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THE PRACTICE OF MINING COMPANIES IN BUILDING RELATIONSHIPS WITH LOCAL COMMUNITIES IN THE CONTEXT OF CSR FORMULA

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Abstract

This paper presents results regarding the analysis of activities of coal mining companies operating in Poland in terms of Corporate Social Responsibility (CSR), with a particular emphasis focused on the area of community involvement. This sphere is extremely important for entities operating in the sector due to the scale of the impact on the social environment and the potential threat of resistance from local communities. Mining companies have developed forms of action in this area and are subject to a number of legal regulations, especially in such critical points as mining damages or acquiring concessions for mining operations. Therefore, it is worth analysing these issues from the perspective of the CSR formula, and the way in which mining companies build a relationship with stakeholder groups which are undoubtedly the local communities. This represents a specific challenge for mining companies and requires a change in management approach based on the acceptance of responsibility for the impact they have and to seek solutions that will benefit both the companies themselves and their surroundings. It should also affect the change in approach for building relationships with local groups beyond just the legal requirements.

Keywords

Corporate Social Responsibility (CSR), mining companies, social involvement, local communities.

1. INTRODUCTION

Corporate Social Responsibility (CSR) has become particularly important due to the character of activities carried out by mining companies, associated with mining of coal, a high level of employment and especially due to a strong impact on the social environment. CSR is a relatively new approach to managing and is based on including social interests, environmental protection and a relationship with local community groups in the company's strategy. The social involvement in the management of the company focuses on building the right relationships with employees, respecting their rights and involving them in the process of business management. Undoubtedly, this area is given greater attention, and the mining industry has in this respect vast experience, due to the high level of employment and a large representation of trade unions. In fact, it is only one aspect of CSR, which also includes the areas of organizational governance, human rights, environmental protection, relationships with consumers and community involvement.

Given the impact of mining companies in their surrounding areas, the dimension of social engagement and building relationships with other community groups is particularly interesting in the context of local communities. Despite the obvious benefits associated with the location of mines, such as new jobs or increasing local income, negative consequences of their operations should not be omitted or underestimated.

Conducting mining activities result in major interference with the local landscape and the impact of mining damage. It is worth analysing the approach of mining companies to maintain positive relationships with local communities and local government according to the principles of CSR, taking into account not only the applicable laws or rules of conduct developed in this area, but also potential differences emerging on the basis of the approach to CSR, the experience of the mining companies related to the functioning of the stock market, or the practices "contributed" by foreign capital. For this purpose, an analysis of publicly available information, materials and documents related to the activities in the field of the CSR of individual mining companies has been conducted.

2. CSR AND RELATIONSHIP BUILDING WITH LOCAL COMMUNITIES

CSR is an example of an approach to management that emphasizes the importance of influence exerted by the company on a number of diverse groups such as employees, customers and local communities, as well as the environment. CSR requires companies to take responsibility for these aspects, and thus provide a specific contribution in regards to sustainable development (Dzoga et al. 2010). CSR is a concept that involves a strategic and long-term business approach based on the principles of social dialogue and seeking

solutions that will benefit, both the company itself and the social environment. It is extremely important that the company's activities are not limited only to the fulfilment of all formal and legal requirements, but also voluntary involvement in, among others, environmental protection and positive relations with the social environment (Jarosławska-Sobór ed. 2011).

A more detailed definition of the CSR is included in the developed ISO 26000 standard, the aim of which was to systematize existing knowledge concerning CSR and clarify the values which should guide companies and other business entities outside the business. CSR is defined as the “responsibility of an organization regarding the impact of its decisions and activities (products, services, processes) on society and the environment, through transparent and ethical behaviour, that: contributes to sustainable development, the health and welfare of society, takes into account the expectations of stakeholders, is in compliance with law and consistent with international norms of behaviour and is integrated throughout the organization and practiced in its relationships” (Discovering ISO 2012). The above definition, as well as being highlighted in the framework of the ISO 26000 standard areas of corporate social responsibility, are a point of reference for the analysis of mining companies’ activities.



Fig. 1. Social responsibility: 7 Basic subjects (Discovering ISO 2012)

CSR is a proposal to change the way of business management, including a particularly important area of social commitment. Unfortunately, it is often emphasized by experts in this subject, some companies however, may have a narrow understanding of social responsibility and their actions are limited to primarily making token charity donations. Their concept of CSR is rather connected to philanthropy, and actual CSR assumptions are significantly wider. It is a proposal of open business management towards the social environment through dialogue with the various interested parties, while seeking profits. It is worth noting that the social responsibility of the company's management is also an opportunity to minimize a number of business risks (Dżoga et al. 2010). From the point of view of the specific operation of mining companies, appropriate action in the area of social engagement and building relationships with groups of stakeholders, including local communities, is an opportunity to

acquire the „license to operate” (Podręcznik CSR 2011) in a given location. Through involvement in social issues companies can fully understand the public perception of their impact, which could and should lead to minimizing risks associated with social protests.

The use of the principles deriving from CSR and taking action on its behalf brings a number of benefits for companies, among which the most common are:

- creating a positive image of the company
- mission credibility in the eyes of customers
- increase in competitiveness
- gaining consumer loyalty
- increase in trust among stakeholders
- gaining the favour of the local community
- a positive image of the company among employees
- building positive relationships with the local authorities and the local community
- increased investor interest
- attracting and retaining the best employees
- increased organizational culture within the company (Dżoga et al. 2010)

Supporting the development of CSR through a series of organizations and institutions, especially those located within the structures of the European Union, undoubtedly helps to consolidate a position. It also results in relatively fast “acceptation” on a national scale. The development of CSR in Poland has been ongoing for several years. In 2001 the Responsible Business Forum (FOB) was established, currently it is the largest and most well-known non-governmental organization undertaking a number of initiatives related to the promotion of CSR (Dżoga et al. 2010). The implementation of social responsibility in Polish companies also involved publishing strategic documents for Polish economic development (such as: National Development Strategy, the National Strategic Reference Framework and Strategy for Europe 2020) (Dżoga et al. 2010).

According to experts dealing with CSR issues, a key period for the development of this concept in Poland was the last few years. Five years ago the Responsible Companies Ranking (an initiative by the daily paper Dziennik Gazeta Prawna and the Leon Kozminsky Academy with the participation of PwC's auditors) was launched, as was a competition for the best social reports of non-financial data of the companies (Dżoga et al. 2010). A particularly important time concerning the development of CSR in Poland was 2009, thanks to two events. Firstly, the government established the Inter-ministerial Team for Corporate Social Responsibility under which were formed four Working Groups for the promotion of CSR, education, responsible investment and sustainable consumption. Secondly, a significant initiative for the development of CSR in Poland was undertaken by the management of the Stock Exchange referring to the Respect Index, the index of socially responsible companies (Dżoga et al. 2010).

Generally, in the literature devoted to the application of CSR standards by mining companies, the focus is mainly put on the major international actors, with particular attention being paid to the situation in developing countries. The situation of mining companies operating in Poland in this respect is clearly different. First of all, they are not major players in

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