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MGX3100- Individual assignment

Broken Hill Proprietary and Corporate Social Responsibility

Global warming is one of the biggest threats to humanity. As the pool of evidence surrounding global warming and the detrimental side effects grows, there is an increased pressure on governments, corporations and society to reduce the overall carbon footprint. Sustainable corporations invest in environmental initiatives by shifting to renewable energy, utilising the most energy efficient process and equipment. On the other hand, several corporations fail to acknowledge the global threat or take initiatives to reduce their carbon footprint and receive the backlash from activist groups (Parkinson, 2019). Recently, activist superannuation groups leverage their position as investors to pressurise Broken Hill Proprietary Company Limited (BHP) to move away from coal mining (Mazengarb, 2019). Despite the growing pressures, CEO Andrew Mackenzie of BHP has stated that his commitment is to the shareholder value and that BHP is not willing to alter their investment portfolio but rather offered to spend \$400 million over a 5-year period in alternative initiatives to curb the emissions from the company's operations as well as emissions generated from the use of their products (Stevens, 2019). His position aligns with the values of the shareholder theory where the goal of the corporation's managers is to maximise the profits by any legal means possible. Investment in social and environmental initiatives are considered as 'theft' from the shareholders unless the value obtained from such initiatives is equal or greater than the value invested. In opposition, Mackenzie's critics favour the stakeholder theory where the corporation's commitment should be to equally benefit all the stakeholders- shareholders, consumers, employees, suppliers and wider community. Whilst both perspectives are credible and lead to eventual benefit for all stakeholders, this essay will discuss the strongest arguments for and against Mackenzie's position, critically appraise both arguments and conclude which stance supports business ethics and moral codes.

Mackenzie's position is in line with the shareholder theory. The main theories that are in support of Mackenzie's position are Adam Smith's Invisible hand, Milton Friedman's Shareholder theory and the corporations act 2001. Shareholder theory states that a senior corporate executive of an organisation is someone who is an employee to the owners of the company, who has a "direct responsibility" Carson, T. (2003) to manoeuvre the business in such a way that it makes as much profit as possible within the constraints of law. This ideology