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**Stakeholder Priorities v Industry Perception: Reputations and
Relationships in the Australian Mining Industry**

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Abstract

Building on past research in stakeholder theory, corporate reputation and corporate citizenship, this paper reports on an ongoing exploratory research program which aims to develop an understanding of the relationships between mining companies and their stakeholders, and the importance of corporate citizenship policies to reputation and hence to corporate sustainability. The findings of the first stage of this research, the results of a Delphi study into the drivers of reputation for mining companies are reported. These results further the understanding of the relationship between corporate citizenship and reputation in the mining industry, thus assisting companies to strategically manage their corporate citizenship investments and to understand the process of innovation to meet the changing expectations of stakeholders.

Introduction

An important issue is the management and cost to industries and their stakeholders of access to resources. These costs can be environmental, social, economic, political or reputational. The ability of companies to engage the trust of communities, governments and investors is critical to their sustainability, with corporate reputation playing a significant role in this. For industry to secure a sustainable future, it must have the technical, business and reputational assets to proceed in a cost-effective, environmentally acceptable and socially supportive way.

Industry based organisations have taken up the challenge of developing best practice in the economic, environmental and social aspects of mineral industry development (Minerals Council of Australia, 2004). This shift in focus has been reinforced, or perhaps initiated, by an acknowledgement that local communities are increasingly influential in regulating access by mining companies to local resource deposits. As a consequence companies are now forming relationships with communities in part to facilitate access and to maintain operations in a cost effective way (Cheney, Lovel, & Solomon, 2002). The cost to both companies and communities of poor relationships can be high. Hence, the sustainability of mining operations requires a balance between community acceptance, resource assets and long term planning.

This paper reports on an ongoing exploratory research program which aims to develop an understanding of the relationships between mining companies and their stakeholders, and the importance of corporate citizenship policies to reputation and hence to corporate sustainability. The findings from an industry focus group and a Delphi study, an expert opinion survey, are presented and discussed. Integral to this study is the need to develop an understanding of the individual relationships between mining companies and their various stakeholders.

There is increasing interest in corporate reputation as a scarce resource and its influence on the sustainability and competitiveness of mining companies. It can be argued that companies have multiple reputations as their activities differentially influence their various stakeholder groups. The emphasis of this study is on the process of reputation formation in the mining industry.

Specifically this study aims to answer the following questions:

- What are the reputations that are important to the sustainability and competitiveness of Australian mining companies?
- What are the relative contributions of mining company corporate citizenship policies to these different reputations?
- How is reputation managed in the Australian mining industry?

It is anticipated that the knowledge gained from this research will assist companies to tailor their corporate citizenship activities to the needs of their stakeholders, and to facilitate the management of reputation within the context of changing societal expectations of business generally and mining companies specifically.

Corporate Reputation

Today there is growing research interest into corporate reputation, however many studies focus upon a single stakeholder group namely customers (Berens & van Riel, 2004). Bennett and Kottasz (2000) report, that in the field of corporate and marketing communications, few developments have been the subject of greater academic interest than the management of corporate reputation. Despite the fact that corporate reputation has been widely debated and researched there continues to be disagreement over the theoretical grounding of the concept. Bromley (2002a, p. 35) states that “the concept of corporate reputation seems to lack an agreed theoretical basis, and this limits practical applications”, while Devine (2001, p. 42) acknowledges the existence and importance of reputation are not in dispute, but states that “what is meant by reputation, how it is created and managed, and how it generates value to shareholders remain matters of debate”. One aspect of this debate highlighted by a recent review of the development of corporate reputation (Dolphin, 2004) is the confusion that exists between reputation and image, in particular the frequent misunderstandings between academics and practitioners of the terms and the fact that the two terms are often used interchangeably.

Construct of Corporate Reputation

Corporate reputation has been defined in various ways. It can be defined as a distribution of opinions about an entity in a stakeholder group (Bromley, 2001), or as the interactions between and among stakeholders (Mahon, 2002). Deephouse (2000, p. 1093) defined it as “the evaluation of a firm by its stakeholders in terms of their affect, esteem and knowledge”. It can be a collective term, incorporating image and identity, referring to all stakeholders views of reputation (Davies, Chun, da Silva, & Roper, 2001). Roberts and Dowling (2002), following Fombrun (1996), defined it as the perceptual representation of both the company’s past actions and its future prospects, thus describing the company’s appeal to key constituents in comparison to its leading rivals.

Views on the nature of the corporate reputation construct diverge (Cornelissen & Thorpe, 2002). These range from an aggregate perceptual judgement by all stakeholder groups, based on the organisation’s past actions (Dolphin, 2004) to the view that an organisation may have multiple reputations, as each stakeholder group will consider a different set of attributes (Caruana, 1997; Wartick, 2002).

Fombrun and Van Riel (1997) argued that the lack of systematic attention to corporate reputations can be traced to the diversity of literatures exploring the various facets of the reputation construct. Mahon (2002) also proposed that the different definitions and perspectives on reputation stem from the research being undertaken by a number of different disciplines, and stated that often the research in each of these disciplines “makes little or no reference to the parallel research being conducted elsewhere” (Mahon, 2002, p. 415), hence impeding research progress. Six distinct views of reputation, exploring different facets of the reputation construct, can be identified; the economic view, the strategic view, the marketing view, the organisational view, the sociological view and the accounting view (Fombrun & van Riel, 1997).

Fombrun and Van Riel (1997) identify two economic views. Firstly, that of the game theorists¹ who “describe reputation as character traits that distinguish among ‘types’ of firms and can explain their strategic behaviour” and secondly, that of the signalling theorists who “call our attention to the information content of reputations” (Fombrun & van Riel, 1997, p. 6). Common to both these views is the acknowledgement that reputations are the perceptions of firms held by external observers.

Strategists view reputations as assets and mobility barriers, due to the fact they are difficult to imitate and are inertial. Hence, like economists, the strategists identify the competitive benefits of acquiring a favourable reputation. This view supports a focus on the resource allocation that firms must make, over time, in order to erect reputational barriers (Barney, 1986). As with the economic view, in the strategic view reputations are externally perceived.

Reputation from a marketing viewpoint is more commonly labelled ‘brand image’ and focuses on the consumers and a firm’s product(s). The objects in marketing research are predominantly products and consumers are the principal subject of analyses (Fombrun & van Riel, 1997). Even in the case of ‘umbrella branding’ or ‘corporate branding’ the focus remains the consumers and products. Hence, it can be argued that the marketing view of reputation, as described above, has little to add with regard to the reputations of companies with little or no possibility for product differentiation.

Central to the organization view is the idea that ‘corporate reputations are rooted in the sense-making experiences of employees’ (Fombrun & van Riel, 1997, p. 8). Hence a firm’s business practices and the types of relationships managers establish with key stakeholders are shaped by a company’s culture and identity. In summary, corporate culture influences the motivations and perceptions of managers (Barney, 1986) and corporate identity affects how they interpret and react to environmental circumstances (Dutton & Dukerich, 1991).

From the sociologists view reputations are ‘indicators of legitimacy: they are aggregate assessments of firms’ performance relative to expectations and norms in an institutional field.’ (Fombrun & van Riel,

¹ See Weigelt and Camerer (1988) for an early review of reputation research from a game theory perspective.

1997, p. 9) The sociologists emphasise the multiplicity of agents involved in the process of constructing reputations and their interconnectedness. The focus is on the socio-cognitive process that generates reputational rankings, which many economic and strategic models ignore.

A more recent development has been the acknowledgement, by accounting researchers, of the insufficiency in financial reporting standards in documenting the value of intangible assets. They highlight the widening gap between reported company earnings and the market valuations of companies (Fombrun & van Riel, 1997). Not coincidentally, these are the same assets said by strategists to improve reputational assessments among stakeholders (Barney, 1986; Rindova & Fombrun, 1999).

To further the study and understanding of reputation it is necessary for future research to encompass a more integrative view. The continued study of reputation within the various disciplines in isolation or by individually exploring the various facets of the reputation construct will impede the progress of research into reputation.

Fombrun and Van Riel (1997), argued that one of the reasons corporate reputations had remained relatively understudied is this problem of definition. Taking the literal definition of reputation as ‘the general estimation in which one is held by the public’ they posed the following questions;

how can such a definition apply to companies? Who constitutes ‘the public’ of a company and what is being estimated by that public? Given the diversity of audiences companies address themselves to, whose perceptions and judgements count the most? Those of investors, employees, financial analysts, communities, regulators, CEO’s? (Fombrun & van Riel, 1997, p. 5)

Fombrun and Van Riel (1997) proposed an integrative view, culminating in the following definition of reputation:

A corporate reputation is a collective representation of a firm’s past actions and results that describe the firm’s ability to deliver valued outcomes to multiple stakeholders. It gauges a firm’s

relative standing both internally with employees and externally with its stakeholders, in both its competitive and institutional environments. (Fombrun & van Riel, 1997, p. 10)

Although this definition has formed the basis for a number of later studies (Gardberg & Fombrun, 2002; Hanson & Stuart, 2001; Roberts & Dowling, 2002), and has been more widely used than other definitions (Wartick, 2002), there is still no generally accepted and unambiguous definition of corporate reputation (Gotsi & Wilson, 2001). A number of authors have recently discussed the continuing problem with regard to defining corporate reputation (Bromley, 2002a; Dolphin, 2004; Gotsi & Wilson, 2001). The importance of the reputation definition issue for future research into corporate reputation and its measurement is that until we know and understand what something is we cannot measure it (Wartick, 2002).

A recent study (Barnett, Jermier, & Lafferty, 2006) revisited the fundamental question: What is corporate reputation? Following review, analysis and evaluation of prior definitional statements the authors conclude that for future research reputation should be defined in terms of estimation, judgement, evaluation and opinion and propose the following definition:

Corporate Reputation: Observers' collective judgements of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time.

Even this definition creates a number of issues for research into corporate reputation, in particular: Who are the 'observers' that determine corporate reputation? What makes up their 'collective judgements'? and Do 'observers' and 'collective judgements' vary across industries and if so how?

Reputation Formation and Measurement

That corporate reputations are formed and held by a company's stakeholders is not disputed. It is therefore important to identify the relevant stakeholders and to understand the importance and nature of the relationships between the stakeholder groups and the company. Given the perceptual nature of reputation and that it develops from multiple sources (Fombrun & van Riel, 1997), it is also important

to identify the relationships between the stakeholder groups that will impact upon reputation formation. In particular it is important to understand the determinants of reputation for the various stakeholders and also the intermediary status of media in the formation of reputation (Deephouse, 2000).

There currently exists a proliferation of different methods for measuring corporate reputation (Schwaiger, 2004). The most widespread and best known indices are the Fortune 'Most Admired Companies' indices and the Harris-Fombrun 'Reputation Quotient'SM,². In addition there are a growing number of other reputation rankings for example Delahaye Medialink Corporate Reputation Index³, the Financial Times World's (Europe's) Most Respected Companies⁴ and Reputex Social Responsibility Ratings⁵

It has been argued that the comparison of corporate reputation measures has been hampered by the lack of details provided, in the literature, in particular the unavailability of the questionnaires used to measure corporate reputation (Schwaiger, 2004). As exemplified by one of the examples of reputation rankings, the Reputex Social Responsibility Rating, there exists some confusion between reputation measures, measures of reputation for corporate social responsibility (CSR) and measures of CSR. Bromley (2002b, p. 72) raises the issue that "existing methods of comparing corporate reputations, such as the league tables published by the U.S. business magazine Fortune and the Reputation QuotientSM proposed by Fombrun et al. (2000), appear to take little or no account of the issues raised", including; simplification to a single corporate reputation, the relative importance of each stakeholder group, and the differences between stakeholder groups regarding their concerns and experiences and their collective representations and evaluations. Thus, in extreme cases, measured reputation and reality may be far apart (Bromley, 2002b, p. 74).

² <http://www.reputationinstitute.com>

³ <http://www.delahaye.com>

⁴ For 2004 survey see [http://www.pwcglobal.com/extweb/ncsurvres.nsf/docid/58D9F6C6C7B817BC80256F4F003FDEA1/\\$file/MostRespectedCompanies2004.pdf](http://www.pwcglobal.com/extweb/ncsurvres.nsf/docid/58D9F6C6C7B817BC80256F4F003FDEA1/$file/MostRespectedCompanies2004.pdf)

⁵ <http://www.reputex.com.au>

One recent study (Wartick, 2002) explored the state of efforts to measure corporate reputation, through the examination of existing definitions and data sets. The findings suggest that both definitions and data are lacking and it is argued that these deficiencies can be attributed to the fact that theory development related to corporate reputation has been insufficient. In summary the study raised a number of issues;

As we use existing or developing measures of corporate reputation, are we really measuring what we want? Do the data focus on what we want and need to know? Are the measurement devices valid and reliable? (Wartick, 2002, p. 388-9)

The Fortune Most Admired Companies (MAC) survey was identified, by Wartick (2002), as the most used and discussed data set and identified a number of studies utilising this data, further evidence of the extensive use and reliance on the Fortune data set. The literature on the analysis of the relationship between corporate reputation and financial performance were reviewed by de la Fuente Sabate and de Quevedo Puente (2003) and this review again highlights the reliance of empirical studies on the Fortune reputation index as a source of data, 14 of the 22 studies reviewed were based entirely on the Fortune data and of the remaining 8 only 6 studies did not utilise the Fortune data. Continued use of Fortune's MAC survey, even given its deficiencies and limitations, may be explained by the accessibility and convenience of the data set for researchers.

Zabala et al. (2005, p. 60) state "since the components of corporate reputation vary substantially from one industry to another, or even from one country to another, it follows that the way in which this reputation is measured also differs across the corporate spectrum". Further they argue that the way a company approaches its goal of a good reputation will vary due to the nature of the industry and the nature of the enterprise, i.e. the most important variables that make up corporate reputation will vary. They conclude that reputation "... is determined by the stakeholders' recognition of a company, not by the general perception held by the public."

Brammer and Pavelin (2004) provided evidence that there exists variation between sectors, and hence industries, in their multi-sectoral study of the link between reputation and social performance. They

found the general tendency was for sectors to exhibit above average reputations and below average social performance, or below average reputations and above average social performance, identified in Figure 1 by the two shaded quadrants.

Figure 1: Patterns in Reputation and Social Performance

	Below Average Social Performance	Above Average Social Performance
Below Average Reputation	HIGH TECHNOLOGY SECTOR	
Above Average Reputation		RESOURCES SECTOR

These findings suggests “that the pressure for social responsiveness is associated with a poor reputation.” (Brammer & Pavelin, 2004, p. 710). Conversely, in sectors where good reputations are common there may be less impetus to be socially responsive, due to reduced pressure from stakeholders. However the study identifies two sectors, the resources sector and the high technology sector, that go against the trend. In the resources sector they found that the firms exhibited relatively strong social performance despite having relatively good reputations and vice versa for the high technology sector where they found firms exhibited below average social performance despite experiencing below average reputation. Given the focus of this study on the employee, environment and community aspects of social performance, this trend for the resources sector may reflect the saliency of these particular issues to this sector in comparison to other sectors. Alternatively, it may reflect a variation in the appropriateness, across the different sectors, of the measures used in the study. Brammer and Pavelin (Brammer & Pavelin, 2004) argue the findings of the study suggest that for the purposes of reputation building, CSR activities need to be tailored to fit the nature of a company’s principle business activity. This study raises a number of issues in particular; What level of investment in CSR is optimum? and What is the relationship between CSR and reputation? for the resources sector.

That companies have reputations and that they are important to their functioning and profitability are not in dispute. However, the definition of reputation, its process of formation, and how it can be managed do remain a matter of debate. Issues include; the need for more definitional clarity (Wartick, 2002), the lack of specificity around stakeholder identity (Dunham, Freeman, & Liedtka, 2001), the need to acknowledge the non monolithic nature of corporate reputation and to focus upon stakeholder relations (Spencer, 2005), and the need for appropriate industry specific measures of reputation (Brammer & Millington, 2003, 2005; Zabala et al., 2005)

The evidence suggests that the drivers of corporate reputation may vary by industry and there may be significant variation for certain sectors, especially the resources sector (Brammer & Pavelin, 2004.; Grieg-Gran, 2002). The need for further research into the process of building and sustaining favourable reputations has been identified (Balmer, 1998) and the evidence suggests there is a need to develop further understanding of the drivers and appropriate measures of corporate reputation for specific sectors or industries (Schwaiger, 2004). It has been argued that a company can get closer to influencing perceptions and gauging how they contribute to organizational success by focusing on stakeholder relationships, because reputation only matters when it concerns the things that matter to the people that matter to the organization (Spencer, 2005). Given a company has multiple reputations with each of its stakeholder groups (for example reputation as an employer, reputation for financial performance, reputation for CSR, reputation for stakeholder engagement etc.) and that these various reputations contribute to the company's reputation with each of its stakeholder groups, it follows that the emphasis placed by stakeholders on the various aspects of reputation will vary between different stakeholder groups.

Reputation and Corporate Citizenship in the Mining Industry

Despite the economic importance of the mining industry to Australia, by the 1980's public opinion had turned against the industry for a combination of environmental and social reasons Blainey (2003). These included the emergence of environmental and land rights issues in the 1970's, and the crash of the market for mineral company shares, exemplified by the Poseidon Bubble (Hancock, 1993). It has

also been argued that the present social and geographical isolation of the industry from urban Australia has limited the public's perception of the role of the mineral industry and mineral resources in Australia's social and economic development (Hancock, 1993).

Since the 1980's the changing societal expectations of businesses (Waddock, Bodwell, & Graves, 2002), globalisation, and the transition to an information based economy (Humphreys, 2001) have combined to create additional expectations and pressures on businesses. Mining companies in particular have come under increased pressure (Humphreys, 2000; MMSD, 2002), because of the nature of their operations and the associated social and environmental impacts.

Mining companies have begun to acknowledge the critical importance of reputation in gaining access to the necessary resources of ore bodies, capital and labour (Lambert, 2001; Vickerman, 2004). However, the development of theory and the instruments to measure reputation, as discussed in the previous sections, currently lag behind the widely held view in the industry of the importance of reputation. Balmer (1998) identifies that further academic empirical research should focus on explanatory and theory-building research which aims to not only explain the commercial benefits of acquiring a favourable corporate reputation but also to reveal the processes involved in building and sustaining such reputations.

The majority of previous reputation measures and studies have been multi sectoral (Berens & van Riel, 2004; de la Fuente Sabate & de Quevedo Puente, 2003). Although these have included mining companies none of them have been designed specifically for the mining sector. As a consequence no account has been taken of the unique characteristics of the mining sector. Characteristics include; the "uncertainties not applicable to other industries" (Runge, 1998), the environmental and social impacts of mine operations, the ephemeral nature of mines, the 'mine cycle' nature of operations, and the fact that miners are 'price takers' (Lambert, 2001). Hence "the studies carried out so far are not very representative of the main sustainability issues facing the mining sector" (Grieg-Gran, 2002, p. 41).

Reputation is about perceptions and people's perceptions of a company which influence how they buy, sell, invest and who they work for. For mining companies reputation also influences access to new mineral deposits, and local community support for projects. Reputation is important for mining companies to obtain and maintain their 'licence to operate'.

It could be argued that the increased interest in corporate reputation and reputation management, particularly in the mining industry, is in part a result of the changing societal expectations of business and the expectation that they should be good corporate citizens. Corporate social responsibility and corporate citizenship have become 'hot topics', as evidenced by increased coverage in the media⁶, the number of new journals⁷ and the number of new university research centres⁸ in the field appearing around the world. Alongside this has been a growing interest in corporate reputation and measures of CSR and reputation (Mahon, 2002). Sustainability has also become a major focus for business in the 21st century and for society in general (Dunphy & Benveniste, 2000). Specifically the mining industry has been subject to increasing public scrutiny (Kapelus, 2002), with a focus on both its reputation and its role in sustainability (PricewaterhouseCoopers, 2005). As a result the mining industry and individual companies are responding to these important issues (MMSD, 2002).

Should businesses act in the broad interests of stakeholders? The conventional neo - classical economics view (Friedman, 1970; Henderson, 2001) is that profitability is the guide for companies and that social development is the role of government. However an increasing number of partnerships between businesses and Non-Government Organisations (NGOs) or community groups have provided new perspectives. Warhurst (2003) describes the new situation as corporate citizenship which reflects a paradigm shift from 'doing no harm' to one of adopting a role for 'positive good'. This is neither a CSR nor a shareholder wealth model; it is a reflection of enlightened self-interest and a growing alignment of organisations with their broad range of stakeholders. Companies are not only being

⁶ For example in June 2005 The Age newspaper launched a weekly supplement entitled 'Enlightened Self-Interest' covering CSR issues.

⁷ Examples include; Journal of Corporate Citizenship, Corporate Social Responsibility and Environmental Management, Corporate Governance: International Journal of Business in Society.

⁸ Including; Corporate Citizenship Research Unit (Deakin University), Corporate Citizenship Unit (Warwick Business School), International Centre for Corporate Social Responsibility (University of Nottingham), and Sustainable Minerals Institute (University of Queensland).

obliged by law to control risks but are doing so strategically to encompass areas of ethical, social and political risk that might affect future business strategy and liabilities as well as shareholder value. These issues are critical to the mining industry in Australia.

Sustainable development in its broadest sense is identified by the mining industry as an important focus (MMSD, 2002). Sustainable development has a number of meanings. Sustainability is defined by the Brundtland report (World Commission on Environment and Development, 1987) as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Corporate sustainability is defined as "aligning of an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value." (Cottrell & Rankin, 2000, p.1). For mining companies, sustainability raises a number of issues (Warhurst, 2003), there are important impacts on cost and efficiencies, an organisations licence to operate, shareholder value, and the trade-off between dealing with environmental impacts and social issues through prevention or retrofit and corrective measures. Access to new sites at competitive cost is critical for mining companies, and hence, for these companies sustainability has moved from having a primary focus on mineral and environmental resources, to a wider focus on economic and community sustainability (Eggert, 2002).

This study assesses reputation as a critical competitive issue for mining companies. However in this study we propose that 'reputation' matters differently in different contexts:

1. Reputation with various stakeholders may be driven by a range of strategies; capital markets, labour markets and regulatory markets are dependent and interdependent.
2. The history of a company and its previous reputation will have a major impact on the present.
3. The location, demography and history of a host community may influence how important the management of different aspects of sustainability will be.

In essence, as technology and information make mining more predictable; the physical assets of mining companies are less likely to be the critical resource in a Resource Based View model of competitive advantage (Barney, 1991). The proposition is that in mining today, reputation as it

facilitates day-to-day operations, regulatory zeal and access to new mine sites will become the rare, inimitable and valuable resource for mining companies. Corporate reputation creates cost advantage and leads to improved financial performance and corporate sustainability.

If we define corporate citizenship as, ‘the role, through its activities, a business plays in society’, then the discussion, from the perspective of reputation, must focus upon what that expected role is, for various stakeholders, at a point in time, and how well the firm performs against these expectations. A possible definition of corporate reputation for a given stakeholder group, following (Barnett et al., 2006), would be ‘the collective judgements, of a given stakeholder group, of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time’. From a company’s perspective overall reputation could then be defined as ‘the relevant combination of the collective judgements of all stakeholder groups of a corporation based on their assessments of the financial, social, and environmental impacts attributed to the corporation over time’.

Preliminary research into the reported corporate community activities of mining companies in Australia (Tuck, Lowe, & McRae-Williams, 2005), provided an insight into the current status of corporate citizenship in the mining industry in Australia. An important component of a company’s overall reputation is the relationships and reputation it has with its host communities, which are clearly influenced by the company’s approach to corporate citizenship. Corporate Community Involvement (CCI), a subset of corporate citizenship, focuses on the firm’s social impact and is of particular importance to host communities (Cronin & Zappalà, 2002). The type and nature of CCI activities for several large mining companies in Australia, were reviewed and reported. In summary, the reported CCI activities of this sample of the large mining companies, although varied, appear to have a focus on corporate and community sustainability and are not just traditional philanthropic activities.

In the case of mining companies, the role played by CCI in determining reputation may be more pronounced than in other industries. This is due to the nature of the environmental and community impacts of mining, the changing expectations of society and the overall reputation of the industry.

Brammer and Pavelin (2004), as discussed previously, provide evidence to suggest the existence of variation between sectors, and hence industries, in their study of the link between reputation and social performance. This study highlights the strategic importance for mining companies, for the purpose of reputation building, of correctly identifying the appropriate scope and extent of its CCI activities.

Conceptual Framework

The conceptual framework being developed for this research needs to explain performance and competitiveness within a regulatory and reputational context which is significantly influenced by stakeholders and host communities. Consequently, this framework is being developed from:

- Theories designed to explain competitiveness and the generation of superior returns. Specifically, here, we use the Resource Based View (RBV) of the firm, which is increasingly viewed as part of a broader theory of Competitive Heterogeneity, i.e. intra-industry performance differences (Hoopes, Madsen, & Walker, 2003)
- The emerging field of Corporate Citizenship, which brings together concepts of shareholder value, enlightened self-interest and Corporate Social Responsibility (CSR) (Warhurst, 2003).

In the mining industry, price is generally set by the market and not by companies; even the large ones are price takers. Competitive advantage then stems from the cost of operation and the access a company can get to quality deposits. According to the RBV, a firm's endowment of valuable, rare and difficult to imitate resources provides it with competitive advantage (and therefore profit) over time (Barney, 1991; Penrose, 1959; Wernerfelt, 1997). Reputation, a strategic resource for the firm in the RBV model, impacts on performance through three mechanisms:

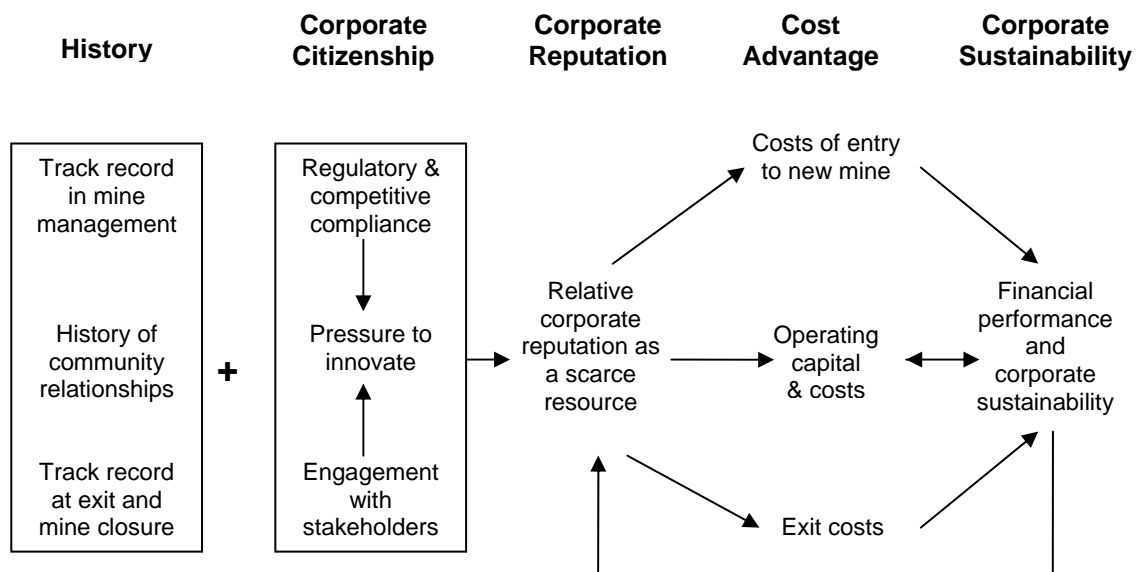
- Corporate reputation in financial and product markets. Reputation in financial markets is particularly important for mining companies, as their stock is volatile and susceptible to changes in stakeholder and shareholder expectations. Both access to, and costs of, equity and debt are sensitive to reputation.

- Community reputation in regulatory and stakeholder ‘markets’ where stakeholders are able to influence access to resources, mining sites (in the case of this research) and planning conditions that set the rules and costs structures under which companies are able to operate.
- Corporate reputation in labour and ‘knowledge’ markets can influence quality of inputs and alliances.

There is a significant body of research that substantiates the importance of reputation in achieving above average corporate performance (Dierickx & Cool, 1989; Fombrun, 1996; Landon & Smith, 1998; Roberts & Dowling, 2002). In the mining industry there are confirmatory studies of the potential role of reputation and community relations (Gibson, 2002; Svendsen, Boutilier, Abbott, & Wheeler, 2002).

A conceptual model of mining company reputation and performance has been developed to guide this research. The model is based on the RBV and Corporate Citizenship view of the firm. The essence of the model, as illustrated in Figure 2, is that company history and company policies relating to corporate citizenship determine corporate reputation. Corporate reputation then creates cost advantage and leads to improved financial performance and corporate sustainability.

Figure 2: Conceptual Model of Mining Company Reputation and Performance



To model the formation of reputation it is essential to understand the nature of reputation and acknowledge that reputation is formed through inference from perceptions and by the actions of individuals and stakeholder groups (Cornelissen & Thorpe, 2002, p. 174). The following four principles for reputation research and measurement put forward by Cornelissen and Thorpe can assist us to develop the theory of corporate reputation.

1. Distinguish external perceptions from internal assets.
2. Acknowledge the role of individual and stakeholder groups in reputation formation.
3. Distinguish the reputation and image constructs, thus providing a definition of reputation, as clearly distinct from image.
4. Select measures and methodologies corresponding with the reputation construct.

A number of propositions have been developed to guide this research:

1. That different stakeholder groups form reputation, based upon differing signals and messages (Cornelissen & Thorpe, 2002). In part due to the information asymmetries between the various stakeholder groups (Akerlof, 1970).
2. That the properties and attributes of the reputation held by a stakeholder group will differ from those of other stakeholder groups (Cornelissen & Thorpe, 2002).
3. That a company's corporate citizenship policies through its actions, in addition to its performance, will impact upon reputation formation.
4. That the prior reputations held by the other stakeholder groups, through their actions, will impact upon the future formation of reputation by a stakeholder group (Mahon, Heugens, & Lamertz, 2004.)
5. That the industry reputation and other company actions will impact upon reputation formation for an individual company. Or alternatively that the 'reputation commons problem' (King, Lenox, & Barnett, 2002) exists within the mining industry, that is that an individual firm's reputation is tied to the reputations of the other firms in the industry.
6. That the signals and messages from the various drivers of reputation identified, are induced through either communication, including the media, or past experiences.

Model of Reputation Formation

The model being developed in this research project aims to provide a framework for understanding the formation of mining company and mining industry reputation by the various stakeholder groups and the interaction between the companies, industry and stakeholders in the process of reputation formation. Figures 3 and 4 illustrate the proposed interlinked models of mining company and mining industry reputation formation.

Figure 3: Company Reputation formation – A Stakeholder Perspective

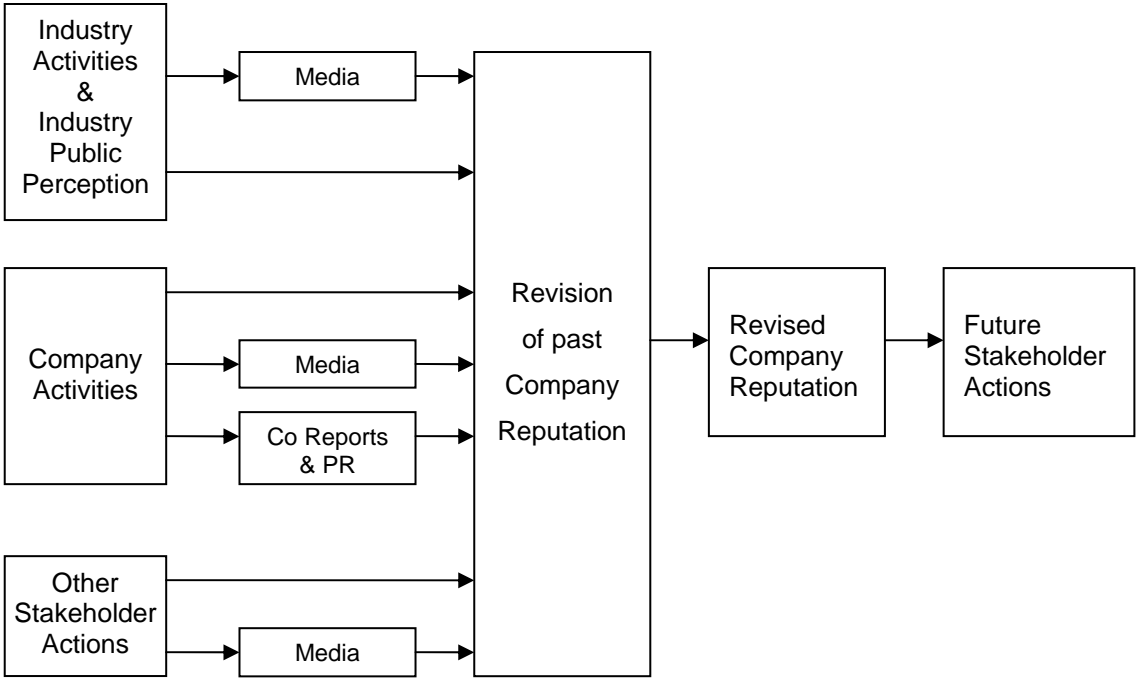


Figure 3 details the conceptual model for the formation of company reputation, which can be applied to all the stakeholder groups. In summary each stakeholder group revises its previously held company reputation based upon:

- Company activities, viewed directly, reported through the media or reported directly by the company
- Industry reputation held by the given stakeholder group
- Industry activities, viewed directly or through the media
- Other stakeholder group activities, viewed directly or through the media, and
- Current expectations of mining companies.

This revised reputation then determines future actions by the stakeholder group, which will in turn impact upon future company activities and future reputation formation by other stakeholder groups.

Figure 4: Industry Reputation Formation – A Stakeholder Perspective

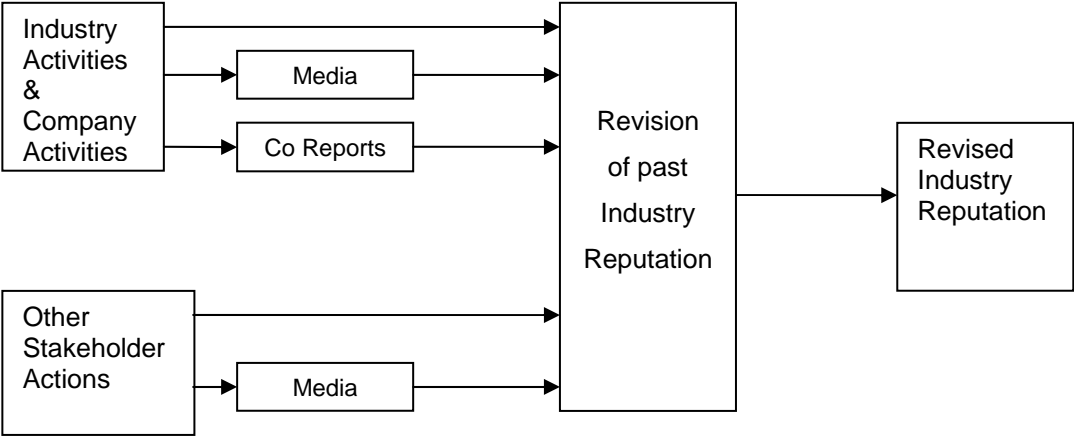


Figure 4 details the conceptual model for formation of industry reputation which can be applied to all stakeholder groups. In summary each stakeholder group revises its previously held industry reputation based upon:

- Individual company activities, viewed directly, reported through the media or reported directly by the company
- Industry activities, viewed directly or through the media
- Other stakeholder group activities, viewed directly or through the media
- Current expectations of the mining industry.

This revised reputation then determines future actions by the stakeholder group, which in turn impacts upon future industry activities and future reputation formation by other stakeholder groups of the industry and individual companies.

Reputation Study

Measuring corporate reputation is a complex problem involving a range of interested parties and stakeholders. An expert opinion survey has been identified as an appropriate method for this research, allowing input from a diverse set of participants. The merit of using this approach is that it can assist

us to learn how those most affected by a mining company's actions expect them to behave to be considered as having a "good reputation" and how these criteria can be measured. To enable a better understanding of who are the main stakeholders and how they regard mining companies, an industry focus group discussion was undertaken in early 2006. The group included representatives from the mining industry and regional mining operations in Victoria.

Mining Industry Focus Group

A protocol of questions was used in the focus group discussion, developed in accordance with established guidelines (Krueger & Casey, 2000). The session was relatively unstructured to encourage participants to raise any aspect of the topic they considered important. The discussion lasted approximately two hours and was tape-recorded. The tape from the focus group was fully transcribed and the analysis of the focus group data revealed the current status of public perception of the mining industry, the identity of mining company stakeholder groups and an insight into the industry's perception of the drivers of corporate reputation.

The findings from the focus group (Tuck, Lowe, & McEachern, 2006) on the public perception of the mining industry, stakeholder identification and corporate reputation are summarised in Table 1.

This exploratory focus group discussion provided important insights into the nature and importance of corporate reputation for mining companies and provided confirmation of the stakeholder groups identified from the literature. These preliminary findings from the focus group provide support for the conceptual model of mining company reputation and performance and for the guiding research propositions. In summary the findings suggest:

- Reputation matters and varies.
- Stakeholders vary from site to site.
- Industry reputation impacts on corporate reputation.
- History matters and creates inertia in reputation revision.
- Host community reputation is crucial for obtaining and maintaining a social licence to operate.

Table 1: Focus Group Findings

Mining Industry Reputation	Stakeholder identification	Corporate Reputation
The mining industry is still generally viewed as having environmental and social responsibility problems.	Stakeholders at the various levels, site through to International, will differ.	Importance of reputation at exit for entry to new sites
The nature of the industry, combined with a lack of understanding and knowledge of the industry by the general public leads to a negative perception of the mining industry.	Stakeholders will be different for each mine site.	The important reputational effects of managing a crisis and the importance of risk communication
The performance of mining companies overseas effects the perception of the Australian mining industry.	The importance of the local community stakeholder group with regard to mining companies obtaining and maintaining a social licence to operate.	Importance of trust
The historically poor performance of the mining industry continues to effect current perception and the perception of the industry has not necessarily changed with improvements in the industry's performance.	The discussion highlighted the complexity of identifying company stakeholders, there was agreement that at a general level a number of groups could be identified.	The role community plays in reputation formation by other stakeholder groups
Perception of the industry will only change over time through improvements in the performance at the site level and a focus on the communities in which mining companies operate.	The stakeholder groups identified by the focus group included the following; <ul style="list-style-type: none"> • Employees • Shareholders • Local community • Suppliers • Government • Regulators • Financiers/Banks • Press/Media • 	The relationship between site reputation and company reputation The varying role of the media in reputation formation
Perception of the industry based upon the performance of industry laggards.		The varying role of the media in reputation formation

These findings highlight the importance of understanding the drivers of reputation for each of a company's stakeholder groups to enable companies to effectively manage reputation with any one of these groups.

Mining Company Reputation Formation the Delphi Study

A Delphi study has been undertaken to validate the preliminary findings from the focus group and to identify the drivers of reputation formation for each stakeholder group. Given corporations manage relationships with stakeholder groups rather than with society as a whole, this study aims to identify the specific drivers of mining industry reputation by stakeholder type, specifically within the context of Australian operations.

The Delphi technique is a series of sequential questionnaires interspersed by controlled feedback, which seeks to gain the opinion of a group of experts, by systematically refining anonymous group opinion (Linstone & Turoff, 1975), and is particularly useful in situations where there is lack of agreement or an incomplete state of knowledge (Delbecq, Van de Ven, & Gustafson, 1975). The Delphi Technique can be viewed as a process of discovery, communication and interaction between the panel of experts and the researcher (Johan, 2004). Even prior to the 1970's a diversity of applications for the Delphi technique existed, importantly these had including; model construction and the development of causal relationships in complex economic or social situations (Turoff, 1971).

The stakeholder groups who participated in the study included; community, employees, shareholders/financiers, NGO's/environment and regulators. An industry group was also included in the study to identify and compare the factors that the mining industry perceives as driving the formation of a mining company's reputations with those of the stakeholders.

Delphi study questionnaires are interspersed by feedback, thus each questionnaire informs the design of the following one. In the first survey round participants were asked to list and describe what contributes to the formation of a mining company's reputation. The responses were compiled and the content was analysed to identify consistent themes and responses within each of the participating

groups. The round two questionnaires were compiled from the themes and responses identified in the initial questionnaire. In the second round participants reviewed, revised, and commented on the identified themes established in round one and were asked to rate the importance of these items as drivers of corporate mining reputation. In the third round participants were provided with an opportunity to reconsider their initial ratings in comparison with those of the other participants in their stakeholder group. Over 50 experts from across Australia have participated in the initial three rounds of the study.

To gain further understanding of the mining industry perception of the drivers of corporate reputation for each of the stakeholder groups, an additional round was undertaken. In this round industry participants were provided with an opportunity to identify the factors they perceive are important in the formation of reputation for each of the stakeholder groups included in the study. In addition, to the industry experts who participated in the initial three rounds, over 20 additional Australian mining industry experts were recruited to participate in the final round of the survey.

The responses from of each of the stakeholder groups to the initial Delphi question were grouped into a number of themes, including:

- Community Engagement/Communication
- Stakeholder Engagement/Communication
- Environment
- Company Performance
- Economic Contribution
- Employees
- Company Leadership/Management
- Corporate Social Responsibility
- Miscellaneous – Company related
- Global Mining Industry Performance

The majority of the themes identified were common across all of the stakeholder groups with the following exceptions:

- Community Engagement/Communication was not a focus for the NGO/environment stakeholder group nor was it a focus for the shareholder/financiers stakeholder group, rather for these two groups the focus was on stakeholder engagement in general.
- Company financial performance was not a focus for the community stakeholder group.
- Employees were not a specific focus for the NGO/environment stakeholder group.

However the drivers identified within each of these themes and the emphasis on the themes varied when comparing across the stakeholder groups the stakeholder groups.

Detailed analysis of the Delphi study is currently occurring, however the preliminary analysis suggests, that the drivers of reputation and also the importance of individual drivers vary across the stakeholder groups included in the study. As exemplified by the following findings:

1. *Company's financial performance* was identified as a driver of reputation by three of the stakeholder groups but not identified by the community and NGO's/environment groups as a driver of reputation.
2. *The economic contribution the company makes to the community and region* was identified as a driver of reputation by all the five stakeholder groups although its importance varied across the stakeholder groups.

Further, preliminary analysis shows that a divergence exists between what drives reputation for the stakeholder groups and the perception in the industry of the drivers of reputation for each of these stakeholder groups. As exemplified by the following:

1. The **regulator stakeholder group** identified *employees' salaries/wages* as an important driver of reputation, whereas the industry experts only identified this as a significant driver of reputation for the **employee stakeholder group**.
2. All stakeholder groups and the industry group identified the '*economic contribution the company makes to the community and region*' as a driver of reputation, however industry

perceived it to be ‘important’ and in particular ‘significantly important’ for the **community and employee stakeholder groups**. Whereas, the **community stakeholder group** viewed it as only ‘somewhat important’ as a driver of reputation.

The key themes emerging from the study are that for the mining industry reputation formation and the drivers of reputation vary between stakeholder groups, that mining industry reputation and the industry’s actions impact on the formation of corporate reputation, and that the evidence of common drivers suggests that relationships exist between the reputations held by the various stakeholder groups.

Further Research

It has been argued that there is a need to supplement consensus methods, such as the Delphi technique, with qualitative research and this is especially important where there are multiple stakeholders (Campbell, Shield, Rogers, & Gask, 2004). At the time of writing, case studies of two mining companies are currently in the planning stage. These case studies will investigate and test the drivers and relationships identified by the Delphi survey. As a key strength of the case study methodology is the use of multiple sources and techniques in the data gathering process (Yin, 2003), the case studies will consist of analysis of company documents and publications, and in-depth semi-structured interviews with key company representatives and representatives of each of the company’s main stakeholder groups including; community, employees, NGO’s/environment, regulators and financiers/shareholders.

The case study companies have been selected to facilitate further investigation of the drivers of reputation and the relationships between the companies and their stakeholders, by limiting the variation between the cases. Through the use of multiple data collection methods and analysis techniques the case studies will provide an opportunity to triangulate data and to strengthen the research findings of this study.

This empirical study advances theory development through improved understanding of the relationship between corporate citizenship and reputation. In particular the improved understanding of the drivers of reputation for the various stakeholders will enable development of a model of reputation for the mining industry. Further understanding of the reputation of mining companies will assist companies to tailor their corporate citizenship activities to the needs of their stakeholders, and hence to facilitate the management of reputation within the context of changing societal expectations of business and specifically mining companies.

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