



An exploration on corporate-community relationship in mining sector in China – Lessons from Yunnan Phosphate Chemical Group Co., Ltd



Jian Wang^{a,*}, Xu Huang^a, Ke Hu^a, Zhou-quan Cui^b, Xin Li^c

^a China University of Geosciences (Beijing), Beijing 100083, China

^b Yunnan Phosphate Chemical Group Co., Ltd, Kunming 650600, China

^c China Mining Association, Beijing 100013, China

ARTICLE INFO

Keywords:

Corporate-community relationship
Mining
Hanying model
China
Corporate social responsibility

ABSTRACT

The corporate-community relations have always been an important influencing factor for the development of mining enterprises. In recent years, residents in the mining areas have been paying increased attention to their rights in the mining process, but the failure to properly handle corporate-community relations has resulted in conflict between mining enterprises and local communities. In severe situations, this may even trigger mass disturbances that cause disorders in their normal operations. Considering these potential circumstances, some Chinese mining enterprises started to emphasize corporate social responsibility (CSR), especially the construction of a sound corporate-community relationship, rather than simply making superficial efforts. As a model in such endeavors, the paper takes Kunyang Phosphate of Yunnan Phosphate Chemical Group as a case study; firstly, the development of relations between Kunyang Phosphate and the local community (Hanying Village) is divided into different periods, and each stage is analyzed from the aspect of corporate social responsibility performance of the mine. In addition, this paper makes a summary of “Hanying model”, and analyzes the mine’s strategy of community engagement through its practice.

1. Introduction

Globalization not only provides different regions worldwide with opportunities for economic development, but also raises social and environmental awareness within communities. With the advent of civil society and awakening of ecological consciousness, mining-related issues have been increasingly in the spotlight. In addition to causing environmental damage, the traditional mode of mining development faces many new problems, such as destruction to local economic stability and cultural shock. In the past 30 years, mining enterprises have been putting more emphasis on building the corporate-community relationship, assuming great responsibilities for the sustainable development of the local society and environment (Dashwood, 2007). The proper handling of such relations has become one of the key factors for the smooth implementation of mining projects.

For mining enterprises, the corporate-community relationship is one of the most important parts of corporate social responsibility (CSR), which means these enterprises highly value activities aimed at improving the local community life in their pursuit of economic benefits (Abuya, 2016). However, little has been achieved in this respect, which is often the case in developing countries (Kapelus,

2002). This is largely attributed to the intention of many mining enterprises, as they consider the performance of CSR as an approach to social recognition necessary for the normal operation of their mining activities (Bice, 2014; Humphreys, 2000; Hutchins et al., 2007; Whitehouse, 2003). The public participation in China is often found to be tokenistic and incapable of influencing decisions with regards to the project’s feasibility (Johnson, 2010). However, with rising social and environmental awareness, residents in mining communities increasingly assert their rights in the process of mining development, which has propelled Chinese mining enterprises to focus on CSR, especially the corporate-community relationship. CSR requires enterprises to meet the community’s interests in areas of economy, environment, culture, and sustainable environment (Jenkins and Obara, 2006), which is also what Chinese mining enterprises should highly value in the construction of corporate-community relationship.

There are about 100,000 mines in China, most of which are located in the rural area (Hu et al., 2014). In 2015, the 603.46 million rural residents in China accounted for 43.90% of the total population; however, the size of per capita arable land was only 40% of global average, and agriculture represented only 9.0% of GDP (NBS, 2016), indicating a huge gap between the rural and urban economy.

* Corresponding author.

E-mail address: wangjian1230102@126.com (J. Wang).

Chinese mining enterprises focused mostly on economic benefits from mining activities, with little social responsibility consciousness regarding regional development and improvement of local living conditions, as well as restricted approaches to undertaking their social responsibilities, which was mostly direct economic compensation (Dong et al., 2013, 2014; Tang-Lee, 2016).

In the use of resources, mining enterprises will have an impact on the local environment, which affects local residents. Due to economic concerns, enterprises failed to allocate their profits to improve local welfare in a timely manner; in other cases, the CSR-related efforts were insufficient for the losses suffered by local people (Abuya, 2016; Dong et al., 2014). This directly triggered the locals' psychological imbalance, ecological degradation and changes of lifestyle, and even decreased their economic income (Dai, 2010; Idemudia, 2009a). If mining enterprises fail to undertake corresponding CSR, properly handle corporate-community relations, and negatively impact local residents through mining exploitation, negative sentiments accumulate quickly, which can result in conflict between enterprises and local communities, or even mass incidents such as protests and affray (Dai, 2010; Davis and Franks, 2011; Franks et al., 2014). In some mining areas, such a relationship has become a serious social issue that affects local safety and stability (Idemudia, 2009; Kemp and Owen, 2013). In recent years, frequent mass incidents caused by conflicts in mining areas have sounded the alarm for building a corporate-community relationship between mining enterprises and communities (Huang et al., 2016).

To improve the operative environment and avoid serious consequences due to corporate-community conflicts, many mines in China made various attempts to improve corporate-community relations. For instance, some mines built roads, bridges, and infrastructure for water and power supply for local communities, or opened up hospitals and schools to improve locals' livelihood; some offered remuneration for land requisition, job opportunities, and community welfare that promoted community development and harmonized the corporate-community relationship (Yang and Wang, 2010; Zhang and Xu, 2010; Zhang et al., 2010a). Though many mines put high emphasis on such relations, most of them lacked a systematic and effective long-term mechanism.

Kunyang Phosphate of Yunnan Phosphate Chemical Group (herein after referred to as "Kunyang Phosphate") is a model aiming at building a sound corporate-community relationship. After years of exploration and efforts, it has achieved good results in dealing with the community relationship and formed a relatively close corporate-community relationship with Hanying Village, the local community. As a result, such efforts have been recognized by the domestic mining sector (Li, 2014). In 2009, in order to publicize the achievements made by Kunyang Phosphate in the community relationship business and expand its influence, Yunnan Phosphate Chemical Group put forward the term "Hanying Model," which describes the corporate-community relationship construction model between Yunnan Phosphate Chemical Group and Hanying Village. But in fact, the summary and publicity done by Yunnan Phosphate Chemical Group only rests on the funds invested and the benefits achieved, lacking systematic organization and analysis. This article will attempt to summarize and analyze the "Hanying Model" in a systematic manner, and discuss its problems.

As a state-owned mining enterprise in China, the community relationship method adopted by Kunyang Phosphate can be considered representative of the current status of the community relationship in the Chinese mining sector. This paper first divides the development history of the corporate-community relationship between Kunyang Phosphate and Hanying Village into different periods, and discusses them respectively based on Carroll's (1991) pyramid model of corporate social responsibility. It then summarizes the "Hanying Model" and analyzes the community involvement strategy of Kunyang Phosphate based on the corporate community involvement (CCI) strategy proposed by Bowen et al. (2010).

2. Literature review

2.1. Corporate social responsibility and community relationship of Chinese enterprises

Community relationship is part of corporate social responsibility (CSR) (Harvey and Brereton, 2005; Humphreys, 2000; Kemp, 2010). In China, CSR research began in the late 1980s. Since then, with the deepening of Reform and Opening-up and the sustained growth of social economy, the research on Chinese CSR has gradually developed. In China, early CSR research mainly focused on the introduction of Western CSR theory (Lu, 2001; Ma, 2000). After entering the 21st century, CSR research gradually deepened, and more scholars paid attention to the study of CSR concepts and connotations (Jia and Zheng, 2007; Xu and Yang, 2007). Later on, some scholars began to focus on the researching CSR and corporate value and CSR and social capital, as well as the consumer response to CSR (Li, 2006; Liu et al., 2013, 2010; Ma, 2011; Xu and Yang, 2009; Zhang et al., 2010b).

The social responsibility research of Chinese mining enterprises has also developed alongside academic CSR research. For instance, Dai (2010) evaluated the degree of community involvement in small mine enterprises and analyzed the corporate-community benefit game; Kang (2013) discussed the social responsibility of mining enterprises in community construction from economic and legal perspectives; Bian and Miao (2014) studied the social responsibility of mining enterprises from the standpoint of stakeholders; Zhang (2014) constructed the social responsibility system of mining enterprises. In October 2014, guided by the Ministry of Commerce, the Chinese Chamber of Commerce of Metals, Minerals, and Chemicals Importers and Exporters, compiled and published the first "Guidelines for Social Responsibility in Outbound Mining Investments", which defined guiding principles for human rights, labor relations, environment, community involvement, and many other aspects in mining enterprises. It was an important step driven by Chinese companies' desire to learn better practices; despite this, many Chinese mining enterprises often overlooked the increasingly acute community relationship problems China faced as a country of big industry (Bian and Miao, 2014; Dai, 2010; Kang, 2013; Zhang, 2014).

In 2010, the Ministry of Land and Resources of China launched a nationwide program to construct green mines, of which one of the core tasks is building harmonious communities. This program has become an active exploration of Chinese practice of community relationship in the mining sector (Li, 2014), and promoted the development of community relationship research in the Chinese mining sector to a certain extent. From the perspective of green mines' harmonious community construction, aims at improving the relationship between mining enterprises and their surrounding communities, promote mutual development between the mining industry and the regional economy as well as realize coordination between mineral mining and environmental protection. These factors are important to consider when maintaining corporate-community relationship and promoting social harmony.

Some scholars have pointed out that how to solve the conflict between mineral resource exploitation and environmental protection plus harmonious community construction has become an important impact factor affecting the mining industry development (Hu et al., 2014; Qiao and Li, 2010b). To achieve harmony with the community, mining enterprises should strictly fulfill their CSR obligations, strengthen cooperation and the win-win mechanism, establish and improve the corporate-community consultative machinery and long-term management mechanism. In the process of corporate-community joint construction, mining enterprises should attach importance to the employment of local residents as well as support and guide the economic development of local enterprises, thus promoting local economic development and finally realizing a harmonious community (Liu et al., 2006; Qiao, 2013; Zhang et al., 2015). Building such a

Download English Version:

<https://daneshyari.com/en/article/5104190>

Download Persian Version:

<https://daneshyari.com/article/5104190>

[Daneshyari.com](https://daneshyari.com)