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EXIS 245 No. of Pages 10

ARTICLE IN PRESS

The Extractive Industries and Society xxx (2016) xxx–xxx

Contents lists available at ScienceDirect

The Extractive Industries and Society

journal homepage: www.elsevier.com/locate/exis

Original article

Managerial perceptions of stakeholder salience in mining

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A R T I C L E I N F O

Article history:
Received 16 April 2015
Received in revised form 13 August 2016
Accepted 13 August 2016
Available online xxx

Keywords:
Stakeholder salience
Power
Legitimacy
Urgency
Mining

A B S T R A C T

The purpose of this paper is to provide an understanding of stakeholder salience by exploring managerial perceptions of salience attributes in the mining industry in Chile. The study takes a qualitative approach to analyse semi-structured interviews using thematic analysis in relation to managers' perceptions. While managers have different views regarding salience attributes, legitimacy is unanimously considered as the most relevant attribute because it provides credibility, transparency and improving chances for networking. The findings also suggest that managers perceive communities, government and unions as the most salient stakeholders. However, views differ regarding NGOs and media, particularly regarding their legitimacy.

1. Introduction

Freeman (1984) in his seminal work, *Strategic management: A stakeholder approach*, introduced the stakeholder topic into the debate in business and management. According to Freeman, the concept of a stakeholder refers to 'any group or individual who is affected by or can affect the achievement of an organization's objectives' (p. 46). In this sense, as a result of a company's operations, positive or negative impacts can affect these groups. According to Freeman and Liedtka (1991), this theory is sufficient to explain the relationship between business and society. In doing this, stakeholder theory has been broadly applied considering different approaches (Donaldson and Preston 1995; Stoney and Winstanley, 2001) in terms of who may affect companies' objectives (Waxenberger and Spence, 2003) and who may be affected by companies' activities (Bowie, 1991). In this sense, companies are responsible for their impacts, benefits and damages to every stakeholder. Accordingly, stakeholder theory takes into account different groups as a network that surrounds company activities.

Several studies have focused on defining and redefining the stakeholder concept (Freeman, 1984; Magness, 2008; Zakhem, 2008 to name a few) in order to identify them clearly. However, these groups are quite diverse and change across sectors. After Freeman's conceptualisation of the stakeholder theory, Clarkson (1995) goes further to classify stakeholders into two groups. For Clarkson, the concept of stakeholder relates to 'persons or groups that have, or claim, ownership, rights or interests in a corporation and its activities' (p. 106). Following this notion, stakeholders are classified as primary or secondary. In these categories, primary stakeholders are those who are vital for the company survival. On the contrary, secondary stakeholders are not an essential part nor involved in transactions with the company. Thus, shareholders, employees, communities, consumers and suppliers are identified as primary, whilst the media or NGOs are categorised as secondary.

One of the questions concerning this theory relates to the identification of stakeholders and their position in terms of relevance in the stakeholder map. Some scholars consider power dependence as one aspect to evaluate (Freeman and Reed, 1983; Jawahar and McLaughlin, 2001) and legitimacy as another attribute to assess stakeholder importance and value (Hill and Jones, 1992; Langtry, 1994). Freeman (1994) pointed out that stakeholder theory was grounded under the premise of 'who or what really counts' in terms of decision-making. Consequently, and integrating the attributes previously mentioned, Mitchell et al. (1997) addressed the complexity in identifying and prioritising different groups of stakeholders. These scholars expand the notion of stakeholder theory, appealing to the process of stakeholder identification in order to prioritise them in relation to their salience. In this sense, the authors define salience as 'the degree to which managers give priority to competing stakeholder claims' (p. 869). Thus, the salience of different stakeholders is assessed according to the presence or absence of three attributes: power, legitimacy and urgency. According to this framework, power is considered as the ability to bring about the outcomes stakeholders want by imposing their will through different mechanisms. For example, power held by stakeholders in a dominant position

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http://dx.doi.org/10.1016/j.exis.2016.08.008
2214-790X/

Please cite this article in press as: H. Viveros, Managerial perceptions of stakeholder salience in mining, Extr. Ind. Soc. (2016), http://dx.doi.org/10.1016/j.exis.2016.08.008

regarding critical resources will have the power to influence decision-making (Salancik and Pfeffer, 1974). In terms of legitimacy, it is seen as an attribute that gives the general perception that stakeholder actions are appropriate, proper or desirable in a social system (Suchman, 1995). Urgency relates to the ability to demand immediate attention, particularly when stakeholder's claims are time sensitive (Mitchell et al., 1997). Through these attributes it's possible to identify and determine which stakeholders are more salient or influential.

Stakeholder salience research focuses on how managers perceive and assess salient stakeholders. For example, Agle et al. (1999) evaluated CEOs' perceptions of stakeholder attributes and values in large American companies, finding that stakeholder attributes (power, legitimacy and urgency) do affect the way managers prioritise different stakeholder groups. Fernandez and Nieto (2004) analysed managerial perceptions of stakeholder salience in the manufacturing sector in Spain regarding environmental issues. Results in this study showed a hierarchy among stakeholders, with the government being the most salient group. A similar approach was applied by Parent and Deephouse (2007) in order to examine the way managers identify and prioritise stakeholder groups in sporting events. Their findings support the salience framework advanced by Mitchell et al., identifying power as the attribute with the most relevant impact on salience followed by urgency and then legitimacy. In a similar vein, Magness (2008) examined shareholder and manager dynamics in relation to environmental issues in the mining industry and the impact on salience and decision-makers. Magness' findings pointed out that stakeholder status is determined and prioritised by the perception of decision-makers. In this sense, Crilly and Sloan (2012) consider an inside-out approach based on the premise of how managers do pay attention to stakeholders in order to understand their relationship with the environment around firms, particularly stakeholder groups. Therefore, a managerial perspective to stakeholders attributes in terms of salience might contribute to further discussions and shed light for a better understanding on managers' attention to stakeholders for company considerations.

The reason for studying stakeholder salience in the mining sector is twofold. Firstly, as it will be described in more detail in the next section, this industry is highly relevant for the economic development in a country like Chile. However, there is a lack of research on this topic in terms of managerial perceptions of stakeholder salience in this sector. Secondly, according to Smith et al. (2005), stakeholder salience will vary across different countries and industries where companies and stakeholders can have different roles. Thus, studies regarding stakeholder salience should address specific countries and sectors as a starting point in order to provide evidence for further comparative research. For example, Dong et al. (2014) suggests that salient stakeholders in developed nations are not seen as salient in the Chinese mining industry. Moreover, when dealing with multistakeholders, conflicting interest among stakeholders is one of the main issues that companies need to address. This task can be difficult work to do by which it is necessary to understand the relevance of these groups for companies regarding salience attributes (Greeno and Robinson, 1992). Finally, it is important to gain knowledge and evidence in regards to managerial perceptions of stakeholder groups, as salient stakeholders can be drivers for change and influence companies in terms of important topics such as social responsibility (Islam and Deegan, 2008).

This paper seeks to shed light on stakeholder salience by analysing manager's perceptions of this topic in the Chilean mining industry. Although there has been a growing interest in Mitchell's et al. framework (Agle et al., 1999; Banerjee, 2000; Driscoll and Starik, 2004; Fernandez and Nieto, 2004; Magness, 2008; Mattingly, 2004; Mitchell et al., 2011; Myllykangas et al., 2010; Neville et al., 2011; Parent and Deephouse, 2007; Ryan and Schneider, 2003; Tashman and Raelin, 2013; Thijssens et al., 2015; Vilanova, 2007), salience studies in developing and mining nations like Chile remain limited. Therefore the aim of this article is to answer the following research question: how do managers perceive salience attributes when dealing with stakeholders?

2. Research context

The empirical basis of this article is the Chilean mining sector. Chile is recognised as a country rich in mineral resources and a mining based economy ranking among leading developed economies such as Australia and Canada. In this sense, the Policy Potential Index (McMahon and Cervantes, 2011) ranks Chile as one of the top 10 mining economies in terms of the attractiveness in mineral endowment and public policy. Government policies and mineral endowment have provided the baseline for the current economic growth in Chile (Maxwell, 2004), helping to improve the levels of development in different areas such as infrastructure and employment (Aroca 2002, 2007; ICMM, 2007; Lagos and Blanco, 2010) and therefore, to build the foundations to reach the status of a high-income country in the near future. Moreover, since 2010 Chile has been a member of the Organisation for Economic Cooperation and Development (OECD), being the only country in South America that has joined this organisation. This represents a symbol of the political and economic stability that Chile has achieved in the last decade. Figures regarding the latest socioeconomic characteristic of the Chilean economy (OECD, 2016) report a GDP per capita of US$22,197 and an annual gross domestic product (GDP) growth rate of 2.5%, a higher rate than the 2.1% average in the OECD. Based on a population of 17.8 million, the level of unemployment was 6.4%, lower than the 7.4% average of the OECD countries.

The main mining commodities are copper, gold, silver and molybdenum, with Chile the world's largest copper producer, accounting for 30% of reserves and 29% of the global production. Mining production is exported to Asia with China being the main consumer of copper (50%) followed by European markets (14%). This industry has a relevant impact in the GDP, which accounted on average for about 10% during the period 2014–2015. The contribution to the GDP in this industry has previously reached levels above 20%, representing a sector with one of the highest economic impacts in the country. Mining exports in 2015 have accounted for about 53% of the total Chilean exports. It is also a big attraction for foreign direct investment (FDI), representing 33% of the overall FDI in Chile during the period 2012–2014. In terms of employment rates, this sector provides about 800,000 direct and indirect jobs which accounts for 9.5% of national employment (Consejo Minero de Chile, 2016). This confirms the relevance of the mining industry for the country and its recognition as Chile's growth driver.

3. Method

This article analyses data from interviews with four senior managers of four well known mining companies in Chile (Table 1). These companies play a relevant role in the industry not only in terms of market share but also regarding their commitment to social responsibility and sustainability. Managers interviewed for this study are decision-makers in charge of the departments of sustainability, corporate social responsibility (CSR) and community management. In this particular industry, sustainability or CSR managers are in charge of issues related to stakeholder management in terms of effective engagement between companies and stakeholder groups. Therefore, the interviewees are relevant actors