

# Competing Forces in Sustainable Gambling: Towards a Balanced Approach

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## Abstract

Social responsibility in gambling is increasingly becoming both a policy issue for governments and industries, and a management issue for gambling operators. While many legalized commercial gambling operators adopt a purely economic orientation to their business, non-profit, charity gambling operators tend to focus on the social benefits of their activities. This paper argues that neither a purely economic nor social orientation to gambling is sustainable in the long-term, but that a balance between the two is needed. A well accepted model of corporate social responsibility is adapted to illuminate the competing forces at work in achieving sustainable gambling, and to advocate an approach which balances the economic, legal, ethical and philanthropic responsibilities of gambling operators. Examples from three Australian jurisdictions are presented to provide preliminary support for the relationships in the model. **KEYWORDS:** *Sustainable gambling - Social impacts - Economic impacts - Australia - Social responsibility*

## Introduction

Recent proliferation of legalized commercial gambling in western industrialized nations reflects a shift in public policy from viewing “gambling as a vice” to viewing it as “an opportunity to be exploited” (Eadington, 1996, p. 243). However, as increased opportunities for legalized commercial gambling have arisen, policy-makers and gambling operators have had to weigh various economic, moral, and social considerations in deciding whether, and under what conditions, to legalize and operate different forms of gambling. Such decisions are complicated because, while the economic impacts of legalized gambling are generally quantifiable, tangible and perceived as positive, its related moral issues and social impacts are difficult to measure, intangible, and on balance considered negative (Eadington, 1996, p. 244).

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In Australia, gambling policy has increasingly been driven by economic and commercial criteria in pursuit of increased tax revenue, economic development, and job creation (McMillen, 1996).

Likewise, intensifying competitive forces have stimulated aggressive marketing and facility expansion by gambling operators, with little demonstrated concern for social fallout. However, for reasons explained later in this paper, this economic approach may become increasingly

untenable in the longer term. It would therefore seem in the enlightened self-interest of gambling operators to ensure that gambling is *socially*, as well as economically, sustainable. As McMillen (1996, p.13) explains, the social character of gambling in Australia has largely been overlooked in favor of an economic perspective, yet “to secure its long-term profitability, commercial gambling must be compatible with social values and institutions”.

This paper explores competing forces at work in achieving economic and social sustainability in gambling operations. On the one hand, intensifying competition, technological developments, and maturing customer markets are fuelling the economic focus of gambling operators. However, public opinion and welfare concerns are increasingly pressuring them to adopt a more socially responsible stance, which includes harm minimization and redirection of some gambling profits to community and charitable causes. The relationship between these forces, including a potential path to sustainable gambling operations, is illuminated here.

The concept of corporate social responsibility (CSR) is central to this paper, so a discussion of its conceptual development firstly proposes that organizations in general are under increasing pressure to meet social, as well as economic, obligations. Such pressure on organizations for greater social responsibility may arise, particularly when their pursuit of economic goals is accompanied by negative social impacts. A popular model of CSR is then adapted to reflect the types of economic and social obligations gambling operators might be expected to meet and the competing forces faced in adopting them. The resulting model depicts that gambling operators may need to recognize and meet both economic *and* social expectations, in order to maximize economic benefits and minimize social costs. Examples are then drawn from Australian jurisdictions to illustrate the model. They support the argument that, in order to optimize long-term sustainability, gambling operations should extend their social responsibility beyond economic goals and regulatory compliance to also include ethical and philanthropic activities.

## **The Rationale for Corporate Social Responsibility**

There is broad agreement that business profoundly influences individuals and other societal institutions (Sethi & Steidlmeier, 1995, p. 9). This is due to the extensive and diverse points of contact between contemporary corporations and their social environments (Preston, 1990). However, an escalating debate indicates there

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is less agreement about whether and how this corporate-society relationship should be managed and to what extent organizations have social obligations beyond their traditional economic role.

Wartick and Cochran (1985, p.759) note that CSR has received its most thorough examination since Howard Bowen argued in 1953 that business executives have an obligation “to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society” (Bowen). With this simple proposition, Bowen is credited with initiating the “modern era” of social responsibility (Carroll, 1979, p. 497).

Bowen’s (1953) call for CSR beyond economic domains countered the traditional view that “whatever social responsibilities corporations have are exhausted by marketplace performance” (Buchholz, 1991, p.19). An ardent proponent of this view, Milton Friedman, argued that CSR was “fundamentally subversive” (Friedman, 1962, p.133) and that “there is one and only one social responsibility of business -- to use its resources and engage in activities designed to increase its profits”, albeit within legal parameters (Friedman, 1970, p.122). Friedman’s stance reflected the earlier view of Sheldon (1923) that business best fulfils its social responsibilities by the economic utilization of the factors of production. It restated Levitt’s (1958, p.35) call for business to give “single-minded devotion to profit ... in whatever way seems consistent with its money-making goals”.

However, numerous changes in both the business and social arenas have been catalysts for challenging this viewpoint. These have been reviewed comprehensively elsewhere (Bowen, 1953; Eells & Walton, 1961; 1969; Heald, 1970). Suffice to point out here that “the prevailing view” of business as “solely an economic institution with only economic responsibilities” (Buchholz, 1991, p. 21) has been seriously questioned. This rising criticism of the business system (Jacoby, 1973; Jones, 1980; Freeman, 1980) has prompted increased academic attention to the social, as well as economic, obligations of business.

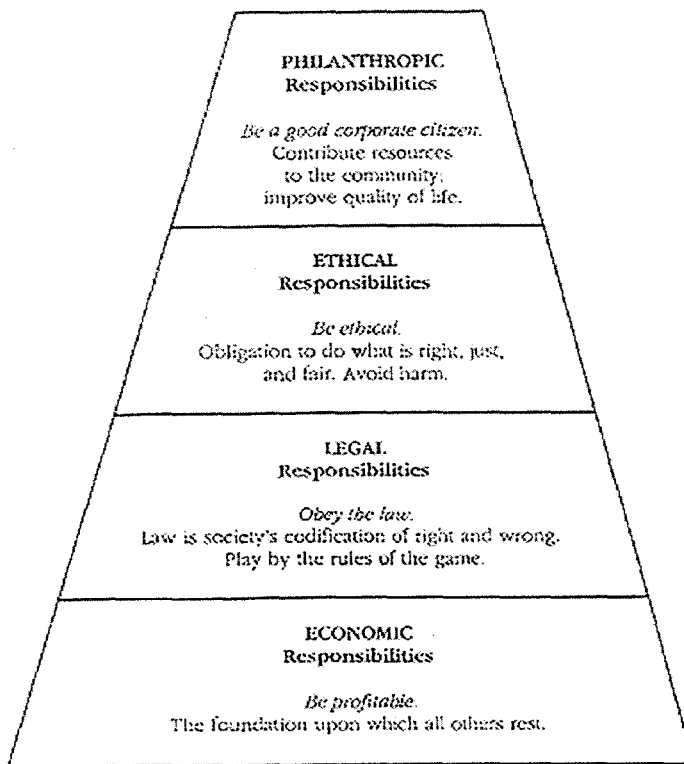
The unavoidable interaction with the social environment forms the rationale behind CSR. For example, Elbing (1970, p.81) contends that “the business organization is not only an economic system, it is a social system as well, and the products and consequences of business are inevitably social in a far broader sense than economic.” More recently, Wood (1991, p. 695) has argued that “the basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes.” Waddock and Mahon (1991, p. 231) contend that “it has been some time since business executives could safely ignore the social consequences of their actions”. Further, there appears little recent argument in the literature against the proclamation that “the social responsibility of organizations has been one of the principal issues confronting business for more than two decades” (Angelidis & Ibrahim, 1993, p. 9).

### **Conceptualizations of Corporate Social Responsibility**

The shift in thinking from business as a purely economic force to business as a social actor with accompanying social responsibilities has been also reflected in evolving definitions of CSR. Following Bowen’s (1953) seminal publication, many scholars agreed that CSR went beyond profit-making, but were unclear on what exactly this

encompassed. CSR was variously defined as relating to the “objectives and values of society” (Bowen, 1953, p. 6), “expectations of the public” (Frederick, 1960, p. 60), “objectives or motives ... in addition to those dealing with economic performance” (Backman, 1975, p. 2), “ethical principles” (Eells & Walton, 1961, p. 457-458), accomplishment of social benefits (Davis, 1973, p. 312), voluntary benevolent actions (Manne & Wallich, 1972, p. 5) and social betterment (Frederick, 1978 in 1994, p. 151). Building on these definitions, a widely accepted conceptualization of CSR, shown in Figure 1, was proposed by Carroll (1979; 1991) who considered CSR as the hierarchy of economic, legal, ethical and philanthropic expectations placed on organizations by society at any given point in time.

Figure 1. The Pyramid of Corporate Social Responsibility



Source: Carroll (1991:42)

In explaining his model, Carroll notes that the “first and foremost” social responsibility of business is economic, to produce profitably goods and services consumers want, and that all other responsibilities are predicated on this (1979, p. 500; 1991, p. 41). However, because society has also developed laws and regulations under which business is expected to operate, organizations also have legal responsi-

bilities as part of their social contract (1979, p. 500; 1991, p. 41). While certain ethical norms about fairness and justice are embodied in economic and legal responsibilities, Carroll (1979, p. 500, 1991, p. 41) maintains that additional ethical corporate behaviors are expected. These embody “those standards, norms, or expectations

that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights” (1991, p. 41). Finally, philanthropic responsibilities encompass voluntary corporate actions to fulfill society’s expectations that businesses be good corporate citizens.

Carroll argues that business

should promote human welfare or goodwill by contributing resources to the community to improve the quality of life (1991, p. 42).

Various strengths of Carroll’s model make it an appropriate conceptualization through which to examine CSR in gambling. First, the model has been resilient to further developments in the corporate-society field (Wartick & Cochran, 1985; Clarkson, 1988; Wood, 1991). Second, empirical tests of the model (Aupperle, 1981; Smith & Blackburn, 1988; O’Neill, Saunders & McCarthy, 1989) have supported Carroll’s depiction of CSR as comprising the four empirically related, but conceptually independent components shown in Figure 1. Third, these components are recognizable in the range of activities pursued by gambling operators. For example, while most gambling operators meet their economic responsibilities by reaping substantial profits and generating superior returns for investors (McMillen, 1996), they also must adhere to a raft of legal obligations. Further, increased attention to codes of conduct and house policies on responsible provision of gambling reflect a growing recognition of certain ethical responsibilities in gambling. Finally, examples of philanthropic activity include community and charitable support sometimes provided from gambling profits.

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## **A Conceptual Model of Competing Forces in Sustainable Gambling Operations**

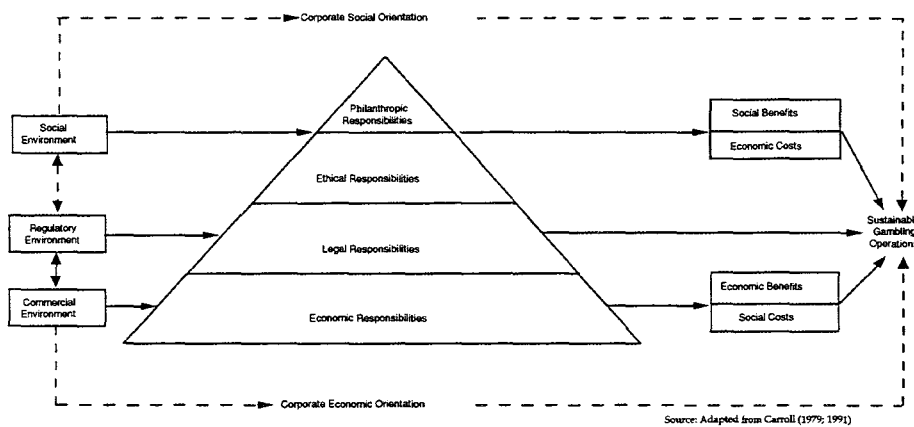
A range of stakeholders is involved with gambling operations. Depending on the type of gambling, these stakeholders may include governments, regulators, employees, competitors, shareholders, suppliers, gamblers, welfare providers, and the broader community. Each of these stakeholders may have different expectations of gambling operators which contribute to defining their social responsibilities. For example, shareholders may be primarily concerned with profit maximization, regulators with legislative compliance and welfare providers with minimizing harmful effects of gambling on individuals and significant others. These differing expectations give rise to a range of competing forces facing gambling operators. As explained

below, these forces can be identified as largely commercial, regulatory or social in nature. If gambling operators consider commercial and regulatory forces as paramount, they are likely to follow Friedman's philosophy of maximizing profits, within established regulatory boundaries. Alternatively, if social forces are recognized as also important, gambling operators would appear more likely to temper their pursuit of profits with consideration for associated social costs and benefits. It is argued that consideration for commercial, regulatory *and* social forces is needed for a gambling operator to be considered socially responsible by all its stakeholders. Otherwise, lack of social responsibility in gambling is likely to result in a backlash from certain stakeholders which may undermine the long-term sustainability of the gambling operation.

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Carroll's model of CSR can be adapted to reflect these competing forces in achieving sustainable gambling operations. These forces pressure organizations to work variously towards economic and social goals, with their associated economic and social costs and benefits, as shown in Figure 2.

**Figure 2. A Model of Competing Forces in Sustainable Gambling Operation**



Source: Adapted from Carroll (1979; 1991)

Focusing on the outside perimeter of Figure 2 (dotted lines), the model proposes that the long-term sustainability of gambling operations would be enhanced by combining a corporate orientation encompassing economic goals (corporate economic orientation) with one encompassing social goals (corporate social orientation). Clearly, an economic orientation is necessary for business to be financially viable. However, Davis (1973), Wood (1991), and others point out that profits are

sought and achieved under a changing set of social norms. If these claims are correct, a social orientation may also enhance the long-term sustainability of gambling operations.

Pressure on a corporation for an economic orientation arises mainly from its commercial environment. Here, competitive and market factors, and the expectations of certain stakeholders, particularly investors, have resulted in the aggressive expansion and marketing strategies adopted by many contemporary gambling operators. Alternatively, pressure for a more socially responsible corporate orientation arises from the social environment and, in relation to gambling, has traditionally been expressed by welfare and community groups, moral reformers, churches and other social commentators (Caldwell, 1972; O'Hara, 1988). These stakeholders have called for the abolition or restriction of gambling, or mechanisms to reduce its social costs or increase its public benefits. Naturally, the actions of gambling operators also are tempered by the regulatory environment, depicted in Figure 2 as both influenced by, and influencing, the social and commercial environments.

The model's inner section provides a more detailed picture of factors proposed as influencing the long term sustainability of gambling operations (Figure 2). At the

center is Carroll's CSR model, with its four types of expectations society has of corporations. Yielding to pressures in the commercial environment, gambling operators may pursue only economic goals (at the bottom of the pyramid), with subsequent economic benefits of maximum profits, market share and return on investment. However, such an approach is likely to be accompanied by social costs, such as in-

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creased problem gambling. At the top of the pyramid, certain types of gambling (such as charity bingo and public lotteries held to raise funds for specific community projects) may address pressure in the social environment to accrue some social benefits from gambling, albeit at the expense of potential economic gain. Taken to extremes however, a strategy which ignores competitive and market pressures in the corporate environment and which pursues only ethical and philanthropic goals, is likely to be financially unviable.

Thus, the model depicts that sustainable gambling operations should be dependent in the long-term on a corporate orientation:

- with an appropriate balance between economic and social goals;
- which embraces all four of Carroll's domains;
- which bears some social and economic costs;
- but which also provides some social and economic benefits.

Thus, the model proposes that when the "ideal" balance between social and economic ends are out of kilter, the gambling operator is risking the long term viability of the firm.

In order to further explore this proposition, it would be useful to compare the potential sustainability of firms which adopt a primarily economic orientation, firms which adopt a primarily social orientation, and those which attempt to balance both economic and social goals in their gambling operations. Examples of the former

orientation (economic) are plentiful and are, arguably, represented by the vast majority of commercial gambling operators both in Australia and overseas. Examples of the latter orientation (both economic and social) appear to be increasing, with some gambling operators adopting responsible gambling strategies in response to pressures from their social environments.<sup>1</sup>

However, examples of a primarily social orientation to gambling operations are unlikely to be found in commercial corporations. Instead, it appears that non-profit, charitable organizations which operate various forms of gambling for fund-raising purposes come closest to this archetype. Thus, while Figure 2 draws on a previous conceptualization of

*corporate* social responsibility, it is only possible to explore the usefulness of the model further by applying it to both corporate and non-corporate types of gambling operations.

Thus, the remainder of this paper presents three cases of gambling operations drawn from both the corporate and non-corporate sectors in Australia. These cases variously represent an economic orientation, a social orientation and one which considers both economic and social goals. It is hoped that these examples will illustrate the potential usefulness of the proposed model in 1) understanding the long-term outcomes of these various orientations, and 2) applying the concept of CSR to gambling operations in both corporate and non-corporate sectors.

## **An Economic Orientation: Machine Gaming in New South Wales (NSW) Registered Clubs**

Worldwide, the Australian State of NSW has the highest number of gaming machines per head of adult population (Kelly, 1996, p. 7). NSW registered clubs operate about 84% of the state's gaming machines and attract some 90% of their turnover and profit (NSW Dept of Gaming & Racing, 1996, pp. 4, 29). Since their legalization in 1956, NSW clubs retained their state monopoly on the most popular types of machines, known in NSW as poker machines, until 1995. This extended monopoly has spurred phenomenal growth, such that 64,171 machines in 1,441 clubs currently generate \$21 billion in turnover (money played), contribute \$449 million in state taxes, and provide gross profits (or player losses) of \$2.1 billion for the clubs annually (NSW Dept of Gaming & Racing, 1997, p. 4).

NSW clubs originally were established as non-profit, community-based organizations based on a common interest such as "social, literary, political, sporting or athletic purposes" (Registered Clubs Act 1976 NSW). However, the historical development of the industry provides evidence that it has tended to maximize economic gains from gaming machines, with little apparent regard for their negative social consequences. While space does not permit a full review of this historical development (Caldwell, 1972; Hing, 1996; Hing et al. [forthcoming]), such evidence includes the following.

**NSW clubs have increasingly reinvested most gaming machine profits into club assets rather than community and charitable causes.**



- There has been a steady erosion of the “common interest” shared by club patrons. There is now virtually open access to non-members, active pursuit of tourists, substantial income from non-members, availability of social memberships, and few other membership requirements beyond a minimal yearly fee (Wilcox, 1983; Hing, 1996). This trend reflects the increased importance of commercial goals such as increased market share, turnover and profit, thus diluting the social purpose for which clubs were established originally. In fact, the largest NSW club has around 52,000 members (Martin, 1996, p. 16), of which a very small minority are involved in the primary “interest” of the club, rugby league.

- NSW clubs have expanded and aggressively promoted gaming machine facilities. For example, they have increased the number of machines tenfold since 1956 (NSW Dept of Gaming & Racing, 1996, p. 23). They undertake extensive and ongoing machine replacement programs to attract and retain players and to take advantage of new technologies aimed at increasing the rate of play and the average bet (Kelly, 1996, p. 44). The industry has successfully lobbied the NSW Government to continually raise the maximum bet and prize money on machines. Clubs have steadily increased player percentage returns from machines to increase their appeal, they undertake extensive promotions to both attract players and reward high spenders and use much of the surplus revenue to improve physical facilities and services where machines are played (Prosser et al., 1997).

- Clubs have increasingly reinvested most gaming machine profits into club assets rather than community and charitable causes. In 1994-95 NSW clubs spent only \$56 million on external donations, representing just 2.8% of gross machine profits (Verrender, 1996, p. 39).

- Large “casino-style” clubs have emerged (Dickerson, 1996, p. 157). There is no limit on machine numbers and there are currently more than 150 clubs with over 100 gaming machines, including 48 with over 200 machines (NSW Dept of Gaming & Racing, 1996, p. 21). The largest NSW club currently operates 800 machines and is planning to install 500 more (Verrender, 1996, p. 39).

- The NSW club industry relies on gaming machine profits for 70% of its revenue (NSW Dept of Gaming & Racing, 1995, p. 4). This has resulted from its active expansion and promotion of gaming and its use of machine profits to subsidize prices of other club revenue-earners such as food, beverages and entertainment.

- There have been few initiatives to address any negative social impacts of machine gaming. Currently, there are no regulatory requirements for clubs to minimize harm or contribute to ameliorating harmful consequences of gambling. The industry’s peak associations have not developed any related policies or codes of conduct. At the level of individual clubs, preliminary interviews initiated by the author with the managers of four clubs identified by one of these associations as adopting “best practices” in responsible gaming revealed few concrete initiatives beyond small donations to general welfare services and the occasional “word of advice” to heavy gamblers.

The reorientation of NSW clubs toward more commercial objectives casts doubts upon their traditional non-profit aims and community focus. Paradoxically, these are the very features which were instrumental in their gaining and maintaining their machine gaming monopoly. For example, Caldwell (1972) documented early public concerns about the growing influence of large NSW clubs and the consequences of extensive machine gaming. He noted the “special importance” placed by

club directors on a healthy balance sheet, large profits and growing membership as indicators of club success. He criticized the clubs for over-emphasizing property and membership expansion, contending that "the large clubs must consider whether building bigger and more luxurious clubs is the best way in which they can serve their memberships" (1972, p. 346). Similarly, Vinson and Robinson (1970) observed that NSW clubs had tended to replace early goals of informal social interaction within comfortable premises of restricted size, with goals which stressed expansion and improvement, with club policy driven by the twin criteria of membership size and annual income. More recently, the Wilcox Report (1983) has criticized the operation of large NSW clubs as "public houses aggressively marketing food, liquor and entertainment at prices subsidized by poker machine revenue" (1983, Introduction) and as "indistinguishable in their operation from casinos" (1983:20.14). Hing et al. (forthcoming) also provide evidence that the social role of NSW clubs is being superseded by commercial goals arising from competitive pressure from larger clubs which attract substantial gambling revenues.

## **A Social Orientation: Charity and Non-Profit Gambling in Victoria**

In Victoria, minor gaming such as lucky envelopes, bingo and raffles are used to raise funds by over 4,000 non-profit organizations, such as charities, sporting bodies, churches, and schools (Praxion, 1995:23).<sup>2</sup> However, 1992 witnessed the introduction of electronic gaming machines (EGMs) in Victorian hotels and clubs. This was followed by the opening of the temporary Crown Casino in 1994 with 1,300 EGMs and 190 gaming tables, and the permanent Crown Casino in 1997 with 2,500 EGMs and 350 tables. Since then, participation and expenditure on charity and non-profit gambling has severely declined. Even though gambling expenditure in Victoria increased by 43% during 1995-96, this was driven by a 50% increase in hotel and club EGMs to a total of 27,500, and substantial revenue from Australia's most financially successful casino (Kelly, 1996, pp. 7-10). A recent survey of 530 charity and non-profit gambling operators, focus groups, and secondary statistical material from the Victorian Casino and Gaming Authority (Praxion, 1995) reveals the following key impacts of EGMs on charity and non-profit gambling between 1991-92 and 1995:

- Non-profit minor gaming has been in decline since 1991-92. In real terms, there has been a significant decline, and in some cases, a net loss by operators of minor gaming activities, amounting to between 10% and 30%.
- Charities are facing the problem of declining revenue from non-profit gaming receipts, forcing them to reduce services and employment, spread their services more thinly, impose longer waiting times and encourage greater volunteerism.
- Lucky envelopes have been worst hit by EGMs and, given the similarity in these types of gaming, are considered the least likely to recover. Almost 70% of lucky envelope operators recorded a downturn in participation of around 25%.
- Since 1991-92, there has been a decline in bingo tickets sold (by 39%), participating organizations (by 14%), and proceeds (by almost 40%). Over 60% of bingo centers have recorded a downturn in patronage, forcing some to close down.

- Raffles have been least affected by EGMs, although most have experienced a decline in participation of between 10% and 25%.
- These downturns are considered irreversible in the current competitive climate.

Praxion (1995, pp. 41-42) concluded from their study that:

*"In sum, it would appear that the EGMs have initiated a professional and commercial gambling industry that has been accepted by Victorians and this has seen a change in gambling habits. Given the extent of this change, it may well be that the time has passed whereby major charities and non profit organisations ... can compete for gambling monies."*

## **Towards Sustainability: Machine Gaming in South Australian (SA) Hotels and Clubs**

Gaming machines have been legalized in SA hotels and clubs since July 1994 (Gaming Machines Act 1992 SA). Currently 9,262 machines operate in 417 venues, predominantly hotels (Liquor Licensing Commissioner, 1996, p. 3). The maximum number of machines per venue is 40, taxed on a sliding scale of 35-40% of net profit (Liquor Licensing Commissioner, 1996, p. 9). The Gaming Machines Act 1992 (SA) also established amounts to be paid into specific purpose funds from gaming machine revenue -- the Sport and Recreation Fund (\$2.5 million), the Charitable and Social Welfare Fund (\$3 million) and the Community Development Fund (\$19.5 million) (Liquor Licensing Commissioner, 1996, p. 9).

Prior to the introduction of gaming machines, the SA club and hotel industries voluntarily developed the following package of initiatives to address potential social problems:

- *Guidelines for the Responsible Provision of Gaming Machine Services*, a publication for licensees, managers and staff of clubs and hotels to assist them in managing a gaming venue in a lawful manner and in sympathy with community expectations. The *Guidelines* contain an industry code of practice, customer service strategies for delivering responsible gaming services, guidelines for being sensitive to gaming related problems, agencies which can help patrons with gambling problems, options on barring provisions and legal obligations.

- *Smart Play: Every Players Guide*, a publication designed to provide gaming machine players with information on how machines work in order to maximize enjoyment and minimize risks of excessive gambling. It also contains helpful hints if things go wrong or if players believe they have a problem. Most venues provide *Smart Play* free to patrons near tea and coffee stations, in between machines or at the cashier's desk, and the Association ensures venues are sent additional copies twice yearly. Internal communication mechanisms continuously remind members to have stocks replenished, while regular regional meetings throughout the state are also a distribution and discussion point.

- Voluntary funding, amounting to \$1 million in the first year, of nine agencies in SA to provide counseling for individuals who develop a gambling problem and for their family members.

- The development of close relationships, involving consultation and ongoing liaison, with key welfare service providers and other agencies involved with gaming.

- The operation of training programs for licensees and staff on being sensitive to gambling problems, with about 100 gaming managers and employees having been trained since their development in September 1996.

Margo McGregor (personal communication, February 12, 1997), Community and Public Relations Manager for the Australian Hotels Association (SA) revealed that the Association developed these initiatives “firstly as a harm minimisation strategy, and secondly to publicly demonstrate a proactive and responsible industry, as a prong in a positive community relations initiative”.

Ms. McGregor considers there has been good support for the initiatives so far. While there is no mechanism to penalize venues for non-compliance, the Association relies on an educational focus, encouraging, supporting and advising of their importance as protection from external criticism against problem gambling. Most comply with this request, and as their membership fees pay for the package, take advantage of it. Furthermore, the *Guidelines* provide a “source of relief” for venue operators. They clearly articulate the important issue of “boundaries” around the role of gaming machine employees and counselors, reinforce the complex nature of problem gambling, the difficulties in assessing whether someone has a problem, and how clumsy intervention can make the issue worse, not better. The training module also reduces staff anxieties about what they are expected to do regarding the problem gambler, with feedback direct from trainees being “very positive” so far. While the success of these initiatives in allaying public concerns about the social consequences of machine gambling is difficult to know, the Association is planning an evaluation amongst its members early this year.

## Discussion

The examples presented above represent three different orientations to gambling and provide tentative support for the relationships depicted in Figure 2.

Many NSW clubs, particularly the larger ones, can be described as having a predominantly economic orientation emphasizing economic rather than ethical and philanthropic responsibilities in gaming. Catalysts for this orientation can be found in their commercial environment. During recent decades, NSW clubs have experienced a steady decline in their competitive advantages, losing their monopoly on gaming machines, the relative absence of other gambling products and comparatively favorable tax concessions. During 1975-85, Soccer Pools, Lotto, Instant Lottery and Approved Amusement Devices were introduced to accompany existing State Lotteries and on and off-course wagering. Gaming machines in clubs, and later hotels, in the neighboring Australian Capital Territory (ACT) and Queensland’s Jupiters Casino also became available during this interval. In the 1990s, gaming machines were introduced into clubs and hotels in Queensland and Victoria, and are suspected by the NSW Department of Gaming and Racing to be the major cause of lower profits still experienced by NSW border clubs (NSW Department of Gaming & Racing 1996, p. 20). In late 1995, the temporary Sydney Harbour Casino opened with 500 gaming machines, with the largest NSW club reporting an immediate 25% downturn in business (Verrender, 1996, p. 39). The casino’s permanent venue housing 1,500 machines opened in late 1997. Poker machines introduced into NSW hotels in April 1997 (Liquor and Registered Clubs Further Amendment Act 1996 NSW) now compete directly with the widely dispersed and readily available form of machine gaming previously monopolized by the clubs.

In addition to increased substitute gambling products and greater intra-industry rivalry, Hing (1996) also identifies maturing customer markets for machine gaming and higher entry barriers to the industry as indications that the NSW club industry has entered the maturity phase of its lifecycle (Porter, 1983). This has resulted in slowing growth; more competition for market share; increased reliance on experienced, repeat buyers; greater emphasis on cost and service to remain competitive; overcapacity of supply compared to demand; limited possibilities for new product introductions; and declining industry profit margins (Hing, 1996).

In addition, some favorable tax concessions on club gaming machines have also been eroded, with average annual state tax increasing from around 19% of net profit in 1964 to 21% in 1995 (NSW Dept of Gaming & Racing, 1996, p. 23). Further, the Liquor and Registered Clubs Legislation Further Amendment Act 1996 (NSW) will introduce higher annual duty rates on profits over \$2.5 million from early 1998. Other club privileges have declined also, including the more liberal trading hours formerly enjoyed by NSW clubs but not hotels, and very limited legislation previously controlling clubs (Mackay, 1988, p. 14).

In contrast to NSW clubs, Victorian charity and non-profit gambling operators have traditionally adopted a social orientation to gambling, driven largely by the social environment and the welfare needs of the broader community. However, in the changed commercial environment, their focus on philanthropic activities rather

than economic viability is becoming increasingly untenable. Alternative sources of funds such as donations and particular fund-raising days may be necessary to prevent further financial decline and closures (Praxion, 1995, p. 42). Indeed, Praxion (1995) has formulated a number of other recommendations for the survival of this sector. These include reduction of gov-

## **Victorian charity and non-profit gambling operators have traditionally adopted a social orientation to gambling.**

ernment surcharges on minor gaming, a lifting of some regulatory restrictions on the sector, closer liaison between related industry associations and government, higher prices for refreshments at bingo centers, and greater access of the sector to EGMs through nominated charity machines in hotels. Without such changes, the current decline in charitable and non-profit gambling appears to be irreversible, given the current regulatory and commercial environments.

Compared to machine gaming in NSW clubs and non-profit gambling in Victoria, SA hotels and clubs are attempting to achieve a balance between economic and social orientations to gambling. Through their responsible practice of gaming initiatives, this approach emphasizes fulfilling economic, legal, ethical and philanthropic responsibilities. Factors in both their commercial and social environments can be identified, which are driving this more balanced approach.

The commercial environment facing hotels and clubs in SA is very different from the NSW environment. First, limits on machine numbers per venue mean that unlimited expansion of machine gaming in individual venues is impossible and intense industry rivalry for gaming machine players unnecessary. Thus, the venues must continue to rely on traditional sources of revenue, such as food and beverages. Their original goals are unlikely to become diluted through aggressive gambling ex-

pansion and promotion. Second, the clubs and hotels had over two years notice before gaming machines were introduced, so were able to take a planned approach to meeting their social responsibilities. Alternatively, NSW clubs illegally operated numerous machines and had become financially dependent on them even before they were legalized (Caldwell, 1972). Third, SA gaming machine operators were able to learn from the NSW experience and develop strategies to allay public concerns about the negative consequences of machine gambling. In contrast, being the first to legally operate gaming machines meant that NSW clubs had no experience with either the social effects of machine gambling nor how to deal with these. Finally, because SA hotels and clubs gained rights to operate gaming machines after numerous forms of gambling had become well established in the state, such as the Adelaide casino, on and off course betting, and various lottery products, they have geared their business strategies to an already competitive environment. Conversely, NSW clubs must now market their gaming machines aggressively to retain the competitive advantages enjoyed for many years.

Differences also exist in the social environment faced by SA hotels and clubs, prompting a more balanced approach to machine gaming operations. Prior warning of the introduction of the machines, lessons from the NSW experience, and the existence of numerous other gambling products in the state meant that the public, welfare services, and other social commentators were generally far more aware of the likely social consequences of machine gaming. Thus, they had the potential to lobby more effectively for adequate measures. The hotels, clubs and their industry associations were also conscious of this public awareness, having witnessed similar concerns raised in NSW and more recently in Victoria and Queensland

when gaming machines were introduced in 1991 and 1992 respectively. In contrast to the minimal research conducted into the impacts of gambling before gaming machines were legalized in NSW, the body of research into social impacts of gambling had grown. Numerous investigations into the nature and extent of such impacts had been conducted in Australia by the time of the introduction of gaming machines in SA (Caldwell et al., 1988; Tasmanian Council of Social Services Report, 1992; Dickerson & Baron, 1993; Dickerson et al., 1994; State Government of Victoria, 1994). Thus, the prevailing social environment in SA has exerted pressures on the hotel and club sectors to address their ethical and philanthropic responsibilities in machine gaming, as well as their economic and legal obligations.

## Conclusion

The proliferation of gambling in Australia has fuelled the emergence of social responsibility in gambling as both a policy issue for governments and industries, and a management issue for gambling operators (McMillen, 1996). Thus, it is questionable whether the purely economically driven approach to gambling often adopted is

**SA gaming machine operators were able to learn from the NSW experience and develop strategies to allay public concerns about the negative consequences of machine gambling.**

sustainable in the longer term. It is increasingly recognized that more commercial forms of gambling such as gaming machines are disproportionately responsible for loss of control amongst some players (Fisher & Griffiths, 1995, p. 239; Keys, 1995; Dickerson, 1996, p. 164). Further, some socially responsible initiatives by other gambling operators have fostered increased criticism of those who ignore such responsibilities. For NSW clubs, it is readily recognized that they have continued to increase the negative social impacts of gambling through their aggressive expansion and marketing. Their legitimacy as the major providers and beneficiaries of gaming in NSW, as well as the subsequent benefits which flow to club members and the wider community, are increasingly being questioned. Regulatory requirements in responsible gambling may well be forthcoming if the NSW club industry continues to ignore its social responsibilities.

Equally questionable however, is the long-term sustainability of a purely social orientation to gambling, as displayed by the non-profit sector in Victoria. Paradoxically, while the demand for welfare services in Victoria is likely to increase (Praxion, 1995), minor gaming operated to raise funds for such services is in decline. A greater economic focus to diversify sources of funds and increased pressure on the Victorian state government to relax the regulatory environment in which non-profit gambling operates, would be needed to arrest this decline.

In conclusion, this paper has attempted to make some preliminary observations regarding the types of competing forces and potential outcomes in achieving sustainable gambling operations, such as those likely to be achieved by SA hotels and clubs. The model presented represents only a broad framework by which relationships between social, regulatory and competitive influences on corporate orientation to gambling operations can be considered and how this corporate orientation is displayed in the shouldering of economic, legal, ethical and philanthropic responsibilities. The range of such responsibilities adopted by gambling operators would seem in turn to determine the extent and nature of gambling impacts. For gambling operations to be economically *and* socially sustainable, adequate attention to competing forces in the social, regulatory and commercial environments is needed, along with a corporate orientation which recognizes and acts upon all four types of responsibilities depicted in Carroll's model of CSR. The result should then be an acceptable balance between the social costs and benefits of gambling and the economic costs and benefits of gambling, encouraging more sustainable gambling operations.

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## Endnotes

<sup>1</sup> Examples in Australia include responsible gaming strategies adopted by: the licensed clubs and hotels industries in South Australia; TabCorp, Tattersall's, Crown Casino, the Australian Hotels and Hospitality Association and the Licensed Clubs Association in Victoria; the Australian Hotels Association (ACT), Casino Canberra, the Gambling Crisis and Counselling Service, the Licensed Clubs Association of the ACT, Lifeline Gambling and Financial Counselling Service, the ACTTAB, the Office of Financial Management of the ACT government, and the ACT Consumer Affairs Bureau in the ACT; and Sydney Harbour Casino. Numerous casinos in the US have also adopted similar strategies (American Gaming Association, 1997).

<sup>2</sup> Minor gaming is "the collective name given to raffles, bingo, lucky envelopes and the like" in Australia (Tasmanian Gaming Commission, 1997:2). These types of gaming are considered minor in the sense that they do not usually attract high expenditure, are non-continuous, are generally not the basis for large

scale commercial enterprise, but are more frequently operated to support charities, churches and community projects. Minor gaming is sometimes referred to as soft gaming. A type of minor gaming, lucky envelopes involve a game of chance whereby envelopes are sold containing a number which is exposed through a break-open panel or pull-tab section from within the envelope. Lucky envelopes are usually dispensed through a machine (Queensland Office of Gaming Regulation, 1997).

