

## **Business, Government and Community Relationships**

**Margaret McCabe\*, Alma Whiteley\*\* and Gail Thomas\*\*\***

*The paper reports on an exploratory study having its genesis in the Parliamentary Joint Committee on Corporations and Financial Services (2006). The triadic relationship between business, government and the community is explored within the Australian context. The authors explore the perceived reality (the way these relationships are seen to operate) and the ideal (the way they are seen to be designed to operate) with respect to corporate social responsibility and the barriers that prevent the ideal from being the reality. Using quotes from participant interviews, the authors conclude that while business and government are aligned to form a stable power base within the triad, community is perceived to be subject to judgements or decisions determined by the other two entities. A waxing and waning of community strength is identified and the nature of this fluid position and its attendant consequences for the exertion of power are suggested as issues for future research.*

### **Field of Research: Management**

## **1. Introduction**

On a number of occasions the Australian Government has called attention to the partnerships forged by government, business and community. In documents relating to the Prime Minister's Community Business Partnership (2004) and again in the Parliamentary Joint Committee on Corporations and Financial Services (2006), the three entities are drawn into the arena of corporate social responsibility.

The concept of corporate social responsibility (CSR) contains three distinct conceptual elements. *Corporate* is a global term that refers to a business organisation. In this paper the concept of corporate is used as an umbrella term for almost any form of enterprise. *Social* refers to societal elements such as community. Within the notion of social is the assumption that corporate consequences are inevitably felt in the social systems such as the communities in which they operate. The notion of *responsibility* is a tacit acceptance by business organisations of the impact of themselves on societal members. Taken together these concepts form an

\*Dr Margaret McCabe, Graduate School of Business, Curtin University of Technology, Australia. Email: [Margaret.McCabe@gsb.curtin.edu.au](mailto:Margaret.McCabe@gsb.curtin.edu.au)

\*\*Professor Alma Whiteley, Graduate School of Business, Curtin University of Technology, Australia. Email: [Alma.Whiteley@gsb.curtin.edu.au](mailto:Alma.Whiteley@gsb.curtin.edu.au)

\*\*\*Gail Thomas, Graduate School of Business, Curtin University of Technology, Australia. Email: [Gail.Thomas@gsb.curtin.edu.au](mailto:Gail.Thomas@gsb.curtin.edu.au)

image. In this paper the image is expressed as an ideal. The researchers sought to support or challenge the ideal by gathering primary data from representatives from each sector.

This paper seeks to develop insights into the triadic relationship of business, government and community relationships and to conceptualise these relationships within the contemporary Australian context. The underlying assumption that the three entities in this triadic relationship are intrinsic players in corporate social responsibility is further developed in the paper. The genesis of the paper was the Parliamentary Joint Committee on Corporations and Financial Services 2006 report *Corporate Responsibility: Managing risk and creating value*. The research project described in the paper was conducted at the same time that the Parliamentary Joint Committee was gathering its submissions. Data are sourced from interviews conducted with representatives of each sector. The paper explores the triangular structure and symbiotic relationships that exist between these three societal groups. It describes the perceived reality (the way these relationships are seen to operate) and the ideal (the way they are seen to be designed to operate) with respect to corporate social responsibility as well as barriers that prevent the ideal from being the reality. Emerging issues are identified and consideration given to areas of future research.

## 2. Literature Review

The concept of CSR has evolved over several decades as political and social developments reflect local situations and global trends. Powerful global businesses are today being expected to take on areas of social responsibility previously considered the domain of government (Solomon, 1997; Joyner, 2002).

Coupled with the recognition that 'governments are no longer the sole engines for social innovation and national development [and that] business has greater power and therefore greater responsibility' (Gonski, 2003, quoted in PMCBP, 2004) are the increasing expectations of community members. The concept of 'social licence' has been coined to describe the right of corporations to operate provided they fulfil their duties by providing benefits to society (Sweeney, 2006).

Despite the genesis of CSR in the 1920s and 30s, four decades later Milton Friedman (1970) significantly asserted that the only social responsibility of business was to increase its profits (Turner, 2006). In the 1980s the conceptual expansion was from shareholders to stakeholders. Edward Freeman's Stakeholder Theory (1984), which identified a range of stakeholders, including shareholders, as relevant to the firm's operations, became the dominant paradigm in CSR (McWilliams & Siegel, 2001). The World Commission on Environment and Development (WCED) released the Brundtland Report, *Our Common Future*. Its definition of sustainability, still widely used today, states that 'Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future' (WCED, 1987).

In the 1990s the CSR concept became a point of departure for related concepts such as business ethics theory and corporate citizenship (Carroll, 1999). The boundary between 'primary' stakeholders – the shareholders – and the wider community

continued to blur and shareholder activism linked environmental and social issues to the financial performance and risks faced by companies (O'Rourke, 2003). In 1999, the Prime Minister's Community Business Partnership was established to provide 'an impetus to develop and promote future directions for community business collaborations'. It recognised that 'mutually beneficial collaboration between business and community,...can provide more efficient and long-term solutions to community issues and build greater social cohesion' (PMCBP, 2004).

Recent research has analysed the correlation between CSR and corporate financial performance (Windsor, 2001; Hopkins, 2003; Orizky, 2005), the concept of corporate citizenship (Mattera, 2006), and the linkage between CSR and corporate morality (Maignan and Ralston, 2002; Richards, 2003). However, there continues to be a lack of understanding about the form the relationship between business, government and the community should take. Schwartz has suggested that the community and its needs evolve quickly while business lags behind (Schwartz, 2005). CSR will only succeed if it is a holistic philosophy integrated across business rather than being buried in the depths of a public affairs portfolio cost centre (Schwartz, 2005). Similarly, Quirk cautions against patronising corporate philanthropy which takes a "pat-a-poor-person" approach to community interaction seeking to assuage guilt by writing a cheque rather than engaging with the community in a meaningful and constructive way (Quirk, quoted in Duncan and Richardson, 2005, p. 16).

While the CSR debate focuses on the relationship between business and the community, it is important to recognise the linkage between government and the community. Government has a responsibility to the community and an intrinsic relationship with the community that cannot be disassociated. However, the evidence of that relationship is subject to change as the public sector's role moves 'from the delivery of public services to the management of scarce resources' (Kakabadse & Rozuel, 2006, p. 78). Kakabadse & Rozuel suggest that government, as well as business, have a 'licence to operate' and that its stakeholders' expectations are the expression of the service public agencies and facilities owe to society in return for being publicly funded (Kakabadse & Rozuel, 2006).

The following methodology was used to investigate whether these suggestions assert themselves in the every day actions of partners forming the triadic relationship.

### **3. Methodology**

Qualitative methodology with its assumptions of multiple realities expressed through perceptions and interpretations of representatives of business, government and community supported this study. The focus of the study on the nexus among government, business and community was a relatively new and unexplored area. The study was designed to be exploratory, with the idea of portraying the 'realities' of the triadic relationship as expressed in the 'theories' of respondents. Grounded theory (Glaser & Strauss, 1967) was the research basis, bearing in mind the caveats of Sudderby (2006). This was a bounded study within the business context and as such an adaptation of grounded theory, conceptualized as grounded research (Whiteley, 2004) was used. The principles of systematic data collection, theoretical

sampling, constant comparison and theoretical sensitivity were adhered to throughout the research process.

#### **4. Data Collection**

There were eight interviews with individuals and one focus group in this exploratory study. The interviews included CEOs from government departments, senior corporate executives and CEOs and senior managers from community and not for profit agencies. The focus group members worked at the interface of community with government and community with business. The focus in the session was on the community perspective and what community wanted to know about these relationships. A third method, Delphi technique (Van de Ven & Delbecq 1974) was attempted without success, possibly because the on-line medium was used. Data were analysed using content analysis with a 'chunk of meaning' as the unit of analysis. The procedure was coding, categorizing, constant comparison leading to interesting insights such as the position of the community in the triadic relationship.

#### **5. Findings**

Participants described the relationships between government and business, government and community, and business and community from their own perspective. A significant amount of data addressed the imbalance of community in respect to the positions held by government and business. In the government / business relationship government is seen to be the principal custodian of community interests. The view of government as the 'manager of social services' contrasts with the emerging role of government proposed by Kakabadse and Rozuel (2006) as manager of scarce resources. While participants acknowledge that business is generally more aware of corporate social responsibilities and the associated costs of ignoring them the general view is that corporate social responsibility is more likely to be driven by self-interest rather than a belief in the community's capacity to grant a 'licence to operate'. In reporting the findings one or two quotes are selected from the data as representative of the body of information making up a particular category.

##### **5.1 The Reality**

An emerging insight concerned the fluid position of community as an influence on the triadic relationship as opposed to the relatively stable position of business and government. This translated into a waxing and waning of power. Ideally, the government/community relationship suggests that the power in this relationship is vested in the hands of the community. In reality, the opportunity to exercise this power is greater at the time of elections, becoming less so until the next election.

The descriptions of how participants see corporate social responsibility being exercised provide some insights into what is considered by them to be features of corporate social responsibility as it happens today.

Table 1: Community, Business and Government: the reality

Relationship	Significant Features	Description
Business/Community	Business interfaces with community primarily out of self-interest	<i>/...I think business typically works with the community when they feel it's in their interest.../</i>
Government/Community	The interface between government and community is intrinsic to the relationship	<i>/... the community has expectations of government which they might not necessarily have of business - government is under scrutiny.../...they cast a vote - that's the way it gets expressed.../</i>
Community relationships	Community concerns are highly contextualised	<i>/... as community we have chosen to deliver most of our community services through the not for profit sector organizations .../</i>

## 5.2 The Ideal

When describing the ideal relationships between community, business and government, participants saw government as a crucial player in the management of social services for the community. This is not reflective of the manager of scarce resources that Kakabadse and Rozuel (2006) propose. However the position that government takes in the relationships is more central to enabling business to address its corporate social responsibilities than empowering communities to negotiate with government and business with the credibility that the 'license to operate' mentality enables.

Table 2: Describing the ideal relationships between community, business and government

Relationship	Description
Government/Business	<i>/...you might be applying to the state government for your formal approvals - state government's got to be informed of how that will affect the community.../</i>
Government/Community	<i>good governments now require that there be a level of consultation with the key and principle stakeholders.../</i>
Business/Community	<i>/...it's actually a paradoxical donor scenario, because it's the community that's effectively giving the business the license to operate.../ ... a good relationship needs to ensure the different parties have a good understanding of where the other party's coming from, what's relevant to the other party, where their objectives are, interests are. In a fairly conceptual, strategic, high level, way.../</i>

The ideal relationships that are proposed by the participants are underpinned by some assumptions that need to be recognised and acknowledged as valid if the descriptions they provide are to have substance.

Table 3: Assumptions underpinning the ideal relationships

Ideal Relationships	Description
Assume harmony between the parties	<i>/...you actually want to be in a relationship with the community where they accept what you're doing and you're conscious of their sensitivities, and you're taking that into account, and how do you plan for it in your business.../</i>
Assume a different power base from what reality indicates	<i>/...in the case of business, nobody has endorsed them or given them a mandate to do anything other than run a business with respect to whatever environment they are in. Therefore, the not for profit sector is really at the mercy of what business sees as a trendy thing to support.../...</i>
Assume that information is distributed equitably	<i>develop, and articulate government policy to the people.../... use ongoing connections with not for profit sector and other funders - use advisory bodies as part of grants programs to enable people outside to influence or impact on policy and grant distribution.../</i>

### 5.3 Barriers to the relationships

The distinction between the reality and the ideal poses the question as to why there is a distinctive difference and what are the barriers to achieving the ideal relationships. Significant barriers identified by the participants include the power base of the relationships and the dynamics at play within those relationships, costs involved and potential for return, lack of 'corporate strength' including lack of shared information along with the inability to network effectively and the fragmentation of community interests.

The relationships between community / government and community / business are described by interviewees as paradoxical. The community elects the government and gives it a mandate to deliver on pre-election promises. It is argued that the community / business relationship is a 'paradoxical donor scenario' with the community effectively giving business the license to operate. The reality as described by participants is that community is not always in a strong power broking position when dealing with the two other parties.

Table 4: Barriers to the relationships

Barriers	Description
Power base of the relationships	<i>/... ideologically modern western democracy type of governments will not provide a level of taxes for the community because this would cause them to get unelected as government.../... business would think that as long as they are complying with regulation they don't really need to answer the community.../</i>
Costs involved	<i>/...if you get a decent return for shareholders, it's much easier to then give something to communities... /... businesses in many cases try to avoid interacting with the community because they see that as an extra cost, and humbug, and deflecting them from what they are trying to do in business.../</i>
Lack of appropriate strength	<i>community groups are often fragile in terms of their corporate strength.../ ...on one hand you have a professional organisations that is well directed, well led, [compared] to something that is potentially only held together because someone put their heart and soul into it for a few months, but whether it will continue or whether it is the same in the future – well who knows?.../</i>
Fragmentation of community interests	<i>/...community organisations are very often established with a view to pursuing, often in a very blinkered fashion, particular minority segments of the community. The Alzheimer's organization caters only to those who have Alzheimer's .../</i>

Even if businesses were interested in providing assistance these groups are unable to draw attention to their needs efficiently and effectively. Interviewees suggest that there is an onus on business to engage with the community in such a way that business becomes an enabler of these minority groups.

*./... if business is serious about wanting to engage with community, in some places the resources will not be available to make that connection. In some places there will be more resources and a higher skill level, a higher level of confidence to respond to businesses.../... The capacity of the not for profit sector to get into the boardroom in some of those areas is limited. They can't even get into it in the first place, because they haven't got the networks to get in, or they haven't got the kind of wherewithal to do presentations to sell their message.*

## 6. Discussion

In a triadic relationship of community, business and government, business and government are aligned to form a stable power base. The third entity, community, is perceived to be subject to judgements or decisions determined by business and government. Community's strength in the relationship triad increases prior to a government election and wanes once the election has passed. At times of events such as the Exxon disaster or Enron collapse the strength of community in the relationship can fluctuate to one of strength for a short time. The waxing and waning of community strength in the relationship triad is shown in Figure 1 with differing positions and strengths of the community circle. The pre election period is depicted using a thicker circle positioned strongly within the triad. The thinner circle with a more tenuous and unstable position in the triad represents community when electoral favour is not openly solicited. The community's tenuous position in the triad is not conducive to the development of optimal social capital, which includes an element of mutuality and cooperation.

The reason for instability in the community position is viewed by the participants to be largely a result of the abilities that government and business have to mobilise and manage their resources. One participant has described this as the community's inability to harness 'corporate skills' or capabilities that are a necessary requirement if the community is able to present its case to either government or business and then administer and operationalise the funds that are provided.

The relationship between community and business is often described by participants as fragile because of the ad hoc reliance on the opportunism of the appropriate skills available within the community. One does not get recruited to a community because the community needs a good organiser.

*... So, beyond that aspect of corporate capability, the fact that businesses have much clearer objectives than community groups ...affects the relationship between the parties.*

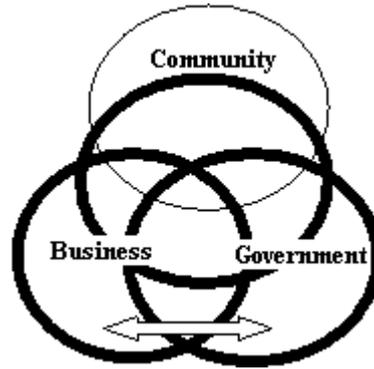


Figure 1: Community, Business and Government: the reality

Organisational change literature on open and closed systems provides a basis on which to examine the role of government as an enabler of business/community relationships (Samples, 1988; Hart & Gregor, 2005; Open Systems Approach, 2006). Samples' view that 'Open systems interact with what is around them and can be understood only by including an understanding of their relationship to everything else' allows for further discussion about government as an open system within the triadic relationship (Samples, 1988).

In considering the ideal triadic relationship of community, business and government, participants have described government's role as an open system enabling the relationships between business and community. While it is placed at the centre of the model it is not viewed as the controller in the relationships. In the ideal relationship government is viewed as existing as a result of a community mandate to govern on policies promoted in the pre-election rhetoric and being held accountable for those promises by both community and business. In Figure 2 the government's role as an open system enabling the relationships between community and business is depicted by the perforated circle. The notion that community provides business with the 'license to operate' is evident because of government's obvious reliance on community for its existence. The notion is further reinforced by the reliance of business on government for its formalised legitimacy and government on business for funds raised through taxation.

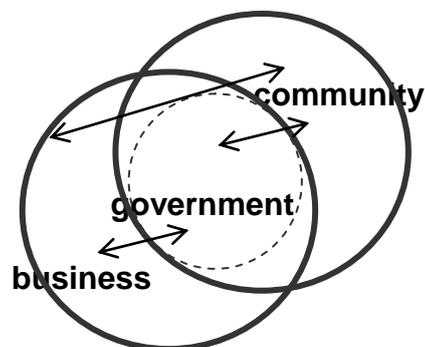


Figure 2: Community, Business and Government: the ideal

Examining the reality of these relationships has highlighted fluidity in community's relationships with business and government. Decisions and activities produce an amount of 'community impact' in varying degrees. It can be argued that community impact is a dimension that influences where the community is positioned in the relationship. Reality suggests that severe impact on the community weakens its place in the relationship and subjugates community to a subservient or victim position, this pushing it further out in the model proposed in figure 1. In the ideal it is proposed that severe impact strengthens the position of community and places the onus on business to address those areas of severe impact to a far greater degree than those of lesser impact. It also suggests that government as an open system has a role to both facilitate in this process and monitor its progress.

## 7. Future Research Agenda

The research has emerged two issues for a future research agenda. One is the less stable and more fluid position of community in the triadic relationship and its attendant consequence for the exertion of power. The second issue which was beyond the scope of this study but suggested by participants was the escalation of the recognition of the rights of indigenous communities as an example of community relationships with business. Further research into such relationships should provide lessons that can be applied to community/business relationships in general.

## References

- Carroll, A.B. 1999, 'Corporate Social Responsibility: Evolution of a definitional construct', *Business and Society*, vol. 38, no. 3, pp. 268-95.
- Duncan, A. & Richardson, K. 2005, 'Is Corporate Volunteering Falling Short?' *Business Community Intelligence*, July, pp. 14-22.
- Freeman, R.E. 1984, *Strategic Management: A Stakeholder Approach*, Pitman, Boston.
- Friedman, M. 1970, 'The Social Responsibility of Business is to Increase its Profits', *The New York Times Magazine*, 13 September.
- Glaser, B. & Strauss, A.L. 1967, *The Discovery of Grounded Theory: Strategies for Qualitative Research*, Aldine, Chicago.
- Hart, D. & Gregor, S. (Eds) 2005, *Information Systems Foundations: Constructing and criticising*, ANU E Press, Canberra.
- Hopkins, M. 2003, 'The Business Case for CSR: Where are we?' *International Journal for Business Performance Management*, vol. 5, no. 2, 3, pp. 125-40.
- Joyner, B.E. & Payne, D. 2002, 'Evolution and Implementation: A study of values, business ethics and corporate social responsibility', *Journal of Business Ethics*, vol. 41, pp. 297-311.

Kakabadse, N.K. & Rozuel, C. 2006, 'Meaning of corporate social responsibility in a local French hospital: A case study', *Society and Business Review*, vol 1, no. 1, pp. 77-96.

Maignan, I. & Ralston, D.A. 2002, 'Corporate Social Responsibility in Europe and the U.S.: Insights from businesses' self-presentations', *Journal of International Business Studies*, vol. 33, no. 3, pp. 497-515.

McWilliams, A. & Siegel, D. 2001, 'Corporate Social Responsibility: A theory of the firm perspective', *Academy of Management Review*, vol. 26, no. 1, pp. 117-27.

*Open Systems Approach* 2006, Retrieved October 17, 2006 from [http://www.accelteam.com/business\\_process//systems\\_analysis\\_03.html](http://www.accelteam.com/business_process//systems_analysis_03.html)

Orlitzky, M. 2005, 'Payoffs to Social and Environmental Performance', *Journal of Investing*, vol. 14, no. 3, p.48.

O'Rourke, A. 2003, 'A New Politics of Engagement: Shareholder activism for corporate social responsibility', *Business Strategy and the Environment*, vol. 12, pp. 227-39.

Parliamentary Joint Committee on Corporations and Financial Services 2006, *Corporate Responsibility: Managing risk and creating value*, Commonwealth of Australia, Canberra.

Prime Minister's Community Business Partnership 2004, *The History – The Challenge*. Retrieved October 3, 2006, from [http://www.partnerships.gov.au/about/about\\_the\\_history\\_the\\_challenge.shtml](http://www.partnerships.gov.au/about/about_the_history_the_challenge.shtml).

Richards, E.P. 2003, 'Developing Socially Responsible Business Leaders: The Lubrizol experience', *Mid-American Journal of Business*, vol. 18, no. 1, pp. 11-4.

Samples, B. 1988, 'Open Systems, Open Minds: Reflections on consciousness and education', *In Context*, Winter. Retrieved October 18, 2006 from <http://www.context.org/ICLIB/ICI18/Samples.htm>.

Schwartz, C. 2005, 'Walking with Dinosaurs on Planet Community', *Business Community Intelligence*, July, pp. 11-13.

Solomon, R.C. 1997, *It's Good Business*, Rowman & Littlefield Publishers, Lanham, MD.

Sweeney, J. 2006, 'How to Measure Corporate Social Responsibility', *Eureka Street*, vol. 16, no. 6. Retrieved July 18, 2006 from <http://www.eurekastreet.com.au/article.aspx?aeid=875>.

Turner, R. 2006, 'Corporate Social Responsibility: Should disclosure of social considerations be mandatory?' *Submission to the Parliamentary Joint Committee on Corporations and Financial Services*, Canberra. Retrieved October 18, 2006 from

[http://www.aph.gov.au/senate/committee/corporations\\_ctte/corporate\\_responsibility/submissions/sub05.pdf](http://www.aph.gov.au/senate/committee/corporations_ctte/corporate_responsibility/submissions/sub05.pdf).

Van de Ven, A.H. & Delbecq, A.L. 1971, 'Nominal Versus Interacting Group Processes for Committee Decision-Making Effectiveness', *Academy of Management Journal*, June, pp. 203-12.

Whiteley, A.M. 2000, *Grounded Research: A Modified Grounded Theory for the Business Setting*, Curtin University of Technology, Graduate School of Business, Perth.

Windsor, D. 2001, 'The Future of Corporate Responsibility', *International Journal of Organizational Analysis*, vol. 9, no. 3, pp. 225-56.

World Commission on Environment and Development 1987, *Our Common Future*. Retrieved October 18, 2006 from [http://dewa03.unep.org/geo/tiki-list\\_file\\_gallery.php?galleryId=8](http://dewa03.unep.org/geo/tiki-list_file_gallery.php?galleryId=8).