

Managing Community Relationships and Corporate Reputation — A Stakeholder Perspective

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ABSTRACT

An important issue currently facing the mining industry in Australia is the management and cost to the industry and other stakeholders of entry into and exit from towns and their communities. These costs can be environmental, social, economic, political or reputational. The ability of companies to engage the trust of stakeholders, including: communities, governments and investors, is critical, and corporate reputation plays a significant role in this. For the industry to secure a long-term and sustainable future, it must have the technical, business and reputation assets to proceed in a cost-effective, environmentally acceptable and socially supportive way. This research assesses reputation as a critical competitive issue for mining companies, as technology and information make mining more predictable; the physical and human assets of mining companies are less likely to be the critical resource in a Resource Based View model of competitive advantage. 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.

This paper reports on an ongoing research program to evaluate the impact a mining company's reputation(s), with its various stakeholder groups, has on a company's ability to sustain competitive advantage. Integral to this study is 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. Through the identification of the drivers of reputation for the various stakeholder groups, a model of reputation formation will be developed and also reputation measures for the mining industry in Australia. The preliminary findings of this research, the results of an industry focus group conducted with representatives from regional mining operations, are reported. The industry focus group was designed to enable a better understanding of who are the main stakeholder groups and how they regard mining companies and to inform the second stage of the research project a Delphi Study of the drivers of reputation by stakeholder groups.

The aim of this research is to further the understanding of the relationship between corporate citizenship, reputation and performance in the mining industry, thus assisting companies to strategically manage their corporate citizenship investments.

INTRODUCTION

The minerals industry contributed over \$69 billion to Australia's export earnings in 2004-05 (ABARE, 2005), making it the nation's largest export earning sector. However, according to surveys of public opinion and community relations the industry has a poor, although recently improving, reputation (Cheney, Lovel and Solomon, 2002; Prager, 1997); poor reputation costs the industry millions of dollars and holds up projects of commercial and national importance. Hence, the industry is confronted with the difficult challenge of meeting market needs and society expectations and is 'distrusted by many of the people it deals with day to day,' and 'failing to convince some of its constituents and

stakeholders that it has a 'social licence' to operate' (International Institute for Environment and Development, 2002).

An important issue currently facing the mining industry in Australia is the management and cost, to the industry and its stakeholders, of access to mineral resources and the entry into and exit from the associated towns and their communities. 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 the industry to secure a long-term and 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, including the Minerals Council of Australia and the Australian Centre for Minerals Extension and Research, 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 *et al*, 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 research program to evaluate the impact a mining company's reputations, with its various stakeholder groups, have on a company's ability to sustain competitive advantage. The findings from an industry focus group conducted with representatives from regional mining operations in early 2006 are presented, and the implications for the next stage of the research to identify the drivers of reputation for mining company stakeholders are discussed. Integral to this study is to develop an understanding of the relationships between stakeholders and the mining companies.

There is increasing interest in corporate reputation as a scarce resource and its influence on the sustainability and competitiveness of mining companies. 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?
- how can the reputation of mining companies be measured?

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 hence to facilitate the management of reputation within the context of changing societal expectations of business and specifically mining companies.

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Since the 1980s corporate reputation and hence reputation management have become an important part of doing business (Beder, 2002) and reputation is increasingly being recognised as important to the value and sustainability of companies. Reputation is 'the evaluation or esteem in which the organisation's image is held' (Markwick and Fill, 1997), it 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 a 'licence to operate'.

Chip Goodyear, CEO of BHP Billiton, recently stated:

At BHP Billiton we recognise that integrating sound principles governing safety, business conduct, social, environmental and economic activities into business practice is both good for society and good for our business. Excellence in these areas provides the opportunity for competitive advantage and the development of reputation as the partner of choice. Our objective is to earn and maintain this reputation (Goodyear, 2005).

Waddock (2002) stated:

Businesses today are experiencing profound pressures to reform and improve stakeholder-related practices and their impacts on stakeholders and the natural environment – in short, to manage responsibly as well as profitably.

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. Kate Lahey, Chief Executive of the Australian Business Council, was reported as saying 'One bad apple colours people's views of the whole barrel' and that 'Business takes seriously this idea of promoting more care about reputation because there's enough work been done linking reputation to the bottom line' (Macken, 2005).

Corporate social responsibility (CSR) and corporate citizenship (CC) have become 'hot topics', as evidenced by increased coverage in the media,⁴ the number of new journals⁵ and the number of new university research centres⁶ 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 and 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 (International Institute for Environment and Development, 2002).

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

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

6. 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).

REPUTATION AND CORPORATE CITIZENSHIP

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, non-government organisations (NGOs) or community groups have provided new perspectives (Warhurst, 2003).

Warhurst (2003) describes the new situation as corporate citizenship and this reflects a shift from a paradigm of 'doing no harm' to one of adopting a role for 'positive good'. This is neither a corporate social responsibility 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 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 (International Institute for Environment and Development, 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 and Rankin, 2000). 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, 2001).

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. For example the variation between a remote 'fly-in, fly-out' site compared to a mine operating in an established community.

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.

Reputation and the mining industry

Despite the economic importance of the mining industry to Australia, by the 1980s public opinion had turned against the industry for a combination of environmental and social reasons.

These included the emergence of environmental and land rights issues in the 1970s, 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).

This dramatic shift in public opinion is highlighted by Blainey (2003) in his history of Australian mining. Blainey stated that:

For MORE THAN a century the miner had been seen as a benefactor of Australia. He brought it wealth, he helped to give it a high standard of living, he provided jobs and especially so during the depressions, he was the spur to the fastest period of migration the country had ever seen, and he opened up regions which otherwise would be 'backward' (Blainey, 2003).

However by 1980 he stated:

The discoverers of mines – and mines themselves – were in danger of being toppled from the national pedestal by an earthquake in public opinion. Mining was under attack partly because of the chaos it was said – wrongly or rightly – to create in the environment. It was under attack because it made a profit from natural resources. It was under attack because it often sought permission to mine lands which the Aborigines claimed or owned (Blainey, 2003).

Since the 1980s the changing societal expectations of businesses (Waddock *et al.*, 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; International Institute for Environment and Development, 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 orebodies, capital and labour (Lambert, 2001; Vickerman, 2004). However, the development of theory and the instruments to measure reputation currently lag behind the widely held view in the industry of the importance of reputation. 'At present, the significance of corporate reputation is not acknowledged by the state-of-the-art' (Schwaiger, 2004), described by there being no general agreement on how to measure reputation although being general agreement that it is important (Schwaiger, 2004). Balmer (1998) identifies that further academic empirical research should focus on explanatory, and theory-building research, and stated that the task is 'not only to explain the commercial benefits of acquiring a favourable corporate reputation but also to reveal the processes involved in building and sustaining such reputations' (Balmer, 1998).

The literature on the measurement of reputation and the analysis of the relationship between corporate reputation and financial performance are reviewed in Berens and van Riel (2004) and de la Fuente Sabate and de Quevedo Puente (2003) respectively. Recurring themes regarding the measurement of corporate reputation include:

- concern regarding the constant use of the Fortune Most Admired Companies data with little or no regard for its deficiencies and limitations (Fryxell and Wang, 1994; Wartick, 2002),
- the lack of theory development and definition (Berens and van Riel, 2004; Wartick, 2002), and
- the challenges to measuring reputation (Cravens, Oliver and Ramamoorti, 2003; Gardberg and Fombrun, 2002).

The majority of previous reputation measures and studies have been multi-sectoral (Berens and van Riel, 2004; de la Fuente Sabate and 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).

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. Hence, suggesting 'that the pressure for social responsiveness is associated with a poor reputation' (Brammer and Pavelin, 2004). Conversely, in sectors where good reputations are common there may be less impetus to be socially responsive, due to reduced pressure from stakeholders. However in the resources sector, they found that the 'firms exhibited relatively strong social performance despite enjoying relatively good reputations' (Brammer and Pavelin, 2004). Given the focus of this study, by Brammer and Pavelin, on the employee, environment and community aspects of social performance, this trend may reflect the saliency of these particular issues to the resources sector. Alternatively, it may reflect a variation in the appropriateness, across the different sectors, of the measures used in the study. These findings suggest that for the purposes of reputation building, corporate social responsibility activities need to be tailored to fit the nature of a company's principle business activity (Brammer and Pavelin, 2004).

In summary, corporate reputation is important to the sustainability of mining companies. The drivers of corporate reputation may vary by industry and there may be significant variation for certain sectors, especially the resources sector including the mining industry (Brammer and Pavelin, 2004; Grieg-Gran, 2002). The need for further research into the process of building and sustaining favourable reputations has been identified (Balmer, 1998). Hence, the evidence suggests the need to develop further understanding of the drivers and appropriate measures of corporate reputation for specific sectors or industries (Schwaiger, 2004).

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 remain a matter of debate.

From the literature a number of gaps in the current research into corporate reputation can be identified, including; the need for more definitional clarity (Wartick, 2002), the lack of specificity around stakeholder identity (Dunham, Freeman and 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 and Millington, 2003, 2005; Zabala *et al.*, 2005).

Corporate citizenship in the Australian mining industry

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.

Following on from the above definition of corporate citizenship a possible definition of corporate reputation for a given stakeholder group, following Fombrun (1996), would be 'the perceptual representation of a company's actions and future prospects, within the context of corporate citizenship, describing the firm's overall appeal to a stakeholder group when compared with expectations'. From a firm's perspective overall reputation could then be defined as 'the *relevant combination* of all stakeholder group reputations which describe the firms overall appeal when compared with leading rivals'.

Preliminary research into the reported corporate community activities of mining companies in Australia (Tuck, Lowe and McRae-Williams, 2005), provides an insight into the current status of corporate citizenship in the mining industry in Australia. It can be argued that 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 and Zappalà, 2002). The type and nature of CCI activities currently being reported through company web sites, company annual reports and/or corporate sustainability/health, safety, environment and community reports, for several large mining companies in Australia, have been reviewed and are presented in Table 1. The CCI activities of the mining companies considered (top 17 companies⁷ by revenue (Business Review Weekly, 2004) operating in Australia excluding oil and gas operators) are highly varied.

TABLE 1

Reported corporate community involvement (CCI) activities.

	Yes	No
Individual Sustainability/HSEC Report	13	4
Designated web page(s) Sustainability/Community/Social	14	3
	Available/ Reported	Not available/ Reported
Strategic vision and approach		
Publicly available statements on CCI policy and practices	16	1
Measurement and evaluation of CCI	10	7
Communication and consultation with stakeholders	17	0
Integration with business strategy/corporate business plan	10	7
Staff/employee involvement		
Employee volunteer programs	6	11
Matching employee charitable donations	3	14
Providing payroll deduction facility for charitable gifts	2	15
Corporate financial support		
Financial investment	17	0
Partnerships	15	2

7. The sample companies include: BHP Billiton, Rio Tinto, Xstrata Queensland, WMC Resources, Alcoa World Alumina Australia, Mitsubishi Development, Xstrata Coal Investments Australia, Placer Dome Asia Pacific, Anglo Coal, Coal and Allied, Newmont Australia, Iluka Resources, Newcrest Mining, Harmony Gold Australia, Centennial Coal, Zinifex and Barrick Gold of Australia.

The majority of the sample companies produced an individual sustainability or a health, safety, environment and community report for the latest reporting period 2003/4 with only four of the companies continuing to report on community activities only within their company annual report. A finding replicated in a recent review of the trends in the global mining industry (PricewaterhouseCoopers, 2005). In addition the majority of sample companies had included a social/communities section on their company web pages. Increasingly companies are realising the importance of communicating company activities to the relevant stakeholder groups, and in particular to host communities. The level and detail of the reporting of CCI activities varied across the sample however a number of general observations can be made:

- all the sample companies are providing corporate financial support to host communities;
- all companies detailed communication and consultation activities with stakeholders;
- the majority of the sample companies are reporting community partnerships, consistent with the findings of Centre for Corporate Public Affairs and Business Council of Australia (2000) 'Mining companies are leading the way in forming partnerships';
- there are indications that more companies are moving towards integration with business strategy and many are stating explicitly;
- only a small number detail their staff and employee community involvement programs; and
- most companies are currently reporting some level of measurement and evaluation and a small number are reporting formal evaluation programs.

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.

Many Australian companies are starting to evaluate the relationship between reputation and community involvement including some mining companies, eg Alcoa, are looking at reputation for disaggregated stakeholder groups (Centre for Corporate Public Affairs and Business Council of Australia, 2000). Measuring reputation over time for disaggregated stakeholder groups is an expensive exercise, and the cost may be a key factor in determining if this is undertaken. However as the case of BHP and the Ok Tedi mine demonstrated (Hanson and Stuart, 2001), corporate reputations need to be actively managed taking account of all external stakeholders views and expectations.

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, ie intra-industry performance differences (Hoopes, Madsen and Walker, 2003).
- The emerging field of Corporate Citizenship, which brings together concepts of shareholder value, enlightened self-interest and Corporate Social Responsibility (CSR), and the processes involved in the development of closer community – corporate partnerships (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 and Cool, 1989; Fombrun, 1996; Landon and Smith, 1998; Roberts and Dowling, 2002). In the mining industry there are confirmatory studies of the potential role of reputation and community relations (Gibson, 2002; Svendsen, Boutilier, Abbott and 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 1, 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.

To model the formation of reputation it is essential to understand the nature of reputation and acknowledge:

that ‘reputation’ actually has no primordial atomic or spatio-temporal existence, but gains existence through inference from perceptions and actions by individuals and stakeholder groups (Cornelissen and Thorpe, 2002).

The following four principles for reputation research and measurement, as put forward by Cornelissen and Thorpe (2002) ‘to expose and establish a comparatively more valid conceptualisation of the business school reputation construct’, can assist us to develop the theory of corporate reputation. In summary the four principles are as follows:

1. distinguish external perceptions from internal assets, ie limiting reputation to the psychological construct of perceptions and evaluations of an institution by third parties;
2. acknowledge the role of individual and stakeholder groups in reputation formation, ie a non-monolithic reputation, where different stakeholder groups form a reputation, based upon different signals and messages, with properties and attributes that are likely to differ from other stakeholder groups;
3. distinguish the reputation and image constructs, thus providing a definition of reputation, as clearly distinct from image, as follows ‘A reputation is a subject’s collective representation of past images of an institution (induced through either communication or past experiences) established over time’ (Cornelissen and Thorpe, 2002); and
4. select measures and methodologies corresponding with the reputation construct, ie indicates the need to develop measures that capture the subjective and perceptual nature of reputation and time period for formation, rather than measuring organisational assets or the utilisation proxy measures.

Propositions

A number of propositions have been developed to guide this research, these are detailed below.

Proposition 1

That different stakeholder groups form reputation, based upon differing signals and messages (Cornelissen and Thorpe, 2002). In part due to the information asymmetries between the various stakeholder groups (Akerlof, 1970).

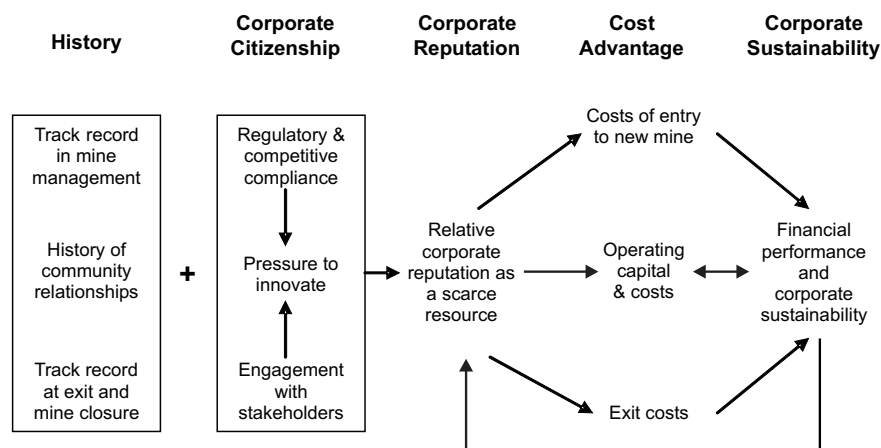


FIG 1 - Conceptual model of mining company reputation and performance.

Proposition 2

That the properties and attributes of the reputation held by a stakeholder group will differ from those of other stakeholder groups (Cornelissen and Thorpe, 2002).

Proposition 3

That a company's corporate citizenship policies through its actions, in addition to its performance, will impact upon reputation formation.

Proposition 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 and Lamertz, 2004).

Proposition 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 and 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.

Proposition 6

That the signals and messages from the various drivers of reputation identified, are induced through either communication, including the media, or past experiences.

METHODOLOGY

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.

A protocol of questions was used in the focus group discussion, developed in accordance with established guidelines (Krueger and 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.

RESULTS

The findings from the focus group on the public perception of the mining industry, stakeholder identification and corporate reputation are discussed in the following sections.

Mining industry reputation

The focus group commenced with discussion about the public perception of the mining industry in Australia. The common themes from the discussion include:

- the mining industry is still generally viewed as having environmental and social responsibility problems;
- 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;
- the performance of mining companies overseas affects the perception of the Australian mining industry;
- the historically poor performance of the mining industry continues to affect current perception and the perception of the industry has not necessarily changed with improvements in the industry's performance;
- 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; and
- perception of the industry based upon the performance of industry laggards.

The discussion particularly focused around the ongoing impact of prior performance of the industry, ie history, upon the current perception of the mining industry in Australia. As one participant noted:

there is a fairly strong community perception, of the broader community, that mining is still perhaps not all that environmentally friendly and socially friendly I think there's a fairly large industry concern.

This comment highlights the strong link between the past environmental and social performance of the industry and the current perception of the industry. Further, one participant commented that:

there are a lot of negative impacts [of the mining industry] and traditionally there have been, historically when you look up until the 1920s, and I think by that natural reputation that proceeds us that if they were forming an opinion that reputation would have a part to play and it probably would make up their mind to the negative side rather than the positive side.

This quote stresses the inertia of reputation, ie that the perception of the industry lags behind industry performance, and provides further evidence for the relationship between history and reputation.

The impact of the poor performance of overseas mining industries on the perception of the Australian mining industry was also identified, in the words of one participant:

we're [Australian mining industry] still viewed as unsafe because it's, yes it's [the mining fatalities] in China but it's mining, rocks fall down we kill people that's not the major cause of fatalities in Australia, right but that's how we're still judged.

This suggests that the reputation of the Australian mining industry is related, not only to the performance of mining companies operating in Australia, but to the performance of the global mining community. The importance of this international effect on the perception of the Australian mining industry is compounded by firstly as one participant stated:

on the whole it [the mining industry] still has environmental and social responsibility issues.

and secondly that the perception of the industry is coloured by the performance of the industry's laggards, resounding in the words of one participant:

it's [the industry] often measured by its worst performer rather than its best performer.

The public perception of the mining industry, or the reputation of the industry as held by the general public, appears to be rooted in history, biased by the industry laggards and slow to change.

Who are the stakeholders?

The focus group participants were then asked who they considered were a mining company's stakeholders. The common themes from the discussion include:

- stakeholders at the various levels, site through to international, will differ;
- stakeholders will be different for each mine site; and
- the importance of the local community stakeholder group with regard to mining companies obtaining and maintaining a social licence to operate.

Although 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 stakeholder groups identified by the focus group included the following:

- employees,
- shareholders,
- local community,
- suppliers,
- government,
- regulators,
- financiers/banks, and
- press/media.

The complexity of identifying stakeholders given the various levels of a company's operations and the variation in stakeholders for each of the different levels was identified, and as one participant noted:

you can start locally and go through to internationally and they [stakeholders] will be different at each of those different layers.

One participant added that:

stakeholders can be as big or as small as you want and that will depend on what particular view you have.

These quotes highlight the need for specificity of the level or levels of operation under consideration when determining a company's stakeholders. In addition the variation in stakeholders between individual mines was also identified, as one participant noted:

The mining industry doesn't have one set of stakeholders they are different for each mine.

Thus identifying that varied nature of mining operations and their locations and hence the variation in stakeholders.

The importance of the community stakeholder group was a recurring theme of the discussion, as exemplified by the words of one participant:

the communities are so involved now I mean that's the big point it's one big point and so their perception is, they're our social licence to operate and it can turn off the next day.

This comment not only suggests the importance of communities, but also identifies the link between the reputation held by the community and a company's social licence to operate. Further it suggests the fragile nature of reputation and the issue of maintaining a social licence to operate.

Corporate reputation

Following discussion of the perception of the mining industry and the identification of stakeholders the discussion focused upon corporate reputation. In particular the importance and impact of reputation on mining companies, formation of reputation, and the management of reputation were discussed. Common themes identified from the discussion included:

- importance of reputation at exit for entry to new sites,
- the important reputational effects of managing a crisis and the importance of risk communication,
- importance of trust,
- the role community plays in reputation formation by other stakeholder groups,
- the relationship between site reputation and company reputation, and
- the varying role of the media in reputation formation.

Further evidence of changing practices in the industry over time, and the recognition of the importance of reputation for entry to new sites, is summed up by one participant as follows:

They've [mining company] been up front they've dealt with it, the community's, their reputations still intact so they can move on to another deposit somewhere else because that wasn't economic there at the particular time But there's been some good examples of that in the past, whereas previously they would have just shut up shop moved on their reputation was shot because they just left the town they left the mine.

The fragile nature of reputation, especially when a company is managing an issue or a crisis was highlighted by the group. As one participant explained:

The way a company deals with an issue can have a very big effect on their reputation and that's often I think where reputations are won and lost is managing a crisis.

In particular the importance of crisis management for mining companies was identified, in the words of one participant:

the ability to be able to respond quickly and appropriately in the event of a crisis is a very important success factor for our business for our industry.

The importance of trust in relationships between companies and their stakeholders was identified as important in developing reputation, as one participant stated:

one of the challenges and one of the things that works the best to develop that reputation I think is honesty and openness and actually only committing to things that you know you can deliver on because that's where if there is a failure I think failure can often be attributed to not delivering on something you've committed to and making promises that you can't keep.

The relationships and interactions between the stakeholder groups and the reputations held by the various stakeholder groups was a particular focus of the discussion on reputation. An example of this interdependence between the various stakeholder groups was provided by one participant who stated:

certainly the reputational aspects are not independent particularly when there's an issue involved I mean with a recent example of a company a small environmental incident becomes quite a significant local community

issue, a local community issue then becomes a sort of provincial government issue, the church gets involved you know as a sort of quasi representative of the community goes up to a sort of national government level.

The group then explored this issue further, acknowledging the focus on community impacting other stakeholder groups, as one participant stated:

a lot of our examples we've used as being how the community can affect up through the shareholders.

Although the group identified the impact community reputation can have on the reputations held by other stakeholder groups, including shareholders, the question was raised as to whether community reputation was related to the reputations held by other stakeholder groups. As one participant noted:

if the company had really bad cash flow problems, whatever it might be loss of money of shareholders it's not often you'd see it come back and affect the community is it?

The preceding quotes suggest that community reputation may be important in the formation of reputation by other stakeholder groups such as regulators, financiers and shareholders. However that the reputations held by other stakeholder groups may not be as influential in the formation of community reputation.

DISCUSSION

This exploratory focus group discussion has 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. Also the findings from the focus group provide support for the conceptual model of mining company reputation and performance and for the guiding research propositions. In particular, the focus group identified history as an important factor in the formation of both industry and corporate reputation, and specifically the importance of a company's track record at entry and exit from sites and communities to corporate reputation. Additionally the focus group discussion consistently identified the importance of reputation with host communities, both in the context of the formation of reputation by other stakeholder groups and the impact on corporate sustainability.

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, and
- host community reputation is crucial for obtaining and maintaining a social licence to operate.

The findings of this preliminary research 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.

FUTURE RESEARCH

This exploratory study has revealed that, for mining companies, the formation of reputation by a company's various stakeholder groups is a complex process. It is important to note that, although the findings from the focus group discussion provide some important insights into the nature and importance of corporate reputation in the mining industry, it is exploratory in nature. The next stage of this study is to identify and to determine measures

for the drivers of reputation formation in the mining industry, specifically within the context of Australian operations. Given corporations manage relationships with stakeholder groups rather than with society as a whole, this study aims to identify the specific drivers of reputation by stakeholder type. An in-depth consultation process is planned to validate these preliminary findings and to identify the drivers of reputation formation for each stakeholder group.

This paper has set out the proposed framework for this ongoing research into the reputation of mining companies and reported on the findings of the industry focus group. It is anticipated that 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 in particular within their host communities is of vital importance for both communities and mining companies.

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