Community engagement by Chinese firms in Australia: practices and benefits

Xueli Huang
Warren Staples

June 2014
About this report

This report has been authored by:

Dr Xueli (Charlie) Huang
Senior Lecturer
Centre for Sustainable Organisations & Work / School of Management
RMIT University
Phone: + 61 3 9925 1648
Email: charlie.huang@rmit.edu.au

Dr Warren Staples
Lecturer
Centre for Sustainable Organisations & Work / School of Management
RMIT University
Phone: + 61 3 9925 5964
Email: warren.staples@rmit.edu.au

The project ‘Community engagement by Chinese firms in Australia: practices and benefits’ is supported by the Commonwealth Government through the Australia-China Council of the Department of Foreign Affairs and Trade.

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## Table of contents

**Executive summary**.................................................................................................................. ii

**Chapter 1: Introduction**.............................................................................................................. 1
  1.1 Background............................................................................................................................... 1
  1.2 Report structure ....................................................................................................................... 3
  1.3 Project information and method............................................................................................. 4

**Chapter 2: Community engagement – a brief overview**................................................................. 6
  2.1 Defining community and community engagement ................................................................. 6
  2.2 Community engagement and corporate social responsibility ............................................... 8
  2.3 Understanding community engagement practices ............................................................... 11
    2.3.1 Practice............................................................................................................................. 11
    2.3.2 Contextual and managerial factors.................................................................................... 13
  2.4 Benefits of community engagement to companies and communities................................. 15

**Chapter 3: Community engagement practices**............................................................................... 17
  3.1 Enrichment of communities’ social life and wellbeing ......................................................... 18
  3.2 Education............................................................................................................................... 22
  3.3 Indigenous employment ......................................................................................................... 23
  3.4 Entrepreneurship development ............................................................................................. 25
  3.5 Empowerment and capacity building .................................................................................... 26
  3.6 Summary................................................................................................................................ 27

**Chapter 4: Benefit to the community**............................................................................................ 28
  4.1 Infrastructure and community facility development ............................................................. 29
  4.2 Building community capability and resilience ....................................................................... 30
  4.3 Improving the quality of the community’s social life and wellbeing ..................................... 33
  4.4 Mitigating social problems ..................................................................................................... 34
  4.5 Community development ....................................................................................................... 35

**Chapter 5: Benefit to Chinese firms**............................................................................................... 40
  5.1 Gaining legitimacy ................................................................................................................ 40
  5.2 Enhancing corporate image, reputation and companies’ financial performance .................. 41
  5.3 Building relationships with host-country governments and key stakeholders ...................... 42
  5.4 Reducing operational costs .................................................................................................... 43
  5.5 Increasing competitive advantage ......................................................................................... 43

**Chapter 6: Summary and challenges**............................................................................................. 45
  6.1 Summary.................................................................................................................................. 45
    6.1.1 Community engagement focus, form, and governance ................................................ 45
    6.1.2 Benefit to the community and Chinese companies .......................................................... 47
  6.2 Challenges............................................................................................................................... 49
6.2.1. Resourcing community engagement ................................................. 49
6.2.2. Dialogue and communication ................................................. 49
6.2.3. Employee involvement ......................................................... 50
6.2.4. Social participation and networking ......................................... 50
6.2.5. Strategy and management systems ........................................... 51

References ............................................................................................. 53
Appendix: Why engage communities ......................................................... 57
  Stakeholder theory ............................................................................. 57
  Institutional theory ............................................................................. 58
  Ethics theory ..................................................................................... 60
List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACC</td>
<td>Australia China Council</td>
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<tr>
<td>ACBC</td>
<td>Australia China Business Council</td>
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<td>BC</td>
<td>Before Christ</td>
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<tr>
<td>CCCA</td>
<td>Chinese Chamber of Commerce in Australia</td>
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<td>CE</td>
<td>community engagement</td>
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<td>CEO</td>
<td>chief executive officer</td>
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<td>CITIC</td>
<td>China International Trust and Investment Corporation</td>
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<td>CPM</td>
<td>CITIC Pacific Mining</td>
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<td>CSR</td>
<td>corporate social responsibility</td>
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<td>DFAT</td>
<td>Department of Foreign Affairs and Trade</td>
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<td>FDI</td>
<td>foreign direct investment</td>
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<td>GFC</td>
<td>Global Financial Crisis</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>ICT</td>
<td>information community technology</td>
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<td>ICMM</td>
<td>International Council on Mining and Metals</td>
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<tr>
<td>KML</td>
<td>Karara Mining Limited</td>
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<td>OFDI</td>
<td>outward foreign direct investment</td>
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<tr>
<td>MCA</td>
<td>Minerals Council of Australia</td>
</tr>
<tr>
<td>MEEDAC</td>
<td>Midwest Aboriginal Employment and Economic Development</td>
</tr>
<tr>
<td>MNC</td>
<td>multinational corporation</td>
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<tr>
<td>MOC</td>
<td>Ministry of Commerce</td>
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<tr>
<td>MMG</td>
<td>MMG Limited</td>
</tr>
<tr>
<td>NFP</td>
<td>not for profit</td>
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<tr>
<td>NGO</td>
<td>non-government organisation</td>
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<tr>
<td>SASAC</td>
<td>State-owned Assets Supervision and Administration Commission</td>
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<tr>
<td>SD</td>
<td>sustainable development</td>
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<tr>
<td>SLO</td>
<td>social license to operate</td>
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<tr>
<td>SOE</td>
<td>state-owned enterprise</td>
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<td>SMC</td>
<td>Sinosteel Midwest Corporation</td>
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Executive summary

Corporate community engagement has recently gained momentum and become pervasive in business due to rapid globalisation, increasing awareness of environmental protection and social wellbeing, and the growing role played by international institutions and non-government organisations (NGOs). Community expectations that businesses will conduct themselves ethically and be good corporate citizens are on the rise. As a result, companies have allocated more resources to community engagement in response to these expectations of social responsibility across the entire value chain.

Chinese outward foreign direct investment (OFDI) has grown rapidly since 2002 when the Go Out policy of the Chinese government was initiated. Australia has been a major recipient of Chinese OFDI. An overwhelming majority of the investment in Australia has been in the mining and resources sector (Huang & Austin 2011; KPMG & China Studies Centre 2014), but recently there has also been growth in other sectors including agribusiness, infrastructure and services.

The economic impact of Chinese OFDI is somewhat understood; specifically that Chinese OFDI and appetite for Australian minerals and resources moderated the impact of the Global Financial Crisis (GFC) on the Australian economy. What is considerably less clear is the social benefit derived from the Chinese investment in Australia.

This report investigates community engagement by key Chinese-invested firms (hereafter Chinese firms) in Australia. It focuses on the community engagement practices (programs, initiatives and activities) and their derived benefits to both communities and Chinese firms. The report also briefly describes the challenges faced by Chinese firms in their community engagement and how communities and Chinese firms can better engage each other to achieve win–win outcomes.
The objectives of this report are to:

- promote awareness of the importance of community engagement in Australia
- identify, describe and disseminate community engagement knowledge and practices by Chinese firms in Australia
- understand challenges involved in undertaking corporate community engagement.

We conducted over 56 interviews with managers at different levels of Chinese firms from several industries in Australia (mining, agriculture, manufacturing, airlines, telecommunications, banking and trading), community group leaders, and government officials at both local and state levels in Western Australia, Victoria, New South Wales and Tasmania. We made two field trips to regional Australia, and conducted an extensive literature review on community engagement. This multiple-source data collection gives us a comprehensive view of the practices of community engagement and the benefits for communities and firms.

Findings show that Chinese firms in Australia have spent substantial time, effort and resources engaging communities. Most of the Chinese firms are aware of the importance of community engagement for the sustainability of their business operations. They are motivated to be good corporate citizens, as well as being driven by the need to manage their stakeholders, meet institutional requirements and behave ethically to enhance their corporate reputation.
Chinese firms have undertaken a variety of community engagement practices in Australia. These practices, including programs, initiatives and activities, have focused on the following five areas:

- enrichment of communities’ social life and wellbeing
- education
- employment (Indigenous)
- entrepreneurship development
- empowerment and capacity building.

Chinese firms have adopted partnership approaches to community engagement with NGOs, contractors, buyers, expatriate firms, government departments and other business organisations. Industry associations such as the Chinese Chamber of Commerce in Australia (CCCA) have also played an important role in coordinating donations to disaster relief. Chinese firms make wide use of both financial and in-kind (products and services) contributions in their community engagement. Whilst they contribute staff time to various projects, only a few organisations have formal employee volunteering programs.

In addition, Chinese firms have adopted partnership approaches to the governance of community engagement programs with NGOs, government departments, contractors, expatriate firms and other business organisations. The chief approach to community engagement is in-house governance, while some firms in the mining industry use corporate–community partnerships (community funds) with joint decision making.

These community engagement programs and activities have brought considerable social benefit to Australian society and the firms themselves. The benefits to the Australian community in a broad sense can be seen in the areas of infrastructure and facility development, community capability and resilience building, improving the quality of the community’s social life and wellbeing, the alleviation of social problems, and community development.
At the same time, Chinese companies have also benefited from their community engagement. These benefits include gaining legitimacy and social license to operate, building corporate profile and reputation, improving financial performance, strengthening their relationship with key stakeholders, reducing operational costs and developing competitive advantage.

Several factors have influenced the level and degree of community engagement practices by Chinese firms. Firms operating in different industries have different community engagement practices. Compared with those operating in service sectors, Chinese companies in the mining industries have adopted more active and sophisticated community engagement strategies. They have also spent more resources and efforts in implementing community engagement programs and activities. Firm size and financial performance also affect a firm’s capacity to engage the community. Larger companies have spent more resources on community engagement, and so have companies that perform better financially. It is also evident that business networking and social participation are crucial to community engagement by Chinese firms in Australia, and influence the company’s strategy and management systems for community engagement. Such a management system includes budget, staff, structure, policies and standards, programs and delivery, and evaluation. Community engagement is becoming a core business function and should be handled with the same diligence as other business functions.

Chinese firms face several challenges in their engagement with Australian communities. These include resource allocation, establishing dialogue and communications with key stakeholders, employee involvement, social participation and networking, and developing a strategy and organisational culture that is conducive to community engagement.
Chapter 1: Introduction

1.1 Background

Corporate community engagement (hereafter ‘community engagement’ for short) can be regarded as the origin of corporate social responsibility (CSR) (Muthuri, Moon, & Idemudia, 2012), as companies have a long history of donating their resources to communities and society at large. Although the concept of CSR emerged quite recently (Carroll, 1991), ethical conduct in business\(^1\) and helping those in need\(^2\) are regarded as virtues by Confucius and his followers, such as Mencius and Xunzi, which date to 230 BC. CSR in Australia has its roots in corporate philanthropy, and companies have long appreciated the positive reputational elements that flow from donating to communities.

Community engagement has recently gained momentum and become pervasive in business due to rapid globalisation, growing awareness of environmental protection and social wellbeing, and the increase in power of corporations globally. Consequently, community expectations of ethical conduct of business operations and good corporate citizenship are on the rise. Further, advances in information communications technology (ICT) have enabled communities to gather information, assess community engagement initiatives, network with other communities and use social media to garner media attention. Moreover, government, international institutions, non-government organisations (NGOs) and the media globally are increasingly scrutinising CSR. Governments and communities are also looking for contributions from corporations to solving social problems through change and innovation. Securing ‘effective citizens’ participation’ is one of the prerequisites for sustainable development in the Brundtland Commission’s United Nations report (Brundtland Commission, 1987).

\(^1\)好利惡害，是君子小人之所同也，若之所以求之道则异矣。（To like good or mitigate harm is the same between gentlemen and villains. However, the way they pursue good or mitigate harm is different).

\(^2\)礼者，断长续短，损有余，益不足；荀子《礼论》（For gentlemen, use their surplus for those in short, donate the surplus to benefit those in need: Xunzi On Rituals).
As a result, firms have allocated more resources to community engagement in response to rising expectations that they will be socially responsible for their conduct across the entire value chain.

With the improvement in environmental protection gradually institutionalised at both government and corporate levels, community engagement has moved to the centre stage of CSR, and it is a crucial aspect of establishing a ‘social license to operate’ (Burke 1999) for firms operating in both developed and developing countries.

Firms and communities are often symbiotic and embedded within each other. Firms draw on the resources of the community to undertake their operations, and they also provide crucial resources for community development. Adding value to the community and contributing to community development in a sustainable way are two fundamental themes of community engagement.

Community engagement will become increasingly important in the future, particularly to multinational corporations (MNCs). Gaining legitimacy in host countries is crucial for the sustainable development of both the community and the MNC. This will particularly be relevant to Chinese MNCs as they expand their business globally and start operating in countries with different legal systems, cultures, norms and values.

Chinese outward foreign direct investment (OFDI) has grown rapidly since 2002 when China initiated its Go Out policy. Australia has been a major target for Chinese OFDI. An overwhelming majority of the investment in Australia has been in the mining and resources sector (Huang & Austin, 2011; KPMG & China Studies Centre, 2014), but recently there has been growth in other sectors such as infrastructure, agribusiness, real estate, and financial services (KPMG & China Studies Centre, 2014).

The economic impact of Chinese outward FDI is somewhat understood – in essence, Chinese outward FDI and its appetite for Australian minerals and
resources moderated the impact of the Global Financial Crisis (GFC) on the Australian economy. What is considerably less clear is the social benefit of Chinese investment in Australia.

The importance of this social benefit and CSR is well recognised by the Chinese government. The State-owned Assets Supervision and Administration Commission (SASAC) of the State Council issued the *Guidelines to SOEs directly under the Central Government on fulfilling CSR* in 2008, where participating in social public welfare programs is one of main clauses (SASAC 2008).

This report focuses on the practices of community engagement by Chinese firms in Australia and the derived benefits for both communities and the firms. The objectives of this report are to:

- promote awareness of the importance of community engagement in Australia
- identify, describe and disseminate community engagement knowledge, practices, and benefits by Chinese firms in Australia
- understand challenges involved in undertaking community engagement by Chinese firms in Australia.

### 1.2 Report structure

In this report, we present an overview of community engagement practices by Chinese firms in Australia and the derived benefits for both communities and firms. The research was qualitative in nature and driven by an integrated theoretical framework drawing on corporate social responsibility, stakeholder management, business ethics and institutional theory (See Appendix).

Chapter 2 provides an introduction to community engagement, and presents a brief literature review on the historical development, current practices and future
trends of corporate community engagement. The key motivations or reasons for corporations to engage communities are outlined in Appendix.

Chapter 3 reports on the community engagement practices (focuses, forms, and approaches) by Chinese firms and provides illustrations of these practices.

The key benefits generated by the community engagement practices of Chinese firms to the local communities are outlined in Chapter 4 with exhibits and cases.

Following this, the benefits of community engagement practices to the Chinese firms are described in Chapter 5.

Finally, we provide a summary of community engagement by Chinese firms, and outline challenges in undertaking community engagement programs and activities to better achieve win–win outcomes from both the corporate and the community perspective.

1.3 Project information and method

This project was supported by the Commonwealth Government of Australia through the Australia-China Council of the Department of Foreign Affairs and Trade. The aim was to investigate the community engagement practices of Chinese firms in Australia from both the perspective of Chinese companies in Australia and their communities. The study focuses on and the practices and benefits of community engagement of key Chinese companies (the terms ‘company’ and ‘firm’ are used interchangeable in this report) in Australia. Since the project began in August 2013, we have conducted an extensive literature search on corporate social responsibility, particularly in the area of community engagement. Ethics clearance was obtained from RMIT University’s Business College Human Ethics Advisory Network (BCHEAN). Chinese firms and community representatives and leaders were then contacted in five states: New South Wales, Queensland, Tasmania, Victoria and Western Australia where most Chinese investment in Australia is focused, and invited to participate. From
October 2013 to May 2014, we spent a substantial amount of time and effort gaining access to these Chinese firms. A total of 15 large Chinese firms operating in the mining, agriculture, manufacturing, airlines, telecommunications, banking, electronics and trading industries participated in this project. We analysed publicly available documents and parent company information and materials before the interviews to gain an understanding of the nature of company operations and major community engagement programs and initiatives. Overall, we interviewed 29 managers responsible for their firm’s community engagement.

We then contacted community leaders and representatives who were involved in community engagement programs or activities with these Chinese companies. As a result, we interviewed 27 people from a variety of organisations, including CEOs and presidents of local governments, state government officials, community group leaders, founders of social enterprises, directors of not-for-profit (NFP) organisations, and principals of local schools. Two field trips were also made to regional Australia to conduct interviews, collect materials and observe tangible outcomes of community engagement by Chinese firms. Where supplied, internal policy documents were also analysed to further understand how community engagement initiatives have been developed and managed in these Chinese firms.
Chapter 2: Community engagement – a brief overview

2.1 Defining community and community engagement

While the concept of ‘community’ has long been used and defined in different ways (Fairbrother et al., 2013; Hillery, 1955), it can be broadly characterised by three factors: geography, interaction (face-to-face or electronic) and identity (Lee & Newby, 1983). Similarly, Taylor (2003) suggests that community can be one of three elements: geography, relation or interest. Locality is aligned with geography, identity and relations with a sense of belonging, and interest with social networks respectively.

Dunham, Freeman and Liedtka (2006) have developed a typology of four categories of community based on these three dimensions: communities of place, communities of interests, virtual advocacy groups, and communities of practice as follows:

- communities of place are geographic locations surrounding corporate facilities and operations
- communities of interest are advocacy groups that share a common purpose driven by a particular agenda such as preventing oil drilling in the rainforest
- communities of practice are professional work groups whose members share common identity and mutual obligations
- virtual advocacy groups share a common purpose. However it is usually broader than a particular interest and entails mobilising people to participate in a short-term effort such as anti-globalisation protests at trade talks (Calvano, 2008, p. 794).

These four community categories can be further broken down in practice. For
example, the term community in the extractive industries often refers to geographical community and can further be classified as producing host, terminal-host and transit-host communities based on their potential influence on the major function of the company in the community (Idemudia, 2009).

The term ‘stakeholder’ is frequently used in community engagement literature. Thus, the relationship between the terms stakeholder and community warrants some explanation. The concept of a stakeholder is traditionally defined as ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’ (Freeman, 1984). More recently, Freeman (2004) defines stakeholders as ‘those groups who are vital to the survival and success of the corporation’. Stakeholders can be divided into primary and secondary based on their relationship, ability to influence, and importance to the company (Freeman, 2008). Primary stakeholders are those groups that provide vital support for the survival of the company, and to whom the company may have special obligations. Secondary stakeholders have no formal claim on the company, and management has no special obligations to them (Parmar et al., 2010). Thus, members of the community can be an important group of stakeholders for corporations, and primary to firms. Nevertheless, not all stakeholders are communities.

The term ‘community engagement’ has been widely used in governments, non-government organisations (NGOs), and business organisations, although there is still no consensus in its definition. Governments frequently talk about community communication and consultation processes that have important implications for maintaining democracy, and for planning and delivering public services that meet the needs of communities (Head, 2007). For example, community engagement is regarded by the State Government of Victoria as ‘a planned process with the specific purpose of working with identified groups of people, whether they are connected by geographic location, special interest, or affiliation or identify to address issues affecting their wellbeing’ (Department of Environment and Primary Industries, n.d.). In academia, corporate–community engagement can be
considered as focusing on ‘the corporate–community interface’ (Liu, Eng, & Ko, 2013, p. 474) and usually involves deploying corporate resources (financial and non-financial) and seeking benefits from such engagement. Based on these descriptions, the working definition of community engagement adopted in this report is:

the planned process of connecting and working with community groups through the deployment of organisational resources and skills to address issues that impact the wellbeing of those groups and also to potentially benefit the organisation.

2.2 Community engagement and corporate social responsibility

Businesses are given the right to exist by societies via the legal mechanisms of government. Increasingly it is claimed that businesses should pay attention to their social responsibilities (Carroll, 1998), however there is considerable debate about what constitutes businesses’ legitimate social responsibilities (Carroll, 1998; Freeman, 2008; Friedman, 2007). Corporate social responsibility (CSR) is used as an umbrella term to describe broad sets of business activities in the areas of sustainable development, sustainability, business ethics and corporate citizenship.

The community in which a business operates is an important part of the social and institutional environment. It can also be an important stakeholder that a business should engage with from a stakeholder management perspective. Therefore, community engagement falls under the broad domain of activities frequently described as CSR.

Carroll (1991) proposed that there are four dimensions that capture a company’s social responsibilities: economic, legal, ethical and philanthropic (Figure 1). The relationships of these four categories of responsibilities are depicted as a pyramid (Carroll, 1991), reflecting the importance attached by managers to them (Carroll, 2004).
As can be seen in Figure 1, a company’s first social responsibility is to be financially viable, while its second is to uphold its legal obligations to stakeholders through complying with various laws and regulations, such as environmental protection, occupational health and safety regulations, company law and so forth. Upholding these first two responsibilities may gain the company a business license to operate. However, this has been regarded as a minimal compliance standard in business operations. Both economic and legal responsibilities are seen as fundamental for business organisations. Ethical responsibilities ‘embrace those activities and practices that are expected, or prohibited, by societal members even though they are not codified into law’ (Carroll, 1991, p. 41). They cover ‘those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just or in keeping with the respect or protection of stakeholders’ moral rights’. Philanthropic responsibilities go beyond a company’s economic, legal and ethical responsibilities. These are frequently seen as discretionary in nature and might include financial and in-kind contributions (i.e., donations, products, services, employee’s time, skills, and loaning of organisational equipment) to communities, particularly in the areas of the arts,

**Figure 1: The pyramid of corporate social responsibility (source: Carroll, 1991)**
culture, education, health, facilities and sports (Marquis, Glynn, & Davis, 2007).

The economic domain of CSR, also known as instrumental CSR, has a narrow focus on the direct relationship between CSR and firm performance (Berger, Cunningham, & Drumwright, 2007) where businesses will only involve themselves in CSR-related activities when there is a clear link to financial performance (Carroll & Shabana, 2010; Maas & Liket, 2011). The ethical domain is related to the normative perspective of CSR which encourages the firm to value relationships with stakeholders (Jenkins & Yakovleva, 2006; Perrini, Russo, Tencati, & Vurro, 2011). The legal domain refers to regulations that place social responsibilities on companies that they must adhere to in their activities. Schwartz and Carroll (2003) describe three approaches to the legal domain of CSR compliance: to do what the regulations intend; to avoid civil litigation; to conduct business activities in anticipation of expected legal changes.

Community engagement can be examined according to the four dimensions of CSR responsibilities proposed by Carroll (1998) (Figure 1). Community members can be one group of a company’s primary stakeholders. Engaging the community can therefore enhance the company’s financial performance. In other words, communities might be engaged because it is good for the bottom line. This is very much an instrumental perspective of community engagement, where it is done because it is good business, and good for business.

Community engagement is also part of a company’s legal responsibilities, whereby a company is legally obligated to consult or engage with a community as part of a planning process. Examples of these regulations include native title agreements in the Australian mining industry, and community engagement in Victoria (O’Faircheallaigh, 2012).

Moreover, community engagement can be part of a company’s ethical responsibilities, emphasising good conduct in dealing with stakeholders, including communities, who have a moral claim on the company.
Finally, philanthropic donations are often made to communities as company stakeholders in a narrow sense, or as society in a broad sense. This philanthropic donation could be seen as meeting a company’s discretionary responsibilities. The philanthropic nature of CSR activities may not actually promote sustainable development as intended, and instead may lead local communities to have unhealthy dependent relationships with firms operating in their region.

A variety of theories have been used to explain why companies undertake their corporate social responsibilities. Three highly relevant perspectives are found in stakeholder theory, institutional theory and normative theories of business ethics (see Appendix). In the following sections, we provide a brief description of our literature review of community engagement practices, their influencing factors and benefits to communities and corporations.

2.3 Understanding community engagement practices

Much effort has been devoted to understand corporate community engagement over the past three decades with a focus on three major issues: practice, its influencing factors, and its benefits to both community and company (Liu, et al., 2013).

2.3.1 Practice

The practice of community engagement is the most-widely researched area of community engagement studies. Research in this area primarily aims to understand several key issues, such as strategy, focus, form and governance.

Strategy

Community engagement strategy has evolved over the past three decades with the following four stages:

- passive philanthropy – after-profit direct financial donations
• strategic philanthropic donation – used to associate a company’s social giving with its corporate image
• corporate community involvement – community directly involved in developing and implementing initiatives
• partnership – partnership is formed with government bodies, NGOs, and business organisations for sustainable community development and transformational changes in communities.

Partnership can be more effective and efficient and offer many benefits to the company, such as using partners’ expertise and resources, leveraging for additional government funding, and sharing community engagement costs and risks.

Focus
Traditionally, the focus for many companies in their community engagement has been on charitable donations to arts, cultural events, sports, health, education, and disaster relief. Many companies and industries still use these kinds of donations. Over the past two decades, however, the focus has gradually shifted to community development, capacity building, small business development, infrastructure development and community facility building. Sustainable community development and adding value to the community have become important themes when developing corporate community initiatives.

Form
The form of contribution is another factor to consider in developing community engagement initiatives. Companies can contribute to the communities through three major forms: financial, in-kind (products, services and loan of equipment), and human resources or time (employee volunteering). Using companies’ core competence in ways that benefit the community and related to the companies’ business strategy has become popular since 2000 (Hess, Rogovsky, & Dunfee, 2002) as it aligns the company strategy with its resources. Employee volunteering initiatives have been growing as they not only strengthen the
engagement between the company and community, but also cultivate an organisational culture that is conducive to sustainable corporate development.

**Governance**

The governance of community engagement initiatives is very important to its effectiveness. Two different models have been used (Idemudia, 2009): in-house community investment and corporate community foundation. With an in-house community model, the decision making for community engagement initiatives is primarily within the company. Thus, it is largely corporate driven. For the corporate community foundation model, NGOs and community representatives are empowered to share decision making with companies for community programs and activities. Both governance models have their own pros and cons. In practice, a hybrid mode can be used.

**2.3.2 Contextual and managerial factors**

Many factors need to be considered in planning a company’s community engagement practices. These factors can be broadly divided into four categories (Bowen, Newenham-Kahindi, & Herremans, 2010):

- national context
- community context
- industry and organisational context
- managerial perceptions.

**National context**

The national context refers to the law and regulations in the host country, the structure of its political and social organisations, and public policy (Bowen, et al., 2010). In particular, understanding the national intuitional environment in the host country is very important to the development of community engagement practices. The national institutional context covers the regulatory, cognitive and normative aspects of the institutional environment (Scott, 1995). The regulatory aspects include existing laws and rules such as environmental protection,
industry relations and labour laws. The cognitive aspect includes economic development, and the expectations of government, business and social organisations and the general public in the host country or geographic regions (Gardberg & Fombrun, 2006). The normative aspect is primarily concerned with values and norms, or culture.

**Community context**

The community context is absolutely critical to the development of effective community initiatives. The key to understanding the community context includes the structure of community groups and their various interactions, their expectations and perceptions, development priorities, stances and attitudes, resources available to them and the nature of social issues (Bowen, et al., 2010; Idemudia, 2007). Moreover, the geographical location, history and experience of dealing with corporations are also important.

**Industry and organisational context**

Differences in the degree and scope of community engagement practices between industries are often determined by how important community engagement is to operations. Organisational context comprises the organisation’s experience and expertise in interacting with communities, corporate identity, and organisational resources and structure. The size of the organisation and its financial performance are also important factors to the development of community engagement practices.

**Managerial perception**

There is no doubt that managers play an important role in developing community engagement programs and the practices of companies. Managers’ ‘hot’ emotional and ‘cold’ cognitive interpretations of community engagement influence their decisions about practice. Managers’ values and intuition are the emotional aspects for undertaking community engagement, while the cognitive element covers their experience, aspirations and perceptions of risk.
2.4 Benefits of community engagement to companies and communities

Community engagement can benefit both communities and companies. It has been widely acknowledged that community engagement practices can provide many benefits to communities, such as developing local capacity and voice, gaining information and knowledge, and obtaining cash and employee volunteer time (Bowen, et al., 2010). Nevertheless, the effectiveness and efficiency of community engagement practices depend on how these practices have addressed the developmental priorities of the local communities, met the community expectations (Idemudia, 2007), and are perceived as appropriate by the local communities. Community engagement practices can fail to deliver their intended outcomes if companies are insensitive to the local context, not focused on development, and too centred on the needs of the company (Muthuri, et al., 2012).

Many studies have found that community engagement practices have delivered many benefits to companies (Kurucz, Colbert, & Wheeler, 2008). These benefits may include reputational enhancement, improvement of corporate–community relationships, gaining social capital and legitimacy, and increased attractiveness to employees (Bowen, et al., 2010; Liu, et al., 2013). Community engagement can be also used as a safety net to manage risks (Bowen, et al., 2010) and encourage an ongoing dialogue between a host community and the company. Kurucz, Colbert and Wheeler (2008) classify these benefits, or ‘business cases’, for CSR into four groups: reputation and legitimacy, competitive advantage, cost and risk reduction, and synergistic value creation.

Community engagement can also lead to win–win outcomes for both community and company. To do so, a business case articulating the benefit to the company from community engagement is required (Carroll & Shabana, 2010). The term business case here refers to financial benefits or other reasons for companies to
engage communities (Carroll & Shabana, 2010), or 'suitably significant return' for justifying investment in community engagement. This suggests that community engagement processes may happen very much on companies' terms.

There is an increasing call from international institutions, governments, NGOs and communities for businesses to take their social responsibilities seriously. Given the growing importance of community engagement to business, its status has risen in many organisations/industries. The norm is for community engagement to be professionally managed at the organisational level and institutionalised by governments, industries and organisations. As globalisation continues, the impact and complexity of community engagement on business is likely to increase, posing new challenges, particularly for those operating internationally.

The following three chapters describe the practices of community engagement by Chinese firms in Australia, and the associated benefits to both community and firms. Cases have been selected to illustrate these practices and benefits.³

³ The cases and examples given in the report are illustrative and in no way capture all of the ways in which Chinese-invested firms engage communities and communities derive social benefits from Chinese investment in Australia.
Chapter 3: Community engagement practices

This chapter presents findings from interviews with managers from Chinese firms, community group leaders, and government officials about the practices undertaken by Chinese firms in Australia, including main foci and forms. It also provides insights into how these programs are governed and decisions are made.

The foci of community engagement practices and activities can be broadly grouped into five categories:

- enrichment of community social life and wellbeing
- education
- employment (Indigenous)
- entrepreneurship development
- empowerment and capacity building.

These five foci also represent the spectrum of community engagement practices ranging from simple to more complex approaches and forms. As community engagement develops and becomes more complex within a firm, a different skill set may be needed. Most of the Chinese firms who participated have multiple foci for their community engagement programs and activities. Respondents from the communities talked about them as the ‘flavours’ of a particular company’s engagement focus. Figure 2 outlines these five categories of foci (initiatives, programs and activities).
3.1 Enrichment of communities’ social life and wellbeing

Enrichment of community social life and wellbeing covers a variety of areas, including art, culture, sports, health and youth. The dominant approaches used for these enrichments are philanthropic donation and sponsorship. Philanthropy usually refers to a monetary contribution made to an organisation without any direct commercial incentives. In simple terms, it is a donation with no obvious strings attached, although there may be reputational or political benefit.

All of the participating Chinese firms have donated their money and/or resources to a variety of enrichment activities within communities. They have also sponsored a wide range of community events and activities, with considerable donation and sponsorship to the arts, cultural events, and sport as illustrated in case study 1.
Case study 1: Enriching community’s social life through arts, cultural events, and sports

CITIC Pacific Mining donated to Kulcha Multicultural Arts, which organised a variety of arts and culture projects and activities, including the Samba Band Project in the Shire of Roebourne (AbaF Regional Awards winner both locally and nationally), and the Oz Concert.

Bank of China Australia has actively engaged with Australian Chinese communities through sponsoring Chinese Spring Festival events in Sydney, Melbourne and Brisbane, and many other cultural events and activities organised by a variety of Australian-Chinese community groups.

China Southern Airlines Melbourne Office was a key partner of Melbourne Festival in 2013, and one of the five Leadership Partners for the event. The festival is regarded as a key major cultural event, with 127 programs attracting an audience of more than 460,000 in 2013.

China Eastern has sponsored the Tyrannosaurus Show Program organised by National Museum of Australia in 2011. The show was a major attraction for students from the Australian primary schools.

MMG Rosebery has a partnership with Burnie Arts Centre, in which they take art and theatre across the region and into the Schools of the North West Coast of Tasmania and support artists in residence, workshops, performances and exhibitions. MMG also sponsor the local football club and provide jumpers.

TCL has focused on sports and has sponsored the Melbourne Cup Carnival since 2010 and local football teams at Box Hill and West Perth.

Sinosteel Australia has sponsored WA Symphony Orchestra for their performance in China and China Disabled Art Troupe to perform in several cities in Australia.

In addition to monetary donations and sponsorship, many Chinese firms have also made in-kind donations to the communities with their products (TVs and computers), services (air tickets) and own resources (staff time, free loan of equipment and vehicles and other resources).
Case study 2: Enriching communities’ social life through in-kind donation

Karara Mining Limited (KML) has provided 600 acres for use as a community farm, Karara Community Farm, since 2011. Local community groups use the farm to raise funds. Community groups from within the region where the company operates can submit an application every year for the free use of the farm. The application is awarded to one group annually based on merit. Over the past three years, three community groups awarded have generated about $250,000 from their farming activities on the community farm. Sinosteel Midwest has donated petrol to the community groups for farming activities on Karara Community Farm as part of its community engagement.

Many Chinese firms operating in different industries have focused on making a positive contribution to the health and wellbeing of communities. These programs help provide access to services or contribute to addressing complex social problems.
Case study 3: Enrichment of communities’ health and wellbeing

Karara Mining Limited (KML) has initiated the Mobile Dental Clinic program in partnership with the Royal Flying Doctor Service (RFDS), local shires and one of its major contractors in 2013, based on its understanding of the community needs. KML has purchased and equipped the clinic medical equipment while local governments offer accommodation for the dentists during their visits. The clinic is operated by RFDS and provides free dental healthcare services to the community in several shires that are geographically close to its mine operations and remote from the state’s capital city.

Project Care 2012 was developed and sponsored by the China Eastern Airline Sydney Branch, and Bank of Communications of China in partnership with several NGOs and local governments in China, including the Australian Song Qing Foundation and Liaoning Provincial Government in China. This project aimed to provide Australian and Chinese medical expertise to Australian and Chinese communities in regional areas. It sponsored traditional Chinese medicine practitioners to visit Australia and provide free consultation and treatments to the Australian communities, and also for Australian doctors to travel to a rural county in the north of China.
Sinosteel Midwest donated $50,000 to launch a Midwest Life Education Program that offers a mobile service to local schools in the region where it is operating. The program covers a range of issues from healthy food choices and sun safety to syringe and needle safety, bullying, body language and communication, body systems and the effects of drugs, and strategies to make informed decisions.

### 3.2 Education

Recognising the importance of education for building community capacity many Chinese firms have also made donations to or sponsored educational programs. They have adopted a variety of forms to support education in local communities. These include scholarships, apprenticeships, traineeships, community programs, and after-school activities at local schools.

**Case study 4: Education programs and activities sponsored by Chinese companies**

Sinosteel Midwest has donated $25,000 to local schools for their volunteering programs which encourages parent and caregiver volunteers to participate at their child's school for a range of activities. These volunteers earn points that can be redeemed for purchases such as books, canteen and uniforms. This initiative not only better connects the company with local communities, but also helps local community members maintain close involvement with their child's education and connection to the respective school itself.

KML has so far provided to the local communities a total of 13 apprenticeships, eight tertiary scholarships, and eight traineeships since 2008. The overall donation is over $400,000.

MMG has sponsored and supported a wide range of after-school activities at Rosebery where the mine is located. These include the Artists in Residence programs, arts shows, chess competition and school holiday programs. The company also uses its resources for supporting extracurricular activities, such as giving its horticultural nursery to the school, conducting a career induction for high school students, volunteering its employees, and offering free first-aid training to the teachers. It has also organised horticultural equipment for the school. MMG has been recognised as a partner for school development.
Huawei is a privately owned Chinese telecommunications equipment manufacturer. Huawei Australia has focused its community engagement on three areas: health, education and sports. For example, Huawei has partnered with the University of Sydney and the Sydney Children’s Hospitals Network and donated $50,000 to their postgraduate paediatric certificate program 2010–13, and 150 MediaPad tablet computers to the programs and their graduates in 2012 and 2013 respectively. Huawei also donated 36 MediaPads to University of Melbourne for its joint research program with the Royal Children’s Hospital on the health benefits of connecting hospitalised young children with their family, friends and teachers and classmates. Moreover, it has provided scholarships to Macquarie University, and provided equipment and funding of $250,000 to RMIT for establishing a technology training centre.

3.3 Indigenous employment

Although providing employment opportunities in host countries is often regarded as an economic benefit of OFDI, the community can also benefit from employment in many other ways. One way this manifests itself is in efforts to target recruitment practices towards specific groups of people to address with social problems (unemployed youth, Indigenous people). Many Chinese firms, particularly those operating mining and agricultural industries, have devoted a substantial amount of their efforts and resources to providing employment opportunities and pre-employment training to Indigenous Australians.

Case study 5: Increasing employment of Indigenous people by Chinese firms in Australia

MMG has run an Indigenous Pre-employment Training Program (Bayalgu) that has trained 90 Indigenous adults in the midwest region of Western Australia. This is one of its major community engagement programs in its Golden Grove operations and costs about $450,000 annually. The program includes safety awareness training, small machine operation, a live road construction project, an industry work placement, and job preparation activities including resume, cover letter and interview training. Thirteen partners provide equipment, in-kind support and potential employment opportunities afterwards. MMG also supports participants to secure and retain long-term employment in its Golden Grove in WA following completion of the course. Nevertheless, the program’s goal is not to create employees for MMG. The program also includes ongoing mentoring where
the mentor provides a link between trainees, families, employers, supervisors and third-party support agencies, and also supports participants in their transition from training to employment. The program coordinator / trainer and mentor also helps the participants identify employment opportunities in MMG’s Golden Grove operations, other partner organisations, or their contractor network. So far over 90 per cent of trainees have been employed after completing the program.

![MMG’s training office at Geraldton WA](image)

**Case study 6: Increasing employment of Indigenous people by Chinese firms in Australia**

Kimberley Agricultural Investment (KAI) Pty Ltd is a wholly owned subsidiary of Shanghai Zhongfu (Group) Co. Ltd, a Chinese privately owned company. Since its investment in East Kimberley started in 2012, it has actively engaged local communities and is committed to employing Indigenous people. It has employed over 30 Indigenous people. It also organised an art exhibition for Indigenous artists from the Kimberley in Shanghai in 2013.

Increasing Indigenous employment has been one of the key objectives of Karara Mining Limited (KML). A number of approaches have been used for this. Besides its direct employment of indigenous people, KML has also worked with its contractors and NGOs to increase the number of indigenous people. Overall, the new mining project employs 52 Indigenous people.
3.4 Entrepreneurship development

Chinese firms have also engaged local communities to develop their entrepreneurial capabilities. Entrepreneurship development is crucial for remote communities that are heavily dependent on mining or agricultural activities. A variety of activities and programs have been implemented by Chinese companies, such as microfinance, supporting local entrepreneurs and social enterprises, and donating resources to develop local industry incubators.

**Case study 7: Community programs and activities provided by Chinese companies to support entrepreneurship development**

KML has used its own ex-farming property to set up the Geoff Wedlock Innovation Park, in 2011 for innovative projects, particularly those in the areas of biodiversity, environmental conservation and renewable energy farming solutions. Currently, the park has hosted two innovation projects: aquaponics and a poultry enterprise. A small-scale aquaponics system, made solely with reused materials, can grow a variety of plants, in particular vegetables and natives for rehabilitation works. The poultry enterprise is managed by a local social enterprise that promotes the employment of Indigenous people, and uses vegetable scraps from the mining site for feed, thus reducing waste sent to landfill. It also supplies eggs to KML’s mine site.

CPM has provided financial support to Many Rivers Microfinance WA to provide loans to entrepreneurs to develop their small to medium businesses. Many Rivers Microfinance is a not-for-profit organisation that offers finance to aspiring business people who cannot access traditional financial support.

Sinosteel Midwest Corporation has supported Pollinators, a Geraldton-based social enterprise that aims to develop innovations and entrepreneurs as a means to creating healthy, resilient communities, and provides regional co-working space, entrepreneurship training, and mentoring and networking.
3.5 Empowerment and capacity building

Community empowerment and capacity building have increasingly become an important focus for Chinese firms. While the concept of capacity building is easy to understand, the term ‘empowerment’ is more elusive. Empowerment can be defined as ‘the process of gaining influence over conditions that matter to people who share neighbourhoods, workplaces, experiences, or concerns’ (Fawcett, et al., 1995, p. 67). It emphasises autonomy in community decision making, local self-reliance and social learning. The World Bank has long considered empowerment as one of the key objectives of community engagement and participation. It is a key to overcoming poverty.

Case study 8: Community empowerment programs and activities of Chinese companies

CITIC Pacific Mining has established a long-term (five-year) commitment for partnering with Clontarf Foundation in WA, a charitable not-for-profit foundation that aims to improve the education, discipline, self-esteem, life skills and employment prospects of young Aboriginal men.

Sinosteel Midwest has donated money to the community fund of local shires. The fund is mutually governed by a combination of local council, community representatives and company staff and allocated on the basis of merit. The process of applying for funding benefitted the community in terms of improving their thinking about what they are going to achieve, and not just asking for handouts.

KML has empowered MEEDAC, a network of Indigenous organisations that deliver services including employment and training services in Indigenous communities, to manage its Geoff Wedlock Innovation Park. MEEDAC manages the operations of entire innovation park, including its employment and financial management.
3.6 Summary

In summary, the community engagement practices of Chinese companies in Australia focus on five areas: (enrichment of social life and wellbeing, education, employment (targeted), entrepreneurship development and empowerment and capacity building. Companies are increasingly engaging communities in their operations, and both financial and in-kind contributions are widely used by Chinese companies. They are increasingly engaging in partnerships to deliver their community engagement programs with NGOs, local governments, commercial organisations (e.g., contractors, organisational buyers, local businesses, and other Chinese companies) and networks (e.g., CCCA and industry association), particularly in the areas of targeted employment, entrepreneurship development, and empowerment and capacity building.

The dominant form of governance for community engagement programs is in-house control. Some Chinese firms operating in the mining industry also use community foundations.

Several factors impact on the type of community engagement practices undertaken by Chinese firms and their level of commitment, including industry, firm size and financial performance. Those operating in the services industry focus more on enrichment, education and brand awareness, and those in the mining and agriculture industries have multiple foci, and use a variety of forms to engage their communities. Those with better financial performance have showed a higher level of commitment and resource allocation to their community engagement, as do larger firms.

Overall, Chinese firms in Australia have substantially brought social benefits to the local communities through their desire to be good corporate citizens, and their practices of community engagement in Australia. The next chapter identifies and describes these benefits.
Chapter 4: Benefit to the community

This chapter reports the views from community members on how community engagement practices by Chinese companies in Australia have benefited the community. It is based on our interviews with community leaders and representatives, NGO directors and local government officials.

It is crucial to consider the benefits derived by communities when planning and delivering community engagement activities and programs. Ideally community engagement planning is linked to some form of social impact assessment (SIA) so that firms can gather information on what is needed by the communities they operate in. In some industries, like mining, the government requires companies to undertake SIAs. Community engagement programs are generally aimed at increasing social benefit or mitigating social problems through addressing a variety of social needs or issues (Marquis, et al., 2007). These social needs and issues include arts, culture, education and schooling, human welfare, the physical environment, poverty, disease, wellness and general improvement in the quality of life (Marquis, et al., 2007, p. 926). Community development is one of the key foci of community engagement, particularly in the global mining industry (International Council on Mining and Metals, 2003; Minerals Council of Australia, 2005). Community development is defined as ‘contributing to communities so they are better able to meet their needs and aspirations, both now and into the future’ (Aslin & Brown, 2004). The essence of community development is capacity building, and it is often interrelated with education, health, entrepreneurship development (Lakin & Scheubel, 2010, p. 33).

From the community perspective, value adding and sustainability are key features of what they want out of community engagement programs and activities (Bice, 2011). Additionally, tangible infrastructure is highly valued by communities in remote regions (Barnes & Collins, 2013).
Chinese investment in Australia has delivered a variety of benefits to Australian communities. In addition to the economic benefit derived through direct and indirect employment, local content procurement, taxes, royalties, and rates paid to federal, state and local governments, the social benefit derived has been considerable. The benefits provided by the companies forming the basis of this report can broadly be summarised into five types:

- infrastructure and community facility development
- building community capability and resilience
- improving the community’s social life and strengthening social fabric
- mitigating social problems, such as drug, youth, and domestic violence
- community development.

### 4.1 Infrastructure and community facility development

Communities benefit from facilities developed by Chinese companies. For example, the community fund established by Sinosteel Midwest in partnership with the Shire of Morawa local government has been used to develop, upgrade, and maintain community facilities, such as building a community and business development centre, resurfacing tennis courts, replacing a cricket pitch and golf tees, upgrading a local historical museum and hockey oval lights, and using bore water for irrigating sports grounds. A solar power system has been installed in the clubhouse with money raised from farming activities enabled by Karara’s community farm. Rates paid to these local shires also substantially contribute to the development of community facilities.

Infrastructure development of railways and roads is another benefit associated with Chinese investment. Karara Mining Limited has built an 80-kilometre rail spur connecting its mine to the regional railway network. Although the railway is mainly used by KML, in the future it could potentially be used by communities in
the region for transportation. Similarly, the roads built and maintained by Sinosteel Midwest Corporation and KML connecting their mines to main roads have been used by local communities for transport and tourism.

Case study 9: Infrastructure and facility development in Midwest WA (clockwise from top left: road built and maintained by Sinosteel Midwest; railway built by Karara; tennis court; sports club with new solar panels)

4.2 Building community capability and resilience

Communities also benefit from Chinese investment to build capability and resilience. Communities partner with Chinese firms formally and informally, on multiple levels and activities, to create resilience through internal social linkages within the community and external networks with other organisations. This can open up communities to access information, skills and resources both within the community and outside the community. In this way, people can be better connected to each other and participate in social activities. The community is
also better able to scan the external environment to collaborate with outside organisations for gaining external resources and information, and sharing social activities. This can help build community capability and make the community more resilient. One local government representative commented how mining investment could be leveraged to provide infrastructure and programs:

“The federal and state governments offer small grant programs all the time … but again the mining monies from the companies creates the [local government staff] positions that can leverage out other grants… so you take away the positions and you take away programs and infrastructure” (Local government representative G).
Case study 10: Building community resilience by MMG at Rosebery

Building community resilience and capacity has been a common goal shared by MMG and the local community. The mine has been operating for a long time, but will not be there forever. The company wants to leave a positive legacy. MMG engages extensively with a variety of community groups, such as the community house, schools, sporting clubs and regional art centre to provide traineeships for local youth, donate money and resources to the local schools, develop local community facilities, and sponsor cultural activities and programs. MMG managers also participate in community decision-making processes through local business/economic development forums and not-for-profit organisations. Neither the community members nor MMG want the relationship to be dependent and unhealthy. They want to promote resilience within the community and empower locals to shape their future, and help in as many ways they can.

Roseberry mine site and community facilities (clockwise from top left: mine site; community relations office; picnic area; heritage centre)
4.3 Improving the quality of the community’s social life and wellbeing

Chinese investment in Australia also helps improve the quality of the community’s social life through sponsorship of social activities, including cultural programs, sports events, and arts festival and exhibitions. These social activities are important to communities as they not only improve the quality of social lives, but also connect people in the community. Through sponsoring these activities, Chinese investment in Australia has enriched community social life and strengthened the social fabric. One community representative remarked how the company had enriched their town:

“Lots of art projects, community civic pride projects around the town and town improvement and that's a really good thing they’re doing” (Not for profit representative B).

Communities have also benefited from Chinese investment in complementary health services. The mobile dental clinics initiated by KML in partnership with the Royal Flying Doctor Service and local governments is a good case for this (case study 3). The clinic brings free dental services to local communities where the mine is operating. Before this initiative, the nearest dentists were tens of kilometres away from some local communities. This initiative has been welcomed by local government, as expressed by staff in two local shires:

“That [dental service] is an absolutely unbelievable opportunity for us – it's not limited to anybody, but there are an awful lot of people that simply cannot afford dentistry and they [KML] bring that into town” (Local government representative A).

“That [dental service] is very important and obviously with the dental clinic that's something that we haven't had and people have had to travel very long distances for a dental service” (Local government representative B).
4.4 Mitigating social problems

Many initiatives by Chinese companies focus on youth and child issues. These include KML’s sponsorship of the Parkville Child and Youth Services, MMG’s employment of both the Coordinator of Community and Youth and the Coordinator of Centacare, an NGO providing family services, within the Shire of Yalgoo. These community services programs not only reduce social problems, but also help create a more vibrant community life in the community.

Community social problems have also been indirectly mitigated by employment, pre-employment and education. Direct and indirect employment by Chinese companies has flow-on effects for the community. Indirect employment has enabled many farmers in drought-prone areas to diversify their income streams, making the community far more resilient and sustainable. Employment is frequently regarded as the most important issue in the social impact assessments conducted by Chinese companies operating in the mining industry for several reasons. With a secure income earner in the family, there is less stress and domestic violence exacerbated by financial issues. Due to the dangerous nature of the work, employment in the sector often mandates daily drug and alcohol testing. Employment, therefore, can help alleviate drug or alcohol problems. Moreover, education is a very effective way to address social problems, especially in the regions. As described in Chapter 3, many Chinese companies have donated to schools and sponsored a wide range of extracurricular activities or after school programs. Providing educational opportunities and pathways is something that members of regional communities sampled felt very strongly about. One local government representative highlighted the link between education and community development:

“I suppose they see it as an investment model. If they’re going to be there and operating the mines for the next 25 to 30 years well then their making an investment into their future by being in with the schools” (Local government representative G).
Focusing on local employment pathways to mitigate employment related social problems was a key point raised by another community representative:

“So I think ___ is trying really hard to engage the community. They’re trying to show that they’re supporting the school, locals and the young generation coming through with the traineeships and the apprenticeships and the fact that they do help out so much with the community, I think they do a really good job” (Local community member E).

The breadth of engagement and its positive impact on school communities was acknowledged by a number of community representatives. As one related:

“MMG are fantastic. They are willing to listen to anything. At the moment they provide fruit as part of our –we’re working towards becoming a Move Well, Eat Well School ... They have always been willing, if we’ve approached them and needed money for excursions or things like that to help out...so over the years we’ve had a lot of involvement...we’ve had people who have come in and worked with our kids on specific subjects, we’ve had people coming and shared about what job they do at the mine, to help kids think about pathways ... [W]e recognise MMG as a major sponsor of the school, and that’s not just money” (Local school representative A).

4.5 Community development

Community development is the process of working alongside individuals and groups to ensure they have the skills and support to bring about local positive change. It is one of the most fundamental issues in the regional areas in Australia and affected by many factors, including local infrastructure and social services that heavily influence the growth of the community in the regions. These include community facilities (community houses, sport facilities, cultural centre), childcare centre, parenting centre, youth services, education, and health services (nurses and doctors). Increasing the variety and diversity of activities of interest is
another factor that can retain community member. Over and above the direct benefits community programs bring, one community representative commented how skills from the mine are being harnessed to further develop their community:

“We have a mine representative on the Community House committee, not so much for their position in the mine, but more so basically for their skills base. So its putting their skills out in the community...we wouldn't have those skills on the committee if the mine wasn't there to bring that person in...skills in writing grants, skills in being connected to people who we aren't connected to...skills in local knowledge and history of the town, knowledge and the networking skills with the other mines in the area. So opening us up a little bit more to contacts, to information and resources” (Not for profit representative A).

**Case study 11: Community development at Morawa**

In 2008 Sinosteel acquired Midwest Corporation. Part of this acquisition was Kalanooka – a dormant mine site that had been the first hematite iron ore mine in Australia. After buying the site, Sinosteel Midwest Corporation (SMC) began engaging the local community, interacting extensively with the Shire of Morawa, which has a population of 1,100. The relationship had its initial challenges as they negotiated to acquire the mine site, which through an enormous stroke of good fortune the council owned, and around road access and maintenance. An agreement was reached in which the company contributed $100,000 a year to a community fund that is governed by shire, company and community representatives. The community fund receives applications from the community, and has had a transformative effect on local infrastructure, particularly sporting and community facilities (bowling green, golf course, solar panels for sports club, sports pavilion, tennis and basketball courts, aged care homes, op-shop building).

Shire of Morawa formed a partnership with SMC to sell 335,000 tonnes of the low-grade iron ore it had bought from the previous landowner. The sale of this iron ore generated over $5 million profit for the shire. These funds have been used to generate multiple benefits for the town. The capital has been used as key leverage for developing major community facilities or improving social services in the shire. For example, the shire used $900,000 as leverage and received a
further $850,000 from the State Department of Sport and Recreation and another $850,000 from the Midwest Development Commission to upgrade its sports oval and function room. The local sport club also contributed $150,000 to this upgrade, with $90,000 raised from the profits generated from its farming at Karara’s community farm. Moreover, the shire used $300,000 to raise $1.1 million to build five aged care units in the town. The shire also used the capital to buy a new street sweeper, which it leases to other towns for profit, and bought a new water tank that saves significant money each year in road maintenance.

Shire of Morawa has benefited substantially from the partnership with Sinosteel Midwest and its contribution to the community fund. These have enabled the Shire to obtain ‘super-town’ status under the WA State Government Royalties for Regions scheme. The motto of the shire is ‘Breaking New Ground’, which encapsulates its community achievements and its plans to diversify economic development. When much of the community infrastructure had been created, the Shire of Morawa negotiated with Sinosteel to pay out their forward commitment ($1.1 million), and added $900,000 of the shire’s money to create a $2 million future fund for the community. The interest on the future fund is invested in community infrastructure. The future of the region and impact of the investment and legacy of the mine will continue to be experienced by the local community for many years to come. There were some unique opportunities that presented themselves to the Shire of Morawa, but there are some powerful lessons in community engagement. The community recognises Sinosteel as an excellent corporate citizen. One local government representative stated:

“Sinosteel has been a very, very, very good corporate citizen” (Local government representative H).
Case study 12: A vibrant and growing Shire of Morawa (clockwise from top left: sporting club function room; aged care units; street scape; synthetic bowling green)

Sustainable community development has also been considered as the strategic priority by Karara Mining Limited as reflected in its focus on education, youth, and health. As one local government representative stated:

“[KML] made it very clear that from day one that it wasn’t about handouts, it wasn’t about sponsorship. It was about supporting the future which they focus on [through] education, which ___ we were more than happy because education is a strong wish of ours to make that better and to give more opportunity to the rural students. … They have been absolutely fabulous with regard to scholarships and apprenticeships, training opportunities and to be quite honest we couldn’t ask for better” (Local government representative F).
Case study 13: Rehabilitation of Koonalooka mine site under progress by Sinosteel Midwest Corporation

One local government representative from regional Australia reflected on their experience engaging with Chinese invested firms:

“…that bad reputation is stereotype, to be in the seat dealing with it … it seems to me there is quite a reasonable investment coming from the owners of the company to ensure that the liaison with the local community is pretty good and the people [community relations staff] they represent their companies extremely well” (Local government representative D).
Chapter 5: Benefit to Chinese firms

Community engagement not only benefits communities, but also advantages companies. It can achieve win–win outcomes for both the community and the company. The way that companies benefit from their community engagement programs and activities is considered the ‘business case’ view of community engagement and is similar to the instrumental stakeholder manager perspective. Whether businesses should take an instrumental business case viewpoint of their dealings with communities or whether they should be more altruistic is the subject of considerable debate.

Several benefits have been reported by managers of Chinese firms from their community engagement initiatives. These include:

- gaining legitimacy
- enhancing corporate image and reputation
- building relationships with key stakeholders
- reducing operational costs
- developing competitive advantage.

5.1 Gaining legitimacy

Legitimacy and being perceived as legitimate can be an issue for firms operating in foreign countries. It is about how the company’s operation is accepted and approved by external constituents (Kostova, Roth, & Dacin, 2008), such as community and government. This means a social license to operate (SLO) has to be acquired. The term ‘social license to operate’ was proposed in the early 1990s and has gained wide acceptance in many business organisations, particularly those operating in the mining industry. It is built on the idea that companies not only need to obtain a business permit from the government, but also need to
garner a social license from society. In other words, a social license to operate is about how well the company and its operations meet the expectations of its communities, stakeholders and the wider society. Therefore, it is heavily influenced by the perceptions of key stakeholders.

There is an implicit relationship between social license to operate and government permit due to the close ties between governments and society, including communities. How well a company and its activities are perceived and accepted by communities can impact the granting of business permission by the government to the company. Thus, a social license to operate can legally and socially impact on the company's business operations and acceptance.

Chinese firms, particularly those operating in the mining industry and participating in this project, are fully aware of this concept and have used community engagement as a major approach to legitimise their operations, make a local contribution, and to obtain and maintain their social license to operate.

5.2 Enhancing corporate image, reputation and companies’ financial performance

Another benefit claimed by managers of Chinese firms for their community engagement is the enhancement of their corporate profile and reputation. Brand visibility is the most widely claimed benefit, and is a strong motivation for Chinese firms. Many Chinese companies, particularly those operating in the services industry, are expecting that the profile and reputation of their company will be enhanced through their community engagement. Coordinated, consistent and well-planned community engagement initiatives can substantially enhance the company's profile.

Another benefit related to the enhancement of corporate profile and reputation is the improvement of companies’ financial performance, such as revenue and market share. Managers from several Chinese firms operating in the services industry said their firms have increased market share and revenue due to their
effort and commitment to engage key stakeholders, including communities. Through strategic sponsorship, participation in social activities, networking with business and government, these Chinese firms have raised their brand visibility and corporate image in the eyes of the public.

Moreover, good community engagement practices can also improve employee morale, thus making the company more attractive to them. Employees feel good when they conduct community engagement activities and programs. The staff responsible for community engagement who interface with the community are generally passionate and committed to having a lasting positive legacy within the communities in which they operate. It has been suggested that these community engagement activities have positive effects on other employees within firms and reduce their intention to leave. All this can help improve the firm’s productivity and financial performance.

5.3 Building relationships with host-country governments and key stakeholders

Community engagement is also an effective way to enhance a company’s relationship with key stakeholders and government. Through strategic sponsorships and donations, companies can connect themselves to key stakeholders, particularly community groups and general public, and gain community support. Moreover, community engagement can also provide opportunities for Chinese companies to connect with other commercial or not-for-profit sponsors and government officials. This can facilitate Chinese companies to develop relationships with these key stakeholders and government departments, and gain social capital. Several managers working in the services industry said participating in social events is a very effective way to develop relationship with key stakeholders. Some Chinese firms also consider that building a good relationship with stakeholders reduces risks to their existing operations and future expansion.
5.4 Reducing operational costs

Businesses and communities support each other and thus can be considered as a symbiotic system, particularly in regional areas where community is largely defined geographically. Companies can help with community development, and the community can be an important resource that supports companies’ operations in many ways. The community can be an important labour source for companies through direct employment and contracting. Local employees are often loyal to their employer and stay for a longer period, which helps to legitimise company operations. The community can also provide facilities for company employees, such as childcare, schools, health services, and sporting facilities for employees’ families. Moreover, it can be also a cost-effective source for supplies, such as food and contracting services, particularly in remote regions, as this can save much of the transportation costs. Local suppliers can also be cheaper, more reliable and responsive. All of these may help reduce the company’s operational costs, as expressed by managers of the Chinese mining companies we interviewed.

5.5 Increasing competitive advantage

Community engagement can be an important source of competitive advantage. Being a good corporate citizen, including professional community engagement practices, can be used as a competitive advantage for the company, particularly to further its growth and international expansion. Governments in host countries have increasingly considered good corporate citizenship as a criterion for approving new projects and FDI in their country. For example, the FDI review and approval process in Australia, undertaken by the Foreign Investment Review Board (FIRB) and the Treasurer, has ‘impact on the economy and community’ and ‘character of the investor’ as two of the five factors of its national interest considerations” in the Australia’s Foreign Investment Policy. Financial institutions and government in the home country increasingly evaluate a company’s social performance when funding and possibly approving FDI.
Good practices and performance in community engagement, or CSR broadly, have helped Chinese firms in Australia expand their Australian and international markets, and gain strong support from financial institutions and the Chinese government for their international expansion. The following case illustrates this.

**Case study 14: Community engagement and international competitiveness at MMG**

MMG has been operating in Australia and Laos for many years and has developed and implemented its management systems, policies and practices on community engagement in its operations of multiple sites in Australia and Laos. MMG focuses on sustainable and continuous improvement in its community engagement, and is a member of the International Council on Mining and Metals (ICMM). Its majority shareholder, China Minmetals Corporation, is a member of the UN Global Compact. MMG has considered community engagement as a core function of the company, and managed it accordingly in terms of organisational structure, reporting processes and budget. MMG have well-developed managerial systems and frameworks to guide localised practices of community stakeholder engagement, social impact management, human rights and community investment and development. At a local level, it has dedicated staff responsible for delivering programs. The combination of both systems and capability means that these practices are aligned with the values of the company, and hence a core part of what it does. Since becoming a majority Chinese-owned company, MMG has acquired two large international mines in complex and very different communities. One manager commented on the benefit of that for the company:

> We actually benefit from all the overseas places because for MMG ... to go into a lot of these countries, you've got to have all your community relations and sustainability staff and ... environmental staff (Community relations staff).
Chapter 6: Summary and challenges

This chapter presents a summary of the project findings and highlights challenges experienced by Chinese companies in Australia when undertaking community engagement. Further, this chapter discusses how companies and communities can be better engaged to achieve win–win outcomes.

6.1 Summary

Chinese companies in Australia have made great efforts and spent substantial resources on community engagement. They are aware of the importance of this activity, and CSR broadly, to their business operations and sustainable development. Mostly, they are highly motivated to be good corporate citizens, driven by the needs to behave ethically, manage their stakeholders and meet institutional requirements.

6.1.1 Community engagement focus, form, and governance

A wide variety of community engagement practices of Chinese companies in Australia are observed and evident. These practices, including initiatives, programs and activities, have been largely focused on the following five major areas:

- enrichment of the community’s social life and wellbeing
- education
- employment (Indigenous)
- entrepreneurship development
- empowerment and capacity building.

Enriching community’s social life and wellbeing is a key focus for most Chinese companies, although they often have multiple foci. It is also a traditional approach, and probably the simplest, covering art, culture, sport, youth, and
health. All Chinese companies participating in this project have been engaged with communities in this area through either donation and/or sponsorship.

**Education** can be regarded as a super-norm that is universally valued. Chinese firms have undertaken a wide variety of initiatives and activities, including scholarships, apprenticeships and traineeship schemes, as well as donations to schools and their programs, and sponsoring arts and cultural events at schools.

Increasing **Indigenous employment** has also been heavily emphasised by Chinese firms operating in the mining and agriculture industries. Providing pre-employment training, employing Indigenous people directly in Chinese firms, or facilitating employment with contractors are key initiatives within this focus.

Chinese firms operating in mining or agriculture also focus on **entrepreneurship development**, which is important for the national economy, and crucial for the communities that depend heavily on those activities.

**Empowerment and capacity building** has increasingly become a priority for community engagement. It is a strategic focus that requires a good understanding of communities’ priorities and expectations, a well-planned approach, and a dialogue with communities, NGOs and governments. It also demands vision and long-term commitment from the companies for its community engagement. One company’s long term commitment was reinforced when faced with a community program that was not working. As one local government representative observed:

... the program was about getting parents more directly involved in their kids education ... but when I got asked [by the company] I couldn’t really give the answer [on how the program was going] ... money had kept on being received by the school, but now the company knows the program is not working ... So they still want to support the school, that’s why they’re great, because they understand its difficult working in these communities (Local government representative D).
Financial and in-kind (products and services) contributions have been widely used by Chinese firms in their community engagement. However, at this stage few organisations have employee volunteering programs.

As for the governance of community engagement programs, Chinese companies have adopted partnerships with NGOs, government departments, contractors, expatriate firms and other business organisations. Industry associations, such as Chinese Chamber of Commerce in Australia (CCCA) have also played an important role in organising donations to disaster reliefs. Maintaining in-house control is the dominant approach to governing community engagement programs, however some mining companies also use community partnership approaches that feature joint decision making and empowerment.

6.1.2 Benefit to the community and Chinese companies

The community engagement programs and activities undertaken by Chinese firms in Australia have brought considerable social benefits to Australian communities and society, and the companies themselves.

The benefits to Australian communities and society are broadly in the areas of infrastructure and facility development, community capability and resilience building, improving community’s social life quality and wellbeing, social problem alleviation, and community development.

At the same time, Chinese companies have also benefited from their engagement with communities. These benefits include gaining legitimacy and social license to operate, building corporate profile and reputation, improving financial performance, strengthening relationship with key stakeholders, reducing operational costs and developing competitive advantage.

Several factors influence the level and degree of community engagement practices by Chinese companies. Experience and organisational capacity of community engagement is crucial and often is an indicator of the developmental
stage of community engagement. Although Chinese companies are currently at different stages of developing and implementing their community engagement programs, they have made substantial efforts to serve community needs and improve the wellbeing of local communities. It should also be acknowledged that Chinese companies operating in different industries have different community engagement priorities.

Compared with firms in the service sector, Chinese companies in mining have adopted a more sophisticated strategy to community engagement due to the nature of their operations and the institutional environment they face. Their interface with regional communities is geographic and very tangible. Institutional coercive forces mean that social impact assessment, environmental impact assessment and native title issues impose community engagement processes. The normative influences of international and national institutions, such as the International Council on Mining and Metals (ICMM), Minerals Council of Australia (MCA) and Global Reporting Initiative (GRI), also impact on firms engaged in mining. For service firms in capital cities, the communities with whom they should engage are less tangible, interdependent or geographically apparent.

It is not surprising that firm size and financial performance also affect a firm’s capacity to engage community. Larger companies spend more resources on community engagement, as do companies whose financial performance is stronger.

It is also evident that social participation and networking by Chinese firms and their managers is important to their community engagement, as are the company’s community engagement strategy and management system. Such a management system includes structure, staff, budget, policies and standards, programs and their delivery and evaluation, which make a firm’s community engagement more effective, consistent and efficient.
6.2 Challenges

Chinese companies participating in this project have spent many resources and efforts in implementing community engagement programs and activities, and thus have made substantial contributions to local communities and Australian society more broadly. Managers from several Chinese companies have also clearly said that they will increase their commitment and resources for community engagement programs as they expand their business in the future. Nevertheless, there are still many challenges for Chinese companies to better engage their communities in the future and understand their social responsibilities. Below are the key five challenges emerging from this project that have implications for both managers in Chinese firms and Australian communities.

6.2.1. Resourcing community engagement

Community engagement has increasingly become an important part of a company’s business operations, and thus needs to be resourced accordingly. Resourcing builds capability and demonstrates to the business the legitimacy of community engagement activities. Having an annual budget can help managers to better develop community programs and add value to the community in a more effective and sustainable way. Recruiting managers who have rich knowledge of the communities and understand the company’s community relationship and management system is crucial to develop and deliver effective community programs. By and large, community engagement programs and activities are context specific, and thus require a good understanding of local context, including culture.

6.2.2. Dialogue and communication

Having ongoing two-way communication with communities is crucial to building community relationships that form a foundation for trust and quality of participation. This includes updating communities on the company’s operations, project progress and management changes. It is also desirable to have regular
meetings with key community leaders, and to keep the communication channel open, so that the community can contact the company if issues arise. The classic criticisms of community engagement from the community perspective are that it happens solely on the company’s terms and is tokenistic. It is also crucial that companies open up to key stakeholders, including community, so its operations can be accepted and approved by the stakeholders, which helps to achieve legitimacy.

6.2.3. Employee involvement

Employee involvement in community programs and activities can substantially increase a company’s contribution to the community, as employees are also an important resource in terms of knowledge, skills and time. This can help build up the connection between the company and the community, improving the quality and strength of the relationship. Moreover, it can develop the company’s organisational culture in a way that is conducive to its community engagement strategy. Communities also highly value their connections with employees.

6.2.4. Social participation and networking

Social participation and networking provides an important platform for companies to get connected with NGOs, government, communities and other business organisations. This offers opportunities for companies to access information about community needs, leverage resources through partnering with other organisations, and developing relationships with communities. Social participation and networking can help companies develop and implement community engagement programs more effectively and efficiently. A company’s position in political and social networks can also influence its dealings with stakeholders, including community.
6.2.5. Strategy and management systems

Having a community engagement strategy ensures the company has a clear direction and focus for its programs. This process should begin with a social impact assessment to identify what is needed and prioritise where the company might be best placed to contribute. These activities help develop community engagement programs and communications with the key stakeholders, including communities, government, NGOs and investors. This leads to a better-planned approach, and greater collaboration and cooperation to achieve strategic objectives.

From a community perspective, understanding the community engagement motivations and strategies of Chinese companies and their approaches is important to capture potential benefits from investment. Community leaders need to develop and maintain working relationships with the company, particularly senior managers responsible for developing community programs and articulating their benefits to the company. This gives the community the opportunity to influence the focus of activities and leads to better engagement from both sides. In this way, Chinese companies can be better engaged in community programs, projects, and activities for improving their effectiveness and efficiency.

The role of community engagement will become increasingly important as society makes explicit its expectation about the role of business. Governments in host countries also focus on corporate social performance as a criterion to improve FDI in their countries. Obtaining a social licence to operate can be as important as the operational license.

The relationship between business and community is best described as symbiotic. Community engagement can be an effective approach for corporations to contribute to the improvement of the quality of life of the community, and society in general. At the same time, companies can also benefit from their community engagement. The findings from this project strongly support the
evidence of mutual benefit that can be derived from community engagement. Business and community should and can work closely to co-create societal innovation and changes for our society and achieve win–win outcome for both business and community.

References


Appendix: Why engage communities

There are three theories that can help explain corporate community engagement: stakeholder theory, institutional theory and business ethics. These theories provide explanations of why firms undertake community engagement, and represent three different levels of analysis: organisational, institutional, and individual (Clarkson, 1995).

**Stakeholder theory**

At the organisational level, stakeholder theory provides insight. It encourages businesses to focus on a broader group of stakeholders beyond those with a financial stake in the company (stockholders). The essence of stakeholder theory is that relationships with key stakeholders should be managed to create value for the company (Parmar, et al., 2010). Stakeholders can supply key resources to the company, have sufficient power to influence, either positively or negatively, the company’s performance (Post, Preston, & Sachs, 2002). Thus, they can contribute, either positively or negatively, to the company’s wealth-creating capability and activities. The relationship with key stakeholders can determine a company’s capability to generate sustainable wealth and long-term success (Post, et al., 2002). More specifically, stakeholder management can enhance an organisation’s reputation and financial performance, attract potential partners and employees, and alleviate its risks (Parmar, et al., 2010).

Donaldson and Preston (1995) suggest there are three approaches to managing stakeholders: instrumental, normative and descriptive. The instrumental perspective to stakeholder management emphasises the link between stakeholder management practice and the achievement of a company’s performance. Its key question is how stakeholder management can improve or deteriorate a company’s performance. The normative perspective is to explain how the stakeholder relationship should be managed based on the moral or philosophical orientation of the company. The descriptive perspective aims to
enhance our understanding about how stakeholder management is practised in organisations, rather than elaborating why stakeholders can or should be managed in the first two perspectives.

Stakeholders can be managed according to their characteristics, such as power, legitimacy and urgency. They can also be grouped into primary and secondary stakeholders. Community, particularly located near the company’s operations, is often considered as a primary stakeholder, along with customers, suppliers, channel distributors, shareholders, financial providers and employees. From a social network perspective, understanding the position of the firm and community in the network is also important (Rowley, 1997) as this can influence the strategies used to manage relationship between firm and stakeholders. The emphasis of stakeholder analysis is on the organisational level.

**Institutional theory**

Institutional theory offers important insights into the institutional factors affecting community engagement. Institutional theory has been widely used in studies of why and how companies respond to their institutional environment to seek legitimacy (Bondy, Moon, & Matten, 2012; Suchman, 1995). Gaining legitimacy is crucial to companies, as legitimacy is the acceptance and approval of organisational actions by external constituents (Kostova, 2008, p. 1001) and its acquisition may provide access to critical resources. Institutions, according to North (1991), are the humanly devised constraints that structure political, economic and social interaction. They are ‘rules of the game in the society’, and consist of formal rules (constitutions, laws, property rights), informal constraints (sanctions, taboos, customs, traditions, codes of conduct), and characteristics of enforcing these constraints (North, 1991; 1992). Therefore, institutions ‘structure incentives in exchange, whether political, social, or economic’. (North, 1992, p. 477).

While institutions have three dimensions: regulative, normative, and cognitive (Scott, 1995), the legal responsibilities primarily come from the regulative
dimension – specifically regulations and laws from governments at both national and international levels – or ‘macro-institutional pressure’ (Bondy, et al., 2012, p. 282). Firms are required conform to law and regulations at the minimum level to achieve legitimacy.

Institutional theory is also very useful in explaining how companies engage with communities. Although traditional institutional theory has emphasised the importance of context, such as law and regulations, culture, value, and norms, the neo-institutional researchers (DiMaggio & Powell, 1983) have concentrated on the fundamental issue of why organisations in an organisational field are structured and behave similarly. The concern over acquiring legitimacy drives companies operating in a similar external institutional environment to adopt similar organisational structures and practices to conform to regulatory requirements, social acceptance and gain creditability, thus becoming isomorphic with each other. Three mechanisms have been identified to drive the outcome of similar organisational behaviours: coercive, mimetic, and normative (DiMaggio & Powell, 1983).

Coercive isomorphism is the result ‘from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function’ (DiMaggio & Powell, 1983, p. 150). These external pressures include government regulations, social norms and expectations that are part of the organisation’s external environment. While government regulations are explicit and direct, informal forces such as social norms and value are often subtle and implicit, thus often demanding much effort and time to identify and understand.

Mimetic isomorphism is the process through which organisations copy others’ structure or behaviour to respond to uncertainties faced, particularly from those regarded as more successful or legitimate.

Normative isomorphism results from professionalisation in an industry field. Due to the common educational background or mobility of professionals from one
organisation to another in an organisational field, managers and other professionals often develop and apply similar approaches to making decisions about organisational structure, policy, and practices.

**Ethics theory**

At an individual level, business ethics provides a philosophical foundation for examining the morality of decision making. It offers prescriptive guidance for individual decision makers when faced with ethical dilemmas about how they ought to act (Trevino & Nelson, 2014). Three ethical perspectives have been widely used to explain how ethical decisions are made. They are utilitarianism, deontology and virtue ethics. While utilitarianism theory considers utility as the foundation of morals and focused on ‘the end’ or consequences of actions, deontological ethics theory suggests ethical decision making should be based on universalisable ethical principles such as promise keeping and truthfulness, irrespective of the consequences of the decision (Fisher & Lovell, 2006, p. 108). It stresses the importance of decision-making standards. While deontology and utilitarianism focus on decision making, virtue ethics theory concentrates on the person making the decision. It emphasises the personal characteristics of the individual, and encourages decision making that contributes positively to the individual’s acquisition of virtuous disposition.

**Utilitarian ethics**

Utilitarian ethics considers all the consequences of an action to all affected parties as the determinant of its ethical significance (DesJardins, 2006). Such consequences are usually judged by a majority of well-informed and competent people in the society. Thus, the education, experience and competence of these people, usually part of the society, can influence what can be regarded as positive and negative consequences. Consequently, society has developed its expectation about the relationship between business and society, including the role of business in community development, and how business should distribute its wealth to society. Giving back to community is deeply entrenched in the
mindsets of many business managers in Australia (Centre for Corporate Public Affairs, 2007). From the organisational perspective, this can also be demonstrated by the establishment of relevant policy that sets out goals to be achieved either in economic, political or social areas.

**Deontological ethics**

The essence of deontological ethics is that ‘actions must be guided by universalisable principles that apply irrespective of consequences of the actions’ (Fisher & Lovell, 2006, p. 108). These principles include the ‘Golden Rule’, respect for humanity in persons, and justice as fairness. They are set *a priori* and irrelevant to the consequence and context of a decision. Thus, deontological ethics is principle-based and focuses on the ‘means’ or processes, rather than ‘the end’ or consequences, of actions. At the organisational level, these principles are usually expressed as standards that should be followed in order to do the right thing, or due to the requirement of fairness or justice, rather than achieving economic gains. International institutions, such as United Nations, OCED and the World Bank, and NGOs, have also developed a number of guidelines or principles to encourage companies to follow, where community engagement is often part of these principles or guidelines.

**Virtue ethics**

Virtue ethics focuses on the person making the decision rather than ethical outcomes (utilitarianism) or duties/obligations (deontology). Virtues are personal qualities, if practised, that can provide the basis for the individual to lead a good, noble, or ‘happy’ life (Fisher & Lovell, 2006, p. 101). How an individual is perceived by others is an essential ingredient of personal happiness. In this sense, an individual’s good and happy life is embedded in the social context.

Virtue ethics states that individuals will use a set of personal characteristics that can guide them to make the ‘right’ choice in ethically complex situations so the

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4 ‘Do unto others as you would have done unto yourself.’ This is similar to what Confucius said: ‘Never impose on others what you would not choose for yourself.’ (己所不欲，勿施于人).
individual can feel good, happy and noble. Examples of virtues include wisdom, courage, self-control, liberality, indifference, truthfulness and wittiness. The fundamental question to be asked in such a situation is, ‘What would a virtuous person do in this situation?’ The answer is usually based on the individual’s knowledge, experience and value. Therefore, their social norms, education and previous working experience can be important antecedents for making a choice. While utilitarian and deontological ethics theories are often applied to the organisational level, virtue ethics theory focuses more on the role of individuals in making ethical decisions. The ethical orientation of executives in business organisations has been found to play a critical role in how their organisations fulfil legal responsibilities.

**Conclusion**

Summarising what we have discussed above, in order to understand the motivations for community engagement by companies, we need to comprehend the relationships between society, community and stakeholders, and the driving forces from three levels: institutional (the industry level), organisational (stakeholder management and business ethics) and individual (ethics). Institutional pressure comes primarily from the regulatory aspect and is often nation and industry specific. Stakeholder management is about how firms deal with their stakeholders to undertake their business activities and is firm specific. At the individual level, the virtue of business executives can influence the decision on how companies engage with communities, as ‘managing is a morally laden activity rather than a strictly formalistic and amoral quest for economic gain’ (Parmar, et al., 2010, p. 414). These concepts and driving forces for community engagement by companies can be represented in Figure A.
Figure A shows the relationship between community, stakeholders and society. Both community and stakeholders are part of society, and overlap. In other words, community can be part of the stakeholder group, but not all the community is a firm’s stakeholder. The driving forces, motives, or reasons can come from three levels: institutional force at the societal level, stakeholder pressure at the organisational level, and ethical force from individual level. Understanding these relationships and driving forces from different levels can help us comprehend why, and to some degree how, firms engage communities.
Community engagement by Chinese firms in Australia: practices and benefits

Xueli Huang and Warren Staples

Centre for Sustainable Organisations and Work
School of Management
RMIT University
GPO Box 2476
Melbourne, VIC, 3001, Australia
Tel (61) 3 9925 5940
Fax (61) 3 9925 5960
http://www.rmit.edu.au/research/csow