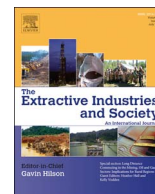




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Original article

Developing community based models of Corporate Social Responsibility

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ABSTRACT

In this article, grounded theory was used to develop models of Corporate Social Responsibility (CSR) that can generate benefits for communities impacted by the Australian resource sector. Interviews were conducted with community representatives who interacted with a range of resource companies located in three Australian jurisdictions. Separate conceptual models were developed for Indigenous communities with legislated land rights as opposed to local communities nearby resource development. This was because they had different priorities in terms of model elements. Indigenous people sought to maintain cultural and environmental values through CSR whilst accepting a need for some social change. These values were expressed in cases where legislative frameworks enabled their protection and sufficient resources were available, such as financial capital, policy commitments and stakeholder support. Local communities were seeking to maintain their viability and to ensure companies were accountable for their impacts. CSR in this context relied on company policy and the formation of voluntary partnerships which differed according to the organisation's culture. In this paper, it is argued that participatory CSR provided a mechanism to express community values linking it to perceptions of empowerment and capacity to provide long-term value to communities. The study also helps identify where improvements can be made to the Australian resource sector.

1. Introduction

Corporate Social Responsibility (CSR) is framed around corporations' responsibilities to local communities and wider society. Requirements for CSR have expanded through time as societal expectations have changed and they now incorporate a broad range of social, environmental and economic issues (Carroll and Shabana, 2010).¹ Furthermore, integral to achieving these requirements is for companies to voluntarily go beyond minimum regulatory compliance (Pojasek, 2011).

Traditionally, CSR has focused on the actions of the corporation, which includes accounting for stakeholder expectations and addressing a triple bottom line of economic, social, and environmental performance (Aguinis and Glavas, 2012). However, there is an increased acknowledgement and understanding of how wider institutional settings and processes shape CSR (e.g. stronger regulatory regimes, and greater involvement of stakeholders) (Crane et al., 2013). This paper views CSR as a process that includes

company practices as well as the actions and processes of key stakeholders, including regulators and local communities.²

In the case of the resource sector, CSR involves balancing the benefits versus the costs including the unintended negative impacts of development (Söderholm and Svahn, 2015). From an international human rights perspective, governments are responsible for distributing the benefits gained from resource extraction to communities through royalties (Oxfam Australia, 2010). However, in practice governments do not necessarily redistribute benefits directly to impacted communities (Söderholm and Svahn, 2015). For communities in close proximity to the development this can lead to a reliance on companies to provide direct benefits including infrastructure and service delivery which are traditionally provided by governments (Cheshire et al., 2011).

In order to maximise benefits, CSR can be optimised by a strategic approach which directs financial returns to communities, builds infrastructure, develops human capital (skills and education) and supports

Abbreviations: CSR, Corporate Social Responsibility; TOs, Indigenous Traditional Owners; NGOs, non government organisations; NRM, natural resource management; SLO, social license to operate

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¹ For example, the ISO standard for CSR addresses a range of issues such as environmental impacts, human rights, employee conditions and social benefits to receiving communities (International organisation for standardisation, 2010).

² Rural/remote communities in close proximity to the resource development will be referred to as 'local communities'.

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broader strategic social and environmental programs (Davies et al., 2012). This requires there to be an open dialogue between companies, government organisations and communities, and recognition for the need to build community-based assets (Owen and Kemp, 2012). However, the benefits of CSR can also be mitigated by issues such as negative off-site environmental impacts (particularly degradation of environmental conditions and water resources), poor mine-site rehabilitation (Franks et al., 2010) and social costs such as increased cost of living pressures, changes in the social fabric of communities, and loss of labour and expertise from other industries (Cheshire et al., 2011; Langton and Mazel, 2008).

An important and often under-examined area of research on CSR is how it is conceptualised by impacted communities and how they incorporate it into their world view. It is by nature a fluid concept without a rigid definition and is therefore often contested, with community perceptions not necessarily aligning to corporate or other stakeholder views (Okoye, 2009). Different conceptions of CSR can also lead to conflict within communities. Examining community views on CSR helps to understand its broader sociological impacts and community aspirations.

Within this, there is a benefit in understanding how communities experience and respond to CSR including what can be considered a model of success. This can help inform understanding of the level of community acceptance of a resource development. Communities who have positive experiences of CSR and see tangible benefits are more likely to be supportive of the industry/corporation and grant a Social License to Operate (social license) (Lacey et al., 2012). A social license involves communities and stakeholders having a level of acceptance and approval of a resource development so as to allow it to operate and potentially make a profit (Idemudia, 2014; Thomson et al., 2010).

The research reported here therefore, asks the primary question: ‘What are the key elements of a CSR model that include communities’ perspectives on success, foster their involvement and cooperation with companies, and facilitate contributions for wider community benefit in Australia?’ It also asks whether there are key differences in how this is framed depending on the specific cultural values of communities. The paper aimed to achieve this through building two community models of CSR utilising a grounded theory perspective, drawing upon the practical experiences of community leaders involved in CSR. The models are discussed in detail including identifying the extent to which community aspirations have been met. This sets the scene for identifying improvement opportunities for the sector and areas for future research.

2. Context

2.1. The role of communities in CSR

The role and influence of communities in CSR are impacted by the political economy and associated stakeholder power dynamics. In Australia, the state governments and resource corporations hold the more powerful interests, being the key decision makers (Blackwell and Fordham, In Press). This power originates from government regulation of the development approval process including the development conditions and companies setting CSR policies and the form of engagement with local communities. In Australia, such interests can create a pro-development context whereby economic interests can dominate development agendas leading to environmental and social impacts (Brueckner and Mamun, 2010; Mayes et al., 2014).

The relative power imbalance between communities and state/corporations in Australia has led to communities (including Indigenous traditional owners³) being unable to prevent developments on their land, being decoupled from mining benefits and experiencing

significant environmental and cultural impacts (Langton and Mazel, 2008; Scrambary, 2013). This power imbalance is exacerbated in the case of Indigenous communities because they have faced significant previous disadvantage and a lack of access to resources, experience low socio-economic conditions, and difficulty in integrating into mainstream economies (Altman and Martin, 2009). Furthermore, the situation of Indigenous communities in close proximity to resource development has been likened to a resource curse with low capacity to improve the socio-economic conditions (Langton and Mazel, 2008). This is attributed to poor institutional frameworks and inadequate policy development to spread the benefits effectively to communities.

Conversely, there has also been a clear political agenda of community participation in resource development, with local communities expected to integrate into buoyant regional economies stimulated by global commodity demand (Altman and Martin, 2009; Mayes et al., 2014). In the Indigenous case, this has been supported by legal requirements for companies to formulate Indigenous Land Use Agreements⁴ so as to provide financial compensation and a package of benefits for Indigenous communities with lands under Indigenous ownership or Native Title claim (see below).

Furthermore, communities are active participants in the resource development process and can play a key role (Fordham and Robinson, In Press), including participating in decision-making, delivering CSR strategy and linking CSR programs to wider community interests (Ruggiero et al., 2014). This participation is created through communities gaining legal rights, development of company CSR policies, influence of stakeholders and through protest, media pressure and public scrutiny of companies’ actions (Altman and Martin, 2009; Trebeck, 2007).

In this paper, the parameters of success for communities in relation to CSR are considered to be the ability for communities to understand, engage and where possible be actively involved in CSR to help ensure that the community receives long-term strategic benefits or at a minimum the costs from resource operations are mitigated.

2.2. CSR context

To examine the context of CSR in the Australian resource sector, we considered Carroll’s four dimensions: economic, legal, ethical and discretionary/philanthropic (Carroll, 2016). The economic dimension is critical within this context for guiding CSR approaches and the level of resources provided. Companies need to establish a business case for CSR which is consistent with economic viability (and profit making) and shareholder interests but also one that aligns with corporate values and social license interests (Esteves, 2008). This includes the degree to which corporations take into account local and stakeholder interests, and in doing so address the social risks to the company’s operations (Moffat and Zhang, 2014). Resource companies (and those typically global) that have experienced significant difficulties with communities, with impacts on their financial bottom line, often develop greater organisational capacity to address such risks (Harvey and Brereton, 2005).

Regulatory and legal frameworks are instrumental in shaping and establishing CSR including determining how the benefits from resource development flow to communities (e.g. royalty and compensation arrangements and regulations that serve to mitigate impacts, particularly environmental impacts). In Australia this legislation differs on a jurisdictional (state) basis. Although regulatory frameworks afford some level of protection for cultural and environmental values (Gurin, 2009), effective CSR strategy typically builds upon legislative frameworks through company strategies which engage with stakeholders (Fordham et al., 2017).

Key national, state and territory legislation such as *the Native Title*

³ While this article uses ‘Indigenous’ as consistent with the international literature to refer to Aboriginal and Torres Strait Islanders in the context of Australia, it does so acknowledging the wishes of local people to be referred to by the latter term rather than the former.

⁴ All references in this article to ‘agreements’ refer to ILUAs unless otherwise indicated.

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