



Contents lists available at ScienceDirect

Journal of Cleaner Production

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

An assessment of corporate social responsibility practices in the mining and oil and gas industries

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ARTICLE INFO

Article history:

Received 8 July 2013

Received in revised form

22 January 2014

Accepted 23 January 2014

Available online xxx

Keywords:

Regulatory scripts

Institutional expectations

Mining

Oil and gas

Corporate social responsibility

ABSTRACT

Companies in the mining and oil and gas (MOG) industries operate in diverse institutional contexts, including developed and developing countries. The companies face significant environmental and social challenges ranging from pollution to community relation issues and must adhere to the requirements of several different national, international, and industry-wide institutional frameworks and standards. They have responded to these challenges by developing corporate social responsibility (CSR) practices. Drawing on new institutional and management standards literature, we develop and explain the concept of “regulatory scripts”, defined as the practices shared by a group of organizations in an industry in response to international frameworks and standards, which we call ‘institutional expectations’. We examine a data set of international CSR-leading MOG companies and a set of interviews with experts in these industries. Our study contributes to the existing body of literature in the field by mapping and identifying the main CSR institutional expectations in the MOG industries, identifying the regulatory scripts that appear in response to these institutional expectations across 20 firms in four areas and 29 sub-areas of CSR, and evaluating the managerial reach/scope and limits of these regulatory scripts.

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1. Introduction

The literature on corporate social responsibility (CSR) identifies three main complementary sources of initiatives for CSR that result in different types of CSR practices (Gond et al., 2011). The first source stems from governments that may enforce complete and specific formal policies regarding an issue and specifically define company requirements. When companies are motivated by governmental policy, CSR projects become similar in different companies because CSR is treated as a coercive practice (Husted and Salazar, 2006). The second source stems from what has been referred to as “the infrastructure for CSR” (Waddock, 2008), which promotes voluntary, i.e., non-government-led, CSR initiatives and responses. In the absence of governmental policy, industrial associations, activists, responsible fund managers, and other actors may negotiate CSR frameworks and invite firms to follow them. In the case of developing countries, international financial institutions such as the World Bank and the International Finance Corporation

have developed frameworks for CSR (International Finance Corporation, 2012; World Bank Group, 2007; World Bank, 2004). The third source of CSR initiatives originates from companies themselves: in the absence of governmental or industrial association policies, companies may decide by themselves which are the best practices and apply these practices according to company interests. In the two last cases, CSR projects are usually the result of strategic thinking, wherein companies seek to transform threats into opportunities by creating a competitive advantage based on socially and environmentally oriented projects (Husted and Salazar, 2006; Porter and Kramer, 2011).

Overall, a hybrid regulatory regime has emerged from the growing inter-connectedness of government-related, CSR-infrastructure-related, and company-related CSR initiatives. CSR, as part of this emerging hybrid regulation, is defined as a system of regulation involving business, civil society, and state actors (Levy and Kaplan, 2008) and could be at the forefront of a renewed international governance (Crane et al., 2008; Scherer and Palazzo, 2011; Scherer et al., 2009a). This view is based on the assumption that until recently, government governance was designed and understood as a system based on the national state, with the latter being sovereign in domestic affairs because it is the locus of power for

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discussions on international regulations (Kobrin, 2009). However, the state-based governance regime has shown limitations. At a local or national level, several states—particularly in developing countries—have a limited capacity to enact and to enforce regulations in their territories. At an international level, supra-state institutions have often failed to resolve international governance issues. As a result, a hybrid form of regulation referred to as a post-Westphalian governance (Scherer et al., 2009b) or “regulatory capitalism” (Levi-Faur, 2005) has emerged. These hybrid regulations are characterized by the interplay of political actors such as government agencies, social actors such as Non-Government Organizations (NGOs), and economic actors such as companies and industry associations, in the development and enforcement of regulation primarily through the creation of international standards (Waddock, 2008).

This hybrid regulation regime is particularly salient in the extractive industries, notably the MOG sectors, on several accounts. First, extractive companies are strongly present in both developed and developing countries (Mining, Minerals and Sustainable Development Project [MMSD], 2002). Management dilemmas arising from global CSR standards and the need to conform to local regulations and adapt to local realities constitute a constant feature of this industry. Global companies in the extractive industry typically operate in several countries, some of these with a limited capacity to build and sustain solid institutions (World Bank, 2004), in areas in which governments are unable to exercise effective roles as regulators (MMSD, 2002). In those areas, hybrid regulation often represents the only possible form of regulation. Second, MOG companies operate for extended periods of time in a given local context. For a long time, a legal license to operate, defined as the official permit required to operate, was long considered as a sufficient condition. Although this legal license remains a necessary condition today, the notion has been extended to include social requirements. The “social” license to operate, which implies constant efforts to adjust corporate activities and relations with local communities, has become central in MOG circles (Zandvliet and Anderson, 2009; Raufflet et al., 2013; Sociallicense.com, 2012; and for a review of the mining industry’s CSR challenges in the Journal of Cleaner Production, see Azapagic, 2004). Third, because several firms in these two industries are inherently international, the firms must respond to these local expectations while remaining accountable to international actors and shareholders. These firms turn to international CSR frameworks and standards to understand these diverse international expectations and to determine how to disclose CSR information accordingly (Jenkins and Yakovleva, 2006). For instance, MOG companies have to develop reporting competencies (Peck and Sinding, 2003) and decide the type of media to use to communicate social and environmental information (Lodhia, 2012; Pellegrino and Lodhia, 2012). Hence, firms in the MOG sectors have developed CSR practices to respond to local public pressure and scrutiny, and several MOG associations, international financial institutions, and other groups have promoted the development and diffusion of numerous international CSR standards such as the Global Reporting Initiative, ISO 26000 or the Global Compact in response to these environmental and social issues (Business for Social Responsibility, 2003; International Council on Mining and Metals ICMM (2003)).

In parallel, hybrid regulatory regimes have been one of the main focuses of the literature on standards in management. Although this stream of research has provided valuable insights into how international CSR frameworks spread and, to a certain extent, replace traditional national laws regarding CSR issues, two important issues remain. First, there is currently a “proliferation” of international CSR standards, to the point that it has become difficult for practitioners to decide which standards should be adopted.

Some activists fear that this “proliferation” also facilitates greenwashing because Multinational Enterprises (MNEs) may “pick and choose” standards that are convenient to them and unrelated to their “true” CSR issues (von Geibler, 2012; Waddock, 2008; Ligteringen and Zadek, 2005; Reinecke et al., 2012). Second, when international CSR frameworks spread and are adopted by organizations, how are these “rules for the many” (Brunsson et al., 2012) turned into concrete local practices in an industry? Thus, on the one hand, from a theoretical point of view, important questions remain unresolved regarding the adoption and spread of international CSR standards; on the other hand, from an empirical perspective, there is a lack of knowledge concerning the adoption and spread of these international CSR standards in the MOG industries. Based on this theoretical and empirical puzzle, this paper investigates the following question: What CSR practices are implemented by best-in-class companies in the MOG industries in response to international CSR frameworks? We call these practices “regulatory scripts” and these international frameworks ‘institutional expectations’.

By addressing this question, our study makes a threefold contribution to the literature on CSR standards and to the tradition of research on CSR in the MOG industries. First, we map and identify a set of CSR ‘institutional expectations’ for the MOG industry. Firms in the MOG industries are deemed to be particularly internationalized actors whose operations have important political impacts, particularly in developing countries with weak governments that sometimes displace national states as the main rule-makers. These firms are under strong pressure to demonstrate their local CSR engagement at an international level and thus actively engage in the negotiation, diffusion, and adoption of international CSR frameworks. We unveil 29 CSR institutional expectations in these industries, grouped in the following 4 main areas: ethics and governance; environmental management; community relations; and social, health, and operational security issues. Second, we draw on the notion of scripts (Jepperson, 1991) from new institutional literature and propose the concept of “regulatory scripts.” The MOG industries are now in a leadership position regarding environmental and social disclosure (Azapagic, 2004; Jenkins and Yakovleva, 2006; MMSD, 2002). The concept of regulatory scripts helps us to group CSR practices across companies and to compare firms’ CSR practices collectively against the areas of expectation in international CSR frameworks. Consequently, we provide an evaluation of the firms’ practices that respond to international CSR frameworks (institutional expectations). This evaluation can thus be useful to governmental organizations, activists, and other actors seeking to better monitor and regulate the behavior of firms in the extractive industry. Our study thereby substantiates the concept of regulatory scripts, assisting scholars interested in the institutionalization process and in the diffusion of standards to better understand the process through which international frameworks are turned into institutionalized practices within an industry. Third, the concept of regulatory scripts helps MNE practitioners to grasp CSR practices that are likely to become institutionalized in the near future. As such, these managers may be at the forefront of mainstream, or even mandatory, practices. In other words, this paper provides a mapping of institutionalizing CSR practices in the extractive industry.

The remainder of this paper is organized into four sections. The second section discusses the production and institutionalization of accountability standards and norms. The third section introduces the methodology and the data analyzed. The fourth section maps the CSR scripts in the four identified areas. The paper concludes with a discussion and the conclusions drawn from these results.

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