strategy (Mahon and Waddock, 1992:21).

Factor 2. Corporate Social Orientation

A second influence on how NSW clubs have managed problem gambling is their corporate social orientation, that is, their prioritisation of social objectives.

NSW clubs operating before the legalisation of gaming machines emphasised mutual benefit for their restricted membership and support for their wider communities. However, this social orientation has declined in contemporary clubs. Exposed to competitive pressures, but enjoying a sustained regulatory environment free until 1998-99 from stringent obligations to limit gambling's negative social impacts, contemporary clubs have had little motivation to prioritise a social agenda. Further, the clubs' financial reliance on machine gambling, with a substantial proportion of their gambling revenue accruing from problem gamblers (Productivity Commission, 1999b:7.46), deterred most clubs from voluntarily implementing responsible gambling measures. Faced with a perceived trade-off between economic rewards and social benefit, the clubs had little reason to prioritise the latter until required by legislation. The economic orientation predominating amongst NSW clubs by 1998 suppressed prioritisation of ethical and discretionary principles in machine gambling, and nurtured resistance to further legal restrictions in their machine gambling operations.

However, events during the late 1990s prompted the RCA to pay greater attention to the industry's social responsibilities. Following revelations that the clubs' economic priorities hindered compliance to its trial responsible gambling program and further criticisms of a self-regulatory approach (AIGR, 1998a; IPART, 1998; Productivity Commission, 1999a, 1999b), the RCA signalled willingness to lead the industry in complying to the legislated minimum standards.

These findings imply that examining how organisations manage their social impacts can be informed by investigating their social orientation. Doing so helps highlight how organisational priorities influence organisational behaviour, particularly if managing these impacts poses real or perceived threats to economic performance. This contention generally is consistent with prior models of corporate social performance that identify socially responsible principles as one dimension of the construct (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991; Zenisek, 1979).

However, there has been much debate over whether these principles are best conceptualised as motivators (Wood, 1991) or as categories of principles (Carroll, 1979, 1991; Wartick and Cochran, 1985) which drive corporate social behaviour. It is argued however that how socially responsible principles affect corporate social behaviour depends on the relative *priorities* placed on the economic and social interests of the organisation. The term ‘corporate social orientation’ (Aupperle, 1982) appears to best capture the notion that organisations make trade-offs between economic and social principles. This trade-off has been recognised by Carroll (1979, 1991) in his model of corporate social responsibility that depicts the construct as the relative importance given by organisations to economic, legal, ethical and discretionary principles.

Thus, corporate social orientation has considerable explanatory value in understanding how organisations manage their social impacts and appears strongly influenced by external and internal environmental influences on the organisation. Further, corporate social orientation appears to underpin corporate social responsiveness.

Factor 3. Corporate Social Responsiveness

A third factor influencing how NSW clubs have managed problem gambling is their corporate social responsiveness. The historical analysis provided evidence that the increasingly economic orientation and heightened commercial interests of NSW clubs since 1956 limited the extent and effectiveness of socially responsive processes adopted to address problem gambling. These processes are examined according to Ackerman’s (1975) three characteristic behaviours of socially responsive organisations - monitoring and assessing environmental conditions, attending

to stakeholder demands, and devising organisational mechanisms to respond to corporate social issues.

Until the 1990s, their protected position in machine gambling offered NSW clubs little incentive to monitor and assess environmental conditions, except for their potential impact on economic performance. Attention to changing social pressures was subsumed by attention to escalating competitive pressures and their potential to undermine the commercial interests of clubs. Further, their protected position precluded the need for NSW clubs to respond to and balance demands of their various constituencies. Attention to stakeholder demands before the 1990s focused on meeting requirements and challenges posed by governments and competitors, rather than those voiced by pressure groups concerned with gambling's social impacts, resulting in few voluntary response mechanisms in NSW clubs to address problem gambling.

However, heightened external pressures during the 1990s encouraged the RCA to become more socially responsive in leading NSW clubs in responsible gambling. It allocated substantial resources to program development, with that program informed by experts, key stakeholders, the NSW club sector, and a comprehensive review of the theory and application of socially responsible initiatives in relevant industries. It also published key program documents for public comment, maximising transparency and accountability, and planned mechanisms to enhance statewide program implementation, including codes of practice, training, a management manual and support materials. Thus, by mid-1999, the RCA was making a concerted effort to develop comprehensive mechanisms to assist NSW clubs in responding appropriately to environmental pressures and stakeholder demands relating to problem gambling.

Thus, examining corporate social responsiveness is potentially valuable in investigating how organisations manage their social impacts, encouraging exploration of processes used to assess environmental conditions, respond to stakeholder demands and attend to corporate social issues (Ackerman, 1975). Including social responsiveness in such an examination also is consistent with existing models of corporate social performance (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991). However, while these models agree that corporate social responsiveness is one element of corporate social performance, there is less agreement on what actually comprises

the construct. While Carroll (1979) and Wartick and Cochran (1985) depicted social responsiveness as reactive, defensive, accommodative or proactive, Wood (1991:703) argued that these were categories, rather than processes, of responsiveness. Drawing on Ackerman's (1975) characteristic behaviours of socially responsive firms, Wood (1991) depicted corporate social responsiveness as comprising environmental assessment, stakeholder management and issues management, reflecting the need for organisations to handle information, people and groups, and social issues and events, respectively (Wood, 1991:703). However, given the generally broader application of the term 'issues management' than the restricted meaning intended by Wood (1991), the last dimension may be better conceptualised as organisational response mechanisms. Further, examination of socially responsive processes used by the RCA in its responsible gambling program suggests that it is not just their existence that influences an organisation's social performance; rather their extent and effectiveness in assisting the organisation to accurately understand environmental conditions and stakeholder expectations to develop appropriate corporate response mechanisms, also are important.

Thus, corporate social responsiveness appears to emanate chiefly from the social orientation of organisations, that is, their prioritisation of corporate social principles. Further, it provides a means to translate these principles into organisational practices aimed at managing the social impact under study.

Factor 4. Corporate Social Responses

Another factor central to understanding how NSW clubs have managed problem gambling is their social responses to the problem. Environmental influences nurturing an increasingly commercial orientation subordinated development of effective social response processes, resulting in few socially responsible practices to address problem gambling prior to the late 1990s. The primary research found that policies and programs to address problem gambling were implemented in a minority of NSW clubs by 1998 and limited mainly to secondary and reactive primary harm minimisation strategies. This passive approach also was reflected in the practices adopted in the RCA's trial responsible gambling program.

However, the greater social orientation of the RCA between 1997-99, and the socially responsive processes used in developing its trial and statewide responsible gambling programs, signal the RCA's potential for improving the social responses of NSW clubs to problem gambling. Further, NSW legislation has made an improved response obligatory. While the NSW Department of Gaming and Racing will be responsible for enforcing these minimum practices, their limited resources mean that the RCA's role in encouraging and facilitating legal compliance amongst NSW clubs will be critical in determining how extensively such practices are implemented and, in turn, how effectively they address problem gambling.

The discussion above and existing models of corporate social performance (Wartick and Cochran, 1985; Wood, 1991; Zenisek, 1979) suggest that examining the management of corporate social impacts would be deficient without assessing organisational practices implemented to address those social impacts. The study's findings also confirm the utility of investigating both social policies and social programs, as depicted in Wartick and Cochran's (1985) and Wood's (1991) models. Further, the study's findings revealed that the mere existence of socially responsible policies and programs does not guarantee socially desirable outcomes, but that the potential effectiveness of those responses to minimise or negate the social impact under study and their degree of implementation are integral to optimising corporate social performance. This is a point raised by Wood (1991) who noted that policies can exist without being implemented, programs can be implemented in the absence of formal policies, and that social impacts, both negative and positive, may occur without, or in spite of, formal policies and programs (Wood, 1991:692-693).

Thus, the effectiveness and implementation of social policies and programs appears an intermediate step between the processes of social responsiveness and the social impacts of the organisation, or its corporate social results.

Factor 5. Corporate Social Results

Wood (1991:708) argued that outcomes or results of corporate behaviour are of obvious direct interest in assessing corporate social performance, as this performance frequently is judged by the observable impacts of corporate action or inaction (Wood, 1991:693). The research for this

study supports this contention. That is, the responses of NSW clubs to managing problem gambling have influenced its impacts, in turn influencing how stakeholders have judged the clubs' social performance in machine gambling.

By the late 1990s, a redefinition of problem gambling as a public health issue fuelled criticisms of the policies and practices of gambling operators and governments. These criticisms were further exacerbated by social impact studies into gambling (for example, AIGR, 1996, 1998b; Delfabbro and Winefield, 1996; Dickerson and Baron, 1993; Dickerson, Walker and Baron, 1994; Dickerson, Baxter, Boreham, Harley and Williams, 1995), and by the findings of the NSW (IPART, 1998) and Federal (Productivity Commission, 1999a, 1999b) government inquiries into gambling. These investigations highlighted the nature, extent and impacts of problem gambling, placing the onus for addressing it firmly on gambling operators and governments. The corporate social performance of many gambling operators was judged as deficient due to their failure to address problem gambling and its impacts through more responsible management practices.

While some gambling operators had introduced responsible gambling programs by 1998, these were generally viewed as having minimal effect on problem gambling (IPART, 1998; Productivity Commission, 1999a, 1999b). Further, the *Gambling Legislation Amendment (Responsible Gambling) Act 1999 NSW* and associated regulations signalled government recognition that self-regulation had proved inadequate in managing the social impacts of gambling. Further, some social impact studies (AIGR, 1996, 1998b; IPART, 1998; Productivity Commission, 1999a, 1999b) highlighted the disproportionate association between problem gambling and machine gambling. As the largest providers of machine gambling in NSW and Australia, combined with their minimal responsible gambling measures at that time, NSW clubs were seen as major contributors to problem gambling and its impacts.

Examining corporate social impacts appears indispensable in explaining how organisations manage those impacts. It encourages more complete understanding of stakeholder concern for those impacts and the extent and type of pressure applied to organisations to address those concerns. Further, it is contended that understanding corporate social impacts requires consideration of their nature (positive or negative), their extent (widespread or contained) and the

degree to which they are felt (severe to mild). These dimensions of problem gambling were important in explaining its emergence as a corporate social issue in Australia and the pressure for gambling reform applied by various stakeholders by the late 1990s.

Factor 6. Corporate Social Performance

While the literature on corporate social performance generally considers it a subjective construct based on stakeholder judgements of the organisation, only Zenisek's (1979) model explicitly presents the construct as a function of the congruence between organisational behaviour and stakeholder expectations. Failure to include stakeholder expectations or other evaluative criteria in other models of corporate social performance (Carroll, 1979; Wartick and Cochran, 1985; Wood, 1991) limits their use in empirical research. However, this study has shown that understanding stakeholder expectations assists in explaining how organisations manage their social impacts, at least for problem gambling in NSW clubs. Stakeholder demands arising from their judgements of the clubs' social performance have been instrumental in shaping the clubs' response to problem gambling.

Before the 1980s, problem gambling received little explicit attention from external stakeholders. In NSW, the explicit linkage between club gaming machines and social benefit, and their comparatively low-key marketing, meant NSW clubs were subject to minimal criticism. Gambling reformers were preoccupied with other negative aspects of gambling, such as moral degradation and crime. Influenced by US theory in the 1980s, the Australian epistemic community tended to view problem gambling as arising from mental and medical problems of individuals. Further, the selective liberalisation policies of governments, where gambling was legalised to promote social benefits and curtail illegal gambling operations, helped deflect attention from any responsibility clubs might have in addressing problem gambling.

After the 1980s, expansionist government policies were mirrored by gambling operators, resulting in increased accessibility and diversity of gambling, and aggressively commercial marketing strategies by NSW clubs in the newly competitive environment. Attendant community concern was bolstered by the elevation of harm minimisation in government gambling policies,

and a redefinition of problem gambling as a social and public health issue. This focused stakeholder demands on gambling operators to be more responsible providers of gambling.

By 1998, increasing incongruence had emerged between the organisational behaviour of NSW clubs in addressing problem gambling and stakeholder expectations. Further, these expectational gaps related to socially responsible principles, processes, practices and impacts. The clubs' subordination of social to economic principles was at odds with more vocal arguments to elevate social benefit, harm minimisation, consumer protection and legal compliance principles to match the heightened status of revenue raising in both government and corporate gambling policy. The clubs' lack of responsiveness to community concern for problem gambling was incompatible with calls for a more inclusive process for developing gambling policy. Practices advocated by stakeholders to address problem gambling largely had been ignored by NSW clubs, and its social impacts exacerbated. Increasingly throughout the 1990s, these expectational gaps meant that the corporate social performance of NSW clubs in addressing problem gambling was viewed poorly by many constituencies.

However, heightened stakeholder demands in 1998-99 expedited a response from NSW clubs and were influential in shaping the nature of that response, as discussed earlier. Thus, by 1999, the future direction of NSW clubs in responsible management of gambling had been shaped largely by stakeholder demands for the clubs to improve their social performance by incorporating socially responsible principles, processes and practices in their machine gambling operations.

The influence of stakeholder demands on how NSW clubs have managed problem gambling suggests that, theoretically, stakeholder judgements about corporate social performance are informative in explaining how organisations manage their social impacts. Further, those judgements arise from the degree of congruence between organisations and stakeholders in the actual and expected prioritisation of corporate social principles, the extent and effectiveness of corporate social processes, the effectiveness and implementation of corporate social practices, and the nature, extent and degree of social outcomes.

Examining corporate social performance in studies of how organisations manage their social impacts also is consistent with models of corporate social issues (Bigelow, Fahey and Mahon, 1993; Carroll, 1993; Eystone, 1978; Mahon, 1989; Molitor, 1977; Starling, 1980) that consider their development as a function of the organisation's and its stakeholders' stances. Drawing on models of corporate social issues draws attention to stakeholder judgements about corporate social performance.

Factor 7. Development of a Corporate Social Issue

The final key factor influencing how NSW clubs manage problem gambling has been its gradual emergence as a corporate social issue for the clubs. By 1998, problem gambling had assumed three essential characteristics of corporate social issues – expectational gaps, controversy and impacts (Wartick and Mahon, 1994:306).

During the 1990s, as expectational gaps widened between the principles, processes and practices adopted by NSW clubs to address problem gambling and those expected by key stakeholders, and as NSW clubs began to acknowledge that problem gambling potentially had important impacts on their machine gambling operations, controversy arose over how to close these expectational gaps.

In terms of Waddock and Mahon's conceptualisation of sources of controversy (1991), there was reasonable agreement by 1998 between NSW clubs and their stakeholders over key facts relating to problem gambling (the efficacy dimension), but substantial disagreement over the ends to be achieved in its management (the effectiveness dimension) and the means to attain those ends (the efficiency dimension). The clubs were seeking a 'satisficing' (Simon, 1957) solution, considering the problem could be resolved through applying principles of secondary and reactive primary harm minimisation. In contrast, key stakeholders advocated more comprehensive, underpinned by principles of secondary and primary harm reduction, consumer protection and fair trading. Further, the clubs and their stakeholders advocated different means to address problem gambling. The clubs favoured passive measures placing the onus on individual gamblers to identify and act on a gambling problem, rather than more proactive measures which

might reduce the appeal and profitability of gaming machines. In contrast, key stakeholders advocated a holistic approach via more comprehensive, interventionist and proactive practices.

An inherently unstable situation had emerged by 1998, where NSW clubs and the RCA largely acknowledged that problem gambling could potentially impact significantly on club machine gambling operations, but where the existence and extent of expectational gaps and controversy between their stance and that of key stakeholders propelled the problem into a corporate social issue. The advanced stage of this issue, reflected in the introduction of legislation to resolve it, reduced the discretion of NSW clubs to establish their own goals and practices in responsible gambling.

Considering factors contributing to corporate social issues can therefore assist in explaining how organisations manage their social impacts. This contention is consistent with conceptualisations of corporate social issues as a function of their interpretation by organisations and those constituencies capable of influencing an organisation's policies or environment (Mahon and Waddock, 1992:20). If expectational gaps and controversy are sustained between organisational behaviour and stakeholder expectations, then stakeholders will exert pressure on the organisation to address the problem in ways congruent with their demands. This, in turn, will help to shape how the organisation manages that social problem.

CONCLUSION

This paper has presented empirical findings and a theoretical analysis relating to how NSW clubs have managed problem gambling. Seven key factors emerged from the study as influencing the management of problem gambling by NSW clubs. These were environmental influences, the clubs' social orientation, social responsiveness, social responses and social impacts, their corporate social performance as judged by influential constituencies, and the status of problem gambling as a corporate social issue. Reflecting the limited capacity of prior models of corporate social performance and corporate social issues to fully explain this study's findings, these seven factors were presented as a tentative framework that might guide future research into organisational management of social impacts.

FOOTNOTE

¹ The *NSW Gaming Inquiry* (IPART, 1998) was announced in May 1998 to report to the NSW Parliament by 26 November 1998. As its Terms of Reference included investigating ‘(1) measures (both existing and potential) to foster a responsible gaming environment’ and ‘(2) co-ordination of the problem gaming policies of hotels, registered clubs and the casino and other providers of gaming’ (IPART, 1998:1), this inquiry was considered an additional opportunity to gather stakeholder opinions on measures to address problem gambling.

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TABLE 1
Data Sources For Obtaining A Stakeholder Perspective on Principles and Practices in
Addressing Problem Gambling in NSW Clubs

Stakeholder Group	Interviews	Submissions to the NSW Gaming Inquiry
NSW Government ^a	NSW Department of Gaming & Racing.	Liquor Administration Board.
Epistemic community	Global Gaming Services.	Australian Institute for Gambling Research (University of Western Sydney); Australian Medical Association (NSW) Ltd; University of Technology Sydney.
Pressure groups: community service organisations	Council of Social Service of NSW; Forum of Non-Government Agencies; NSW Council on Problem Gambling; Ethnic Communities Council of NSW.	Family Support Services Association of NSW; Gam-Anon Service Centre Australia; Gamblers Help Line; GAME Gambling Counselling Service of St Vincent de Paul; Local Community Services Association Inc.; Council of Social Service of NSW; NSW Council on Problem Gambling; Shoalhaven Neighbourhood Centre; Uniting Church in Australia; Wesley Gambling Counselling Service; Women and Gambling Project.
Pressure groups: consumer protection agencies	Public Interest Advocacy Centre.	Department of Fair Trading; Public Interest Advocacy Centre.

^a Views of the NSW Opposition also were sourced through published documents.

TABLE 2
Support for Responsible Provision of Gambling Principles and Practices Indicated by
Key Stakeholders in 1998

Socially Responsible Principles	Socially Responsible Practices	Stakeholder Groups			
		NSW Government	Epistemic Community	Key Pressure Groups	
				Community Service Organisations	Consumer Protection Agencies
Economic	Industry/venue funding to address problem gambling & responsible provision of gambling	√	√	√	
Legal	Improved compliance to existing legislation		√	√	√
	Gaming authority/ commission to coordinate, monitor & enforce responsible provision of gambling		√	√	√
	Further legislative requirements in responsible provision of gambling	√	√	√	√
	More stringent technical standards for gaming machines		√	√	
Ethical: secondary harm minimisation	Provide problem gambling & counselling information	√	√	√	√
	Code/house policy/signage on responsible gambling	√	√	√	√
	Staff training on responsible provision of gambling	√	√	√	
Ethical: primary harm minimisation: reactive	Self-exclusion/restricted access for problem gamblers	√	√	√	√
Ethical: primary harm minimisation: proactive	No ATMs in gambling areas	√	√	√	√
	No/limited Eftpos for gambling	√	√	√	
	Cooling-off period for big winners/limits on cash prize payments	√	√	√	
Ethical: consumer protection & fair trading: product information	Consumer complaints mechanism		√	√	√
	More comprehensive player information on gambling products		√	√	√
Ethical: consumer protection & fair trading: advertising restrictions	Address irresponsible advertising & inducements to gamble	√	√	√	√
Discretionary: in-kind support	More community service/liaison with support services & community agencies	√	√	√	
Discretionary: financial support	Greater community donations	√			

FIGURE 1

Hierarchy of Acceptance and Support for Socially Responsible Principles and Practices in Machine Gambling Operations in Participating NSW Clubs

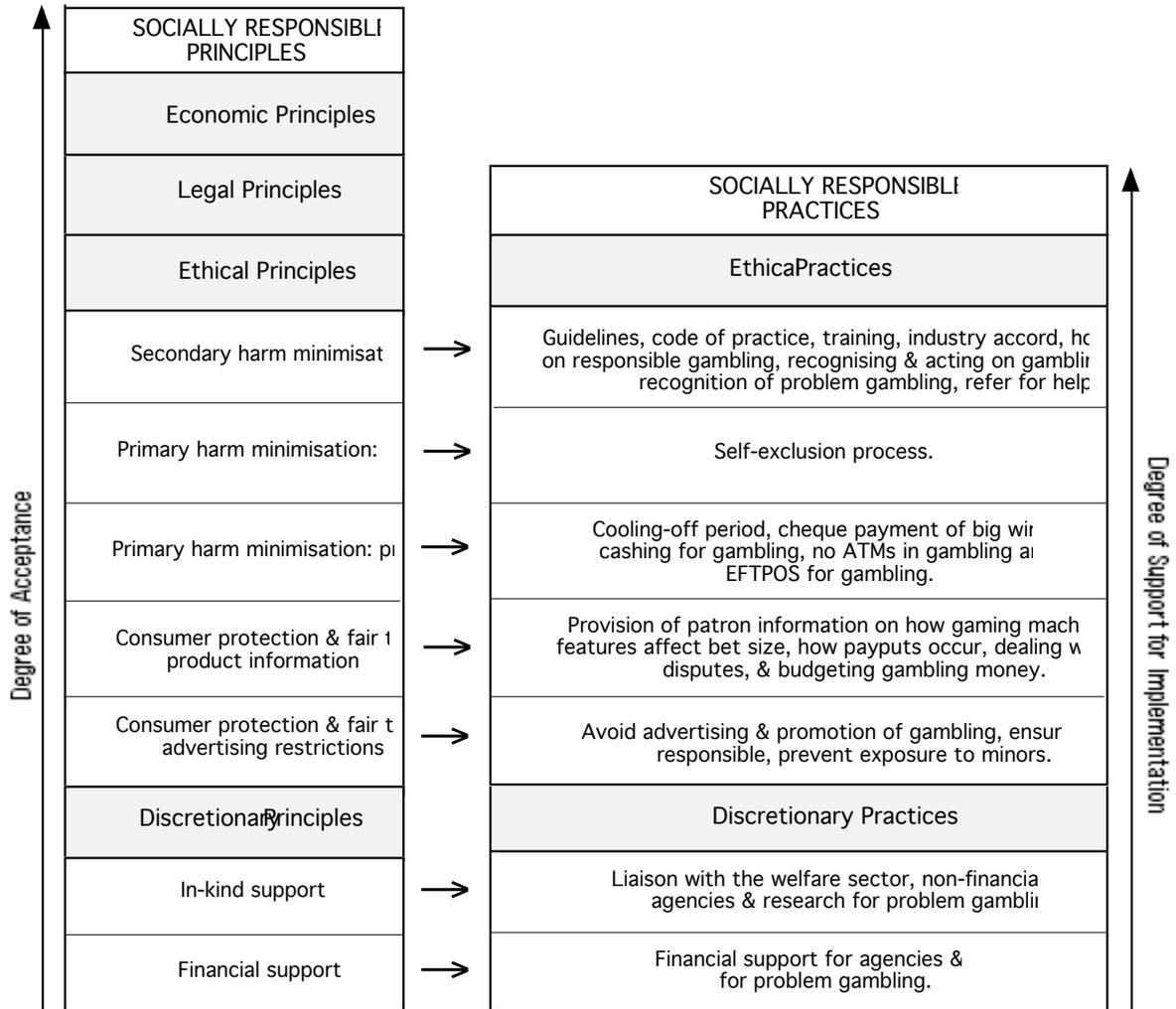


FIGURE 2

Congruence of Principles and Practices in Addressing Problem Gambling Between NSW Club Managers and Key Stakeholders

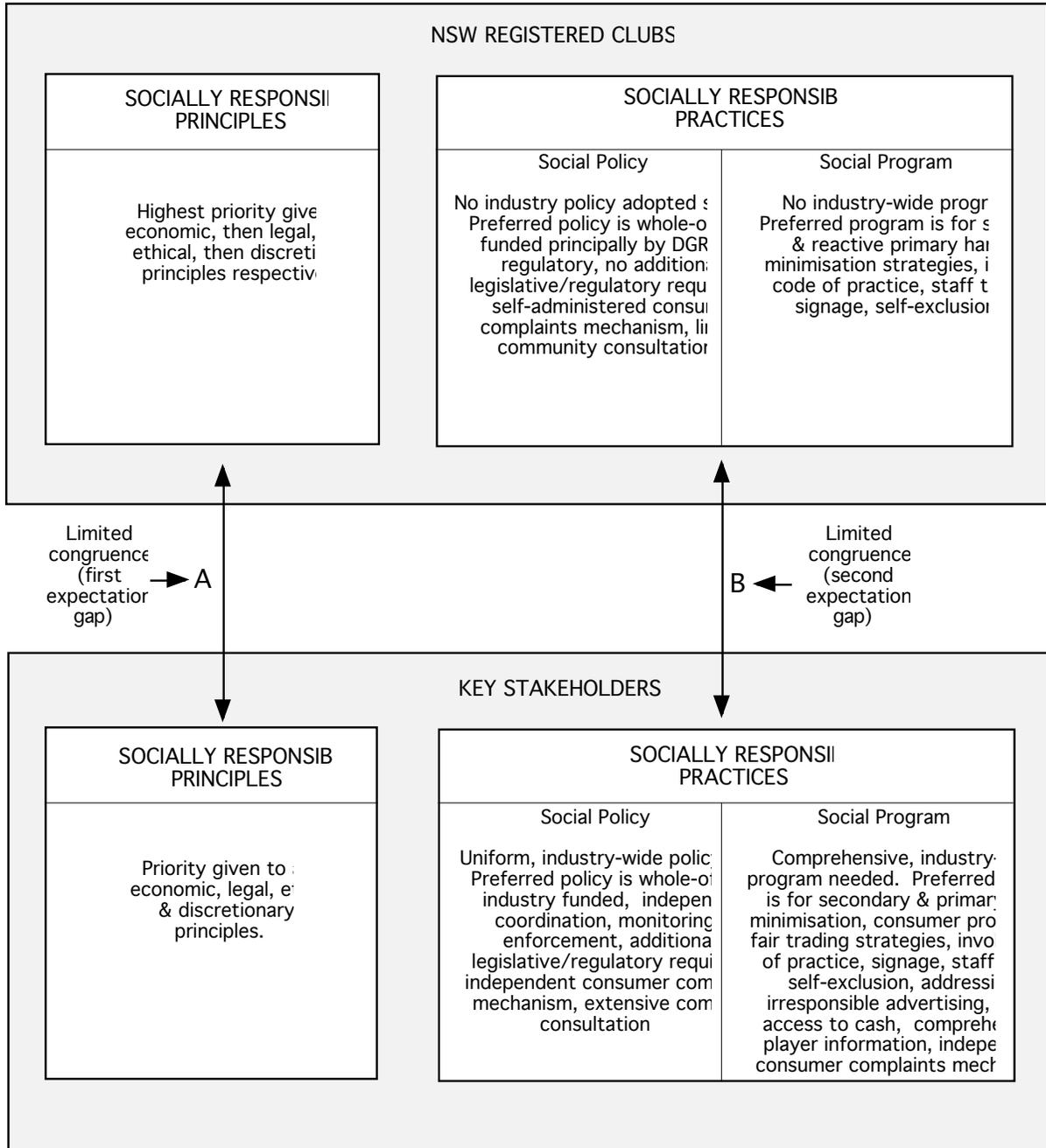


FIGURE 3

A Framework for Investigating Key Influences on the Management of Corporate Social Impacts

