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Corporate social responsibility in the mining industry: Perspectives from stakeholder groups in Argentina

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ABSTRACT

Since the liberalisation of its investment regime in the 1990s, Argentina has seen a rise in foreign direct investment into large-scale exploration and exploitation of mineral resources. However, many social groups (local communities, grassroots movement and the church) often strongly oppose new mining projects on the grounds of environmental, ethical and economic concerns. In a situation marked by widespread conflict, mining companies continue operating and develop Corporate Social Responsibility (CSR) initiatives which are often promoted as a means of contributing to the sustainability and development of the nation. The paper develops a framework to highlight how the principles of stakeholder theory could be used as conceptual and practical guidance for conflict-resolution oriented CSR policies. The framework is further used to analyse two case studies of conflictive mining projects in Argentina. The paper explores how key stakeholders perceive contribution of CSR to welfare and the socio-economic development of mining communities and sustainable development of the nation. It demonstrates that institutional and social stakeholder networks often strongly oppose the idea of voluntary self-regulation implied by CSR in situations characterised by weak governance. Even though the CSR of companies could be improved in areas of corporate communication, transparency, stakeholder engagement and dialogue, it is not seen as a panacea for the social conflicts in the sector.

1. Introduction

Corporate Social Responsibility (CSR) as a field has been rapidly expanding since the Earth Summit in 1992, which put pressure on business and industry to be socially responsible and actively contribute to sustainable development. There are continuous attempts to weave sustainability and social responsibility in business strategies and as a consequence, CSR is broadly perceived as a tool for companies to contribute towards sustainable development (Hilson and Murck, 2000; Hamann, 2003; Hamann, 2004). Multinational Companies (MNCs) in the extractive industries, specifically those engaged in mining, are under intense pressure and scrutiny from various societal forces: environmental, indigenous peoples and human rights movements, which have formed in response to concerns about social and environmental impacts of operations, especially in developing countries (Banerjee, 2000; Warhurst and Mitchell, 2000; Warhurst, 2001; Kapelus, 2002). Indeed, mining companies cause the most significant and often irreversible damage to the natural environment as compared to other industrial sectors (Kapelus, 2002; Yakovleva, 2005); negative social and environmental impacts in the mining sector manifest themselves to the extremes, including industrial accidents, environmental degradation, health and safety issues, impact on livelihood of local communities and violations of human rights. Due to increased societal pressure, mining companies have been actively innovating in the field of CSR to address the various sustainability challenges of their operations more proactively. For instance, extractive industry companies were among the first companies to publish stand-alone environmental reports and to adopt voluntary codes of conduct in the area of environmental management (Hamann, 2003; Jenkins and Yakovleva, 2006).

A discussion on sustainable development and the interaction between economic growth, environmental degradation and social equity in relation to the mining sector is a highly critical topic. Agenda 21, a product of the Earth Summit, did not directly address

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the issue of mineral resource extraction in the context of sustainable development. In accordance with arguments of strong and weak sustainability, there are two major views concerning the place of mineral resource extraction and sustainable development. The first position follows a strong sustainability argument that supports constant natural capital rule, whereby depletion of natural capital cannot be substituted by an increase in other forms of capital and instead requires a renewal of natural capital. Thus, in the case of non-renewable resources, the mining sector cannot be seen as sustainable as it depletes the stock of natural resources available for future generations. The second position follows a weak sustainability argument that supports the substitution of natural capital rule, whereby depletion of natural capital can be replaced with an increase in other capitals (economic and social). This permits the extraction of mineral resources to be seen as sustainable as it does not compromise the ability of future generations to meet their needs. For example, Sánchez (1998) argues that depletion of mineral resources can be compensated by the generation of new wealth which can, in a form of useful lasting capital, benefit present and future generations.

The view that mining can be the basis for a sustainable future is supported by several arguments. Firstly, metals can be recycled and discoveries of new mineral deposits and advances in mineral recovery technologies may prolong the longevity of stocks of non-renewable resources for future generations (Sánchez, 1998; Crowson, 1998). Secondly, mining is not considered necessarily incompatible with the principles of sustainability, provided that the decision-making process takes into account values and interests of all stakeholders involved (Cragg and Greenbaum, 2002). Thus, mining in the context of sustainable development should involve a transparent process which ensures that appropriate revenues generated by exploitation of non-renewable resources are invested to ensure future development of long-term sustainable livelihoods of affected communities (Epps, 1996; Yakovleva, 2005). Ali (2009) argues that the weak sustainability argument that is in favour of sustainable development in the extractive sector requires a substantial shift in the global economic order. Specifically, he highlights that it requires significant efficiency improvements, new technological developments and substantial changes in material flows and governance systems. The mining industry needs to strengthen its commitment to sustainable development and identify alternative strategies, change governance models in areas of stakeholder engagement; supply chain management; pollution prevention and risk management; post-closure remediation and sustainable livelihoods and cooperative linkages between projects via mutual dependence (Ali, 2009).

Stakeholder theory suggests that understanding the perspectives of various social actors who affect or can be affected by a company's operations and policies is crucial for designing effective and appropriate policies. This also relates to the design of CSR policies in the mining sector, whereby mining companies need to understand their stakeholders in order to respond to multifaceted interests and concerns. Utilising the stakeholder theory (Clarkson, 1991, 1995; Freeman et al., 2010) as a conceptual framework, this paper examines CSR and stakeholder expectations in the mining sector, using a case study of Argentina. Argentina is a relatively new mining country, which after liberalisation of mining legislation has seen a recent influx of MNCs with an interest in mineral exploration and exploitation. Large-scale mining projects backed by foreign direct investment are a new phenomenon in the country. The operations of mining MNCs in Argentina, as well as their policies in the area of CSR, are often rejected by the public and sometimes met with hostility. Using in-depth semi-structured interviews with various stakeholders in the mining sector of Argentina, the paper surveys perceptions of different stakeholders towards mining projects with financial backing from MNCs. Three distinct stakeholder networks are identified in the Argentine mining sector: industry, institutional and social. This paper specifically examines the differences in perceptions of different stakeholder networks towards CSR of mining companies.

Firstly, the paper reviews current conceptual discussions on stakeholder theory, presents the case of the Argentine mining sector and outlines the research methodology. The results are then presented in two parts: the first part describes the stakeholders involved in the Argentina mining sector and the second part presents the views of three identified stakeholder networks on CSR of mining companies. In the discussion section of the paper, potential areas for improvement of CSR activities are identified, specifically concerning alignment of corporate motivations to engage in CSR with implementation of CSR programmes and demonstration of CSR performance. While the results and discussion focus on the case of Argentina, in the conclusion, it is argued that some of the findings may be transferable to other emerging mining economies.

2. Stakeholder theory

Stakeholder theory posits that firms are responsible for delivering benefits to all their stakeholders rather than only to shareholders and customers. Stakeholders as often defined as 'the individuals and constituencies that contribute, either voluntarily or involuntarily, to firms' wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers' (Post et al., 2002, pp. 19).

The stakeholder approach is very relevant to discussions and critical analysis of how CSR policies can address the main issues affecting sustainability in developing countries: environmental deterioration, social vulnerability and inequality. It is particularly useful when exploring sustainability challenges in the mining industry. The stakeholder theory approach has been applied to analyse both environmental and social issues; in particular, a large body of research has been devoted the analysis of motivations, evolution and consequences of environmental strategies and management (Post et al., 2002; Buysse and Verbeke, 2003; Delmas and Toffel, 2004; Sharma and Henriques, 2005; Bremmers et al., 2007). Similarly, there is an abundance of stakeholder theory research on firms' social responsibilities, in particular with regards to health and security issues and human rights (Clarkson, 1991, 1995; Jones, 1995; Weaver et al., 1999; Post et al., 2002). However, practical examples of the use of stakeholder theory to propose solutions related to issues that are often central in developing countries, such as poverty and vulnerability, are scarcer (De Jongh, 2004; Pater and Van Lierop, 2006).

In line with Post et al. (2002) four basic components of stakeholder theory are relevant to analysis of CSR in developing countries: (1) flows of benefits and potential threats between companies and stakeholders; (2) varied and discrepant issues or interests; (3) stakeholder networks and roles; and (4) stakeholder engagement. The following section explains how these concepts unfold in relation to the analysis.

2.1. Flows of benefits and potential threats between companies and stakeholders

A firm can be described as a system of stakeholder groups that are linked by a complex set of relationships. Each has different rights, objectives, expectations and responsibilities and provides a particular resource or contribution to the firm. However, a firm's performance will be threatened if such resources and contributions are withdrawn or become too costly to sustain (Freeman et al., 2010). Thus, a firm's survival and continuing success depends upon the ability of its managers to create sufficient wealth, value or