

Sense of Community Responsibility as a Determinant of Corporate Responsibility*

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Abstract

Research on the social value of the bus industry in Australia revealed an inconsistency in findings between qualitative and quantitative results in relation to the nature of a bus operator's interaction with the community where they provide a transport service. As part of a larger research project that surveyed bus operators about their corporate social responsibility, bivariate analysis found that the responses to the embedded Sense of Community Index (SOCI) did not provide a predictor of the extent of a bus operator's community interaction or determinant of Corporate Responsibility (CR). However, qualitative comments in the survey suggested that bus operators did display strong positive feelings about their community. Published after the data collection stage was completed, the Sense of Community Responsibility Index (SOCRI) appeared to be a better fit than SOCI to explain the nature of bus operator's interaction with their community. Rather than drawing on community resources, the interaction was shown to be one of leaderships on the part of the operator. Further examination of this relationship using the SOCR would test this finding.

Keywords

Corporate responsibility, sense of community, sense of community responsibility, leadership, bus operators, family business

Scholarly discussions on why firms seek a social legitimacy are well explored (Carroll 1999; Carroll et al. 2012; Collins 1988; Collins and Wartick 1995; Dahlsrud 2008; Lee, Herold, and Yu 2016). This paper reports on aspects of a study that examined how Australian bus and coach operators interact with their communities. Lowe (2016) hypothesised there are seven variables, or predictors, that influence the extent of a firm's Corporate Responsibility (CR) in an Australian bus operator context; and industry composed of virtually all small, medium, and large trans-generational family firms. These are: firm size; operator type; operator location; residence of operator; form of service contract; social capital linkage between the operator and their voluntary professional association; and Sense of Community (SOC), as measured by the Sense of Community Index (SOCI)

(McMillan and Chavis 1986).

The SOCI was used to examine what is, and what is not, important to firms about being part of a community, to test whether SOC could be considered a determinant of CR and test the hypothesis: Bus operators contribute value to their communities beyond (that is, in addition to) the commercial value of their services.

Section 2 of this paper presents definitions of

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terms used in the study; Section 3 presents some context associated with the hypothesis that SOC could be a predictor of a firm's corporate responsibility; Section 4 presents a brief literature review associated with CR, SOCI, and SOCR (Sense of Community Responsibility); Section 5 presents the study methodology; Section 6 offers the study findings, giving examples of qualitative data obtained from interviews with firms during 2011-2015 concerning their community orientation correlates with the SOCR theory (defined below), and discussions on these findings; and Section 7 offers conclusions.

DEFINITIONS

As this paper discusses CR, SOCI, and SCOR, it is necessary to define these concepts. This paper follows Dahlsrud's (2008) definition of CR that encompasses five dimensions: environmental (environmental stewardship); social (integrating social concerns into business operations); economic (contribution to economic development); stakeholder (interaction with stakeholder groups); and voluntariness (ethical values and actions beyond legal requirements and not described by law).

To define SOCI, we use McMillan and Chavis' (1986) definition: The sense of community index measures a feeling that members have a sense of belonging, a feeling that members matter to one another and to the group, and a shared faith that members' needs will be met through their commitment to be together. SOCR (Nowell and Boyd 2014), a recent variant of SOCI, is defined as a feeling of personal responsibility for the individual and collective well-being of a community of people not directly rooted in an expectation of personal gain. This paper uses the term "community" in two dimensions: territorial and relational. The territorial dimension concerns a geographic area, such as a neighbourhood, town, or municipality. The relational dimension concerns a "community of interest". Family Business

Australia's (2013: 27) definition has been adopted:

"A family business is comprised of two or more members of the same family involved in the business with one or more related members having a controlling interest".

CONTEXT

This paper reports research on the Australian bus and coach operators' community interaction, thus some context is necessary. The Australian bus and coach industry contributes more than four billion dollars to the Australian economy each year and employs more than 50,000 people. Bus operators' vehicles travel a total of 18 billion kilometres per year and cater for approximately 1.5 billion passenger trips per annum; there are approximately 88,000 buses in Australia (Bus Industry Confederation [BIC] 2014). There are 135 to 2,000 small-to-medium regional and rural, mainly family business bus operators, in each Australian state, ranging from school bus operators with one bus to inter-city coaches and long-distance rail replacement coach operators that can mobilise hundreds of buses. Bus operators take one of four governance forms:

- (1) Small, medium, and large, mainly trans-generational family firms;
- (2) Medium and large, "hybrid" (private/public) firms where several families own the firm or one family has sold some equity in the firm to other entities (such as overseas pension funds);
- (3) Large, non-family, public multinational enterprises (MNEs);
- (4) Government-owned and operated firms.

There has seen significant consolidation of operators since 2008 due to increased red-tape, declining economic activity in some rural locations, new vocational opportunities to operator family businesses due to globalisation and some operators do not trust that government will not tender their contracted bus service, causing some operators to exit

the industry. Lowe (2016) showed that the value of the social and economic interaction foregone exceeds the value of private savings made by government when bus service contract price is reduced. While this results in government savings in transport costs, it incurs costs to government through the loss of good community and regional development outcomes.

WHAT OTHER PEOPLE SAY

This section reviews literature associated with five phenomena related to CR: Why firms seek social legitimacy; determinants of CR; how firms actually demonstrate their CR; sense of community; and sense of community responsibility.

Why Firms Seek Social Legitimacy

CR suggests firms have more than merely economic responsibilities. CR reflects the belief that businesses make decisions for reasons (at least partially) beyond the firm's direct economic or technical interest; that firms have multiple responsibilities to society, not just to shareholders. The stakeholder's perspective offers insights into a firm's propensity to undertake some level of social performance to achieve social legitimacy (Freeman 1984).

Stakeholder theory centres on organisational management and business ethics that address morals and values in managing an organisation. Freeman's (1984) landmark publication identified the groups that are stakeholders of a corporation, describing and recommending methods by which management can give due regard to the interests of those groups. The adoption of stakeholder theory as a way to frame, organise, and guide a firm's CR systems and programmes arguably improves employee's attitudes and behaviour and strengthens commitment.

Stakeholder theory argues that other parties are involved, including governmental bodies, political groups, trade associations, trade unions, communities,

financiers, suppliers, employees, and customers. The stakeholder's view is used to define specific stakeholders of a corporation and to examine the conditions under which these parties should be treated. A premise of stakeholder theory is that focusing attention on stakeholders will lead to increased trust and cooperation and reduced opportunism.

Stakeholder theory is notable not only in the field of business ethics, but as one of the main frameworks for all corporate social responsibility methods. In fields such as law, management, and human resources, stakeholder theory succeeds in challenging the usual analysis frameworks by suggesting firms put stakeholders' needs at the centre of any action or organisation. Stakeholder's perspective has been presented as an instrumental theory for evaluating corporate performance (Carroll 1991; Clarkson 1995); social contracting (Donaldson and Dunfee 1994); the purpose of a firm (Brenner and Cochran 1991; Donaldson and Preston 1995); in family firms (Neubaum, Dibrell, and Craig 2012); and to handle the challenges of globalisation (Jensen and Sandstrom 2011).

There are other reasons as to why firms seek social legitimacy. Carroll et al. (2012) saliently suggested that one reason is because the law mandates that firms adopt certain "good practices" followed in workplaces or community. Even if the law does not require the action, pressure from various constituencies may make it compelling to do so. The authors also suggested that company executives may find it to be in the interest of the business, including the playing out of an organisation's values, beliefs, and principles. In respect of a family firm's corporate social performance, Sorenson et al.'s (2009) "family point of view" appears to be a construct that explains a family firm's community orientation and interaction. Sorenson et al.'s (2009) empirical analyses confirmed that a positive relationship exists between collaborative dialogue and ethical norms, between ethical norms and family social capital, and between

family social capital and firm performance. The authors found that extensive collaboration within the family was associated with an increase in the resources available to the family business, including loyal customers, family support, and critically, community goodwill. Family members who understand and participate in the governance of the enterprise can work with the business to prepare other family members to be potential employees, leaders, board members, active shareholders, community representatives, and participants in family foundations and philanthropy. In turn, being well resourced delivers positive family social capital, which is founded on positive network relationships among the family, employees, customers, and community members, and implies that “an emphasis on ethical norms helps to build enduring network relationships” (Sorenson et al. 2009: 240).

Determinants of CR

Bayoud, Kavanagh, and Slaughter (2012) analysed company size, company age, type of industry, and potential factors influencing levels of corporate social responsibility disclosure practices. The authors found that older companies have higher levels of corporate social responsibility disclosure; that environmentally sensitive industries (such as manufacturing) have higher levels of corporate social responsibility disclosure; and that firm size is not a determinant of corporate social responsibility disclosure. The authors found that these variables are not significantly different between companies in developed countries, which suggested corporate social responsibility disclosure strategies are similar, regardless of a given country’s socio-cultural context.

Cochran and Wood (1984) tested the relationship between CR activities and firm performance and found a weak, positive association where CR improved performance. Cowen, Ferrerri, and Parker (1987) looked at the relationships between several corporate characteristics and specific categories of

social responsibility disclosures. Those categories were firm size, industry classification, profitability, and the presence of a CR committee. The authors found that firm size and industry classification are positively associated with corporate responsibility. Lowe (2016) examined the level of dependence of seven determinants, or predictors of a bus operator’s CR (firm size, operator type, operator location, residence of operator, form of service contract, social capital linkage between the operator and their voluntary professional association, and SOC) with eight ways in which bus operators interact with their communities. The results of which are discussed in the next section.

How Firms Demonstrate CR

There is little research on how firms demonstrate their CR to the community in which they operate. Cennamo et al. (2012) discussed, albeit briefly, how firms interact with their communities. The authors asserted that the firm is an extension of the family and should reflect the leading family’s principal core values. These could entail other beneficial activities, such as consideration of the interests of others when important decisions are made, benevolence, nonreciprocal good deeds, and philanthropic giving in the community at large. The authors also asserted engaging with stakeholders is the “right thing to do” (Cennamo et al. 2012: 3) regardless of financial or individual consequences. If unselfish emotions are at play, issues like well-being of the local community in which the firm operates, environmental management, human rights, and poverty among many other social ills, are likely to become more salient to family principals, even if these issues have no direct link with the firm’s activities. In a recent paper, Lee et al. (2016) suggested the literature on CR is divided into two dimensions: “profit-seeking” which covers the strategic dimension of CR, and “profit-sacrificing” which covers the moral or ethical aspect of CR.

The absence of other scholarly attempts to define

more specific ways in which firms interact with their communities partly underpinned Lowe's (2016) research. Lowe's research suggested that there are six direct and two indirect ways in which firms (in a bus industry context) interact with their community: discounted services; financial and non-financial donations; sponsorships; time contributions; safety and security contributions; purchasing behaviour; sharing resources; and combining resources. The first six community interactions demonstrate bus operators' contribution to their community stakeholders, including bus passengers, parents, schools, residents, and staff. The first six ways in which firms demonstrate their CR are in keeping with "profit-sacrificing" (Lee et al. 2016). The last two community interactions (sharing resources and combining resources) show how bus operators interact with fellow bus operators. Sharing resources is considered a "profit-sacrificing" interaction and combining resources is considered a "profit-seeking" interaction. Fellow bus operators are part of an operator's community and the quality and quantity of how they work together can have an external effect on their geographic community and relational community of interest.

Sense of Community

SOC is primarily a psychological concept. First defined by Sarason (1974) and redefined by McMillan and Chavis (1986) who developed a measurement instrument, it refers to the personal knowledge that one has about belonging to a community (Newbrough and Chavis 1986). Chavis, Hogge, and McMillan (1986) theorised that SOC is represented by membership, influence, integration, and fulfilment of needs and shared emotional connection. SOC connotes attachment between people and their communities (Davidson and Cotter 1991), and communities can be identified in two dimensions: territorial and relational (Gusfield 1975). The relational dimension of community concerns the

nature and quality of relationships in a community of interest, such as the relationship between a bus operator and the voluntary professional association. Riger and Lavrakes (1981: 64) characterised SOC as social bonding and physical rootedness, which is very similar to Gusfield (1975). The SOCI, as developed by McMillan and Chavis (1986), is a commonly used tool which has been tested on various types of communities, such as adolescents (Grace et al. 1996) and service people on returning from combat duty (Wright, Foran, and Wood 2014).

Sense of Community Responsibility

In 2014, Nowell and Boyd developed a tool to measure a complementary, but unique aspect of the experience of community. Where SOCI emphasises community as a resource and a predictor of general participation in a community, SOCR emphasises the experience of community as a responsibility. The authors developed a variant of the SOCI to examine the sense of community found in community collaborations. These are defined as groups of leaders from organizations, agencies, and community groups who meet regularly. They expect measures emphasising responsibility for a community to have a stronger direct association to indices of engagement and leadership relative to models that emphasize perceptions of community as a resource.

Nowell and Boyd (2014) examined three variables (satisfaction, engagement, and leadership) against both SOCI and SOCR. They found that: SOCR is a stronger predictor of higher order types of engagement that requires a greater commitment of time and resources. Members who reported experiencing a high score on SOCR were more likely to be independently nominated by other members as external champions and thought leaders within the collective. The authors concluded that SOCR is a unique construct representing feelings of obligation and duty to protect and enhance the well-being of a community and its members.

METHODOLOGY

The research was undertaken in three stages. Stage One explored how bus operators interact with their communities through qualitative interviews with bus operators and stakeholders, including authorities and other voluntary professional associations, both locally and internationally. Stage Two involved a survey of bus operators Australia-wide with both closed choice questions and the capacity for commentary, the findings being examined using bivariate analysis and multivariate analysis. Stage Three returned to a qualitative approach and explored the reasons why operators interact in their community, via an operator focus group, and interviews with community representatives. This was done to try and better understand whether the findings about SOC could be considered a predictor of a firm's CR and see if there was reciprocity between the firm and the community.

Subsequently, the Nowell and Boyd's (2014) article was published. The concepts and insights from this paper were examined to ascertain whether this approach could better explain the findings from Lowe's research in relation to the bus operator's SOC.

RESULTS AND DISCUSSIONS

Bivariate analysis in Stage Two found that the results from SOCI were not a predictor of the extent of a bus operator's community interaction (or determinant of CR). Very low r^2 coefficients were found suggesting there is virtually no relationship between the overall SOCI variable and each of the eight community interactions. Thus, it was concluded that from a bivariate quantitative perspective, SOCI as measured was not associated with a bus operator's community interaction.

However, qualitative evidence also garnered from the author's Stage Two survey suggested that a bus operator's SOC appeared to be associated with an operator's community interaction. The operators were

asked why they interact with their community. The 160 of the 276 survey responses answered the question and of these 160, all but eight participants wrote of their desire for community integration, the fulfilment of needs, and shared emotional connection with their community. Themes of dutiful responsibility towards a community emerged. Some examples are:

Supporting local community is important as without your community you have no business. It is important to give back. (Subject 74)

We play a pivotal role in the community through our services, sponsorship and willingness to work with all community groups to improve every aspect of life in our region. (Subject 77)

We are 100 percent devoted to the sustainability of our community but we have to make an income to survive ourselves, so we can then contribute to the community. (Subject 93)

Being a "hands on" owner/director we have (a) level of intimacy with the community and the operation that CANNOT ever be replicated by a non-owner/director/manager—we are on call 24/7 at a level that WILL NOT ignore situations for personal reasons. Business/community comes FIRST! (Subject 129)

Our firm has been involved with all aspects of local community for 75 years—our position as bus operators has enabled us to help the community in many areas. (Subject 239)

Due to the author's bivariate results suggesting SOCI was not positively associated with a firm's CR but the qualitative data suggesting it was, Lowe undertook multivariate analysis in the form of binary logistic and simple linear regression models. He found modest support in the binary logistic regression exercises for two elements of SOC to be actual, significant predictors of bus operators' community interaction, and they were: "people in my neighbourhood share the same values" and "it is very important to me to live in my particular neighbourhood". These results are shown in Table 1.

The data from Stage Three were almost entirely consistent with the qualitative data obtained from the

Table 1. The Parameters of the Binary Logistic Model

		B	S.E.	Wald	df	Sig.	Exp (B)
Step 1a	Sense of community q28c	.485	.180	7.260	1	.007**	1.624
	Constant	-1.749	.658	7.066	1	.008**	.174
	Live in community q29 (= yes)	2.635	1.106	5.674	1	.017**	13.943
Step 2b	Sense of community q28c	.539	.191	7.951	1	.005**	1.715
	Constant	-2.101	.709	8.789	1	.003**	.122
	Firm size q8_total	-.062	.033	3.592	1	.058**	.940
Step 3c	Live in community q29 (= yes)	2.529	1.112	5.172	1	.023**	12.539
	Sense of community q28c	.549	.193	8.052	1	.005**	1.732
	Constant	-1.867	.722	6.691	1	.010**	.155

Notes: Variable entered on step 1: People in my neighbourhood share the same values; variable entered on step 2: It is very important to me to live in my particular neighbourhood; variable entered on step 3: Firm size (small, medium, and large). ** means statistically significant at the 1% level. Source: Lowe, 2016, p. 196.

Stage Two survey. These data extended the operator sentiments around concern for community viability, reciprocity between the operator and local stakeholders, family or firm reputation and legacy, and personal and firm values. The operator focus group also introduced the notion of community expectation: Community stakeholders expect their local firms to support their various endeavours. This notion is consistent with reciprocity, and with Putnam's (1995) notion of bridging social capital.

The suggestion that there would be negative ramifications for operators' businesses if they did not interact with the community was raised, which confirms a degree of reciprocity. The following quotes are examples of these contributions:

What I've noticed is at our (metropolitan suburb name withheld) operation, we get 2 or 3 requests for assistance a year. But down at our (rural town name withheld) operation, we get never ending requests, and if you don't help, the requests stop and you're known to be unhelpful. I think it's the case that in the city there's alternatives, there's more population to approach for support. The socio-economic in the bush is very different. (Subject 60a)

There's an expectation in small communities that "big business" will come on board and help. Although we are a small business, we are one of the biggest businesses in our community. The banks have all gone, the post office has gone. We are determined to stay. (Subject 60b)

The community expects that we interact. They say "can you help us out?". We say yes. Who else is going to help them? (Subject 60e)

When you do help them out, it actually gets repeated. The point about (large public company name withheld) is you can't find anyone who's got the pen to write the cheque, whereas they come to us, they know we're going to do something for them. They know they are going to have success with us. So there's an implicit expectation from locals that other locals in the community are going to help them out. People don't even bother going to the big brands. They're not regarded as local. (Subject 60f)

Firstly it is a business—whether it is for charity or profit, you need people to recognise you and your business. A good name won't be forgotten. (Subject 9)

It supports our own community and this makes us a better city, emotionally, environmentally and caring. (Subject 11)

To support the community that supports us. (It is) part of being a good corporate/community citizen. (Subject 29)

Because what "goes around comes around". We are all in the business to make money and live long lives so if we need to help each other. (Subject 34)

It's the socially responsible thing to do. It builds goodwill with the community and your clients. There's mutual benefit. (Subject 79)

To enhance our profile in our community and extend goodwill. (We) need to give back to the community because that is who we are servicing. (Subject 168)

There are several observations to make in the light of these results. First, the results all suggest firms in

the Australian bus and coach operating environment have a greater degree of SOCR than SOCI. Second, leadership, obligation, and dutiful reciprocity between an operator and its community are strongly evident principles of CR upon which firms in the Australian bus and coach industry adhere to. Third, these results are consistent with the definition of SOCR: a feeling of personal responsibility for the individual and collective well-being of a community not directly rooted in an expectation of personal gain. Fourth, the resulting themes are also consistent with Sorenson et al.'s (2009) family point of view construct. Fifth, evidence from this study appears consistent with Nowell and Boyd's (2014) expectation that measures emphasising responsibility for a community to have a stronger direct association to indices of engagement and leadership relative to models that emphasize perceptions of community as a resource. The authors concur with Nowell and Boyd's (2014) contention that SOCR is uniquely equipped to assist in the advancement of community leadership and understanding of the factors that drive individuals and firms' willingness to support their local community.

This conclusion is consistent with Lowe's (2016) findings, that members' values and feelings of obligation and duty stem from their role as community leaders. Thus SOCR is a more appropriate and likely determinant of CR than SOCI.

CONCLUSIONS

This paper details how it would appear that SOCR can be a predictor of the extent of a firm's CR. Penned in the context of the Australian bus and coach industry, an industry comprising predominantly family firms, it has been found that leadership, obligation, and reciprocity, all elements of SOCR, can affect the extent of firm's CR. These firms have a higher order sense of responsibility for the well-being of their community, making SOCR a more reliable and appropriate determinant of a firm's CR than SOC,

which predicts individual participation in a community and use of community resources. It is hoped that other scholars investigating why firms seek social legitimacy might find these findings useful, particularly when investigating how governance affects community and regional development. Further research is needed to empirically test SOCR both within the bus and coast industry and in other industries. As with SOC in general, it is likely that this association will be stronger in a rural/regional context (Stanley 2010).

Note

- * The Australian Bus and Coach Industry, largely family-owned business, expresses high levels of Corporate Responsibility (CR) towards the community in which they are based. This CR may be best measured through a variant of the Sense of Community Scale, the Sense of Community Responsibility Scale, as the research findings reveal that business behaviour reflects a leadership role.

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