Cambridge University Press
978-1-107-43725-8 - The Rise of Global Corporate Social Responsibility: Mining and the Spread of Global Norms
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# 1 Introduction

Over the past two decades, private companies have made increasing efforts at the global level to promote corporate social responsibility (CSR) in the environmental, labor, and human rights realms. This book traces private sector initiatives at the global, or international, level to promote social and environmental standards applicable to the mining sector. In light of the fact that private corporations are not subjects of international environmental and human rights treaties, the numerous voluntary or quasi-voluntary initiatives undertaken by the private sector, alone or together with states and non-governmental organizations (NGOs) at the global level, assume a degree of importance in the global push to promote CSR. This book asks how and to what extent emerging global CSR norms (collectively held understandings of appropriate behavior) have an impact on the policies and practices of mining multinationals.

For the past decade or two, mining companies have been struggling to improve the bad reputation they acquired through the environmental devastation and social disruption associated with their operations. The mining industry has left a legacy of polluted water through acid-rock drainage, toxic waste associated with metals processing, airborne pollution associated with smelting processes, and the massive displacement of earth in the case of open-pit mining (Diamond 2005: 441–85; Miranda et al. 2003). Social dislocation associated with mining, brought to the world's attention by the media and NGOs, has further worked to damage the reputation of the mining industry as a whole.

An exploration of the influence of global CSR norms on mining companies is theoretically interesting, because for mining companies to voluntarily seek to improve their environmental and social performance is contrary to what might be expected of them. The very severe and long-lasting nature of pollution problems associated with mining increases the financial burden of environmental responsibility, which would lead one to expect that mining executives would be reactive and defensive about their policies and practices. As such, a focus on the mining sector represents a "hard" case for theorizing on CSR. In the early 1990s, most mining companies remained content to treat environmental impacts as an externality and lacked a sense of responsibility towards the communities in which they operated. By the end of the 1990s, mining companies were much more attuned to their environmental and social responsibilities, and some mining companies took on a leading role in promoting global CSR norms relevant to the mining sector. How can these developments best be explained?

This book takes up the challenge raised by Campbell (2006) to come to a better theoretical understanding of the conditions under which firms are likely to behave in a socially responsible manner. This book contributes to the broad research agenda on CSR by employing a three-level institutional analysis, drawing on insights from rational choice institutionalism (which emphasizes instrumental motives), institutionalism in organization theory (which emphasizes cognitive processes and the normative environment), and historical institutionalism, to explain why firms adopt CSR policies, and the extent of their commitment to them. Furthermore, this book expands on the research agenda on CSR, by incorporating global normative dynamics into the analysis, and linking global developments with internal processes at the level of the firm.

A commonly held assumption is that profit maximizing firms are not swayed by normative considerations, but are motivated strictly by interests that can be defined in cost-benefit terms. Rational choice literature expects that a firm is primarily motivated by maximization of profit and shareholder value. Stakeholder theory extends the range of actors to which firms are considered responsible, but sees this as driven by the strategic rational choice to achieve organizational value-maximizing goals and improved profitability. Normative behavior is seen to be the preserve of NGOs, because firms are considered self-interested (instrumental) actors, while NGOs are portrayed as disinterested entities acting on principled beliefs (Keck and Sikkink 1998). This book argues that firms are responsive to normative shifts within the larger society for both strategic and normative reasons, and can themselves play a role in the dissemination of norms through collaborative efforts at industry self-regulation (Sell and Prakash 2004). As such, the argument is consistent with research that points to the interplay between strategic and norms-driven motives in explaining firm behavior (Cashore 2002; Cashore et al. 2004; Flohr et al. 2010; Prakash 2000; Sell and Prakash 2004; Suchman 1995).

At the time research was commenced for this book in the early 2000s, there was a huge interest in CSR, and a large body of literature had emerged on the role of NGOs in disseminating norms at the global level (for a review, see Price 2003). Within the Political Science discipline and social sciences more broadly, there was little in the way of conceptual tools or theoretical frameworks for analyzing the impact of global CSR norms on companies. Within the business literature, much had been written about the various drivers (such as pending regulation) influencing companies' CSR policies, but little attention had been paid to the role of emerging global CSR norms, or how they are diffused. In a special issue of *Corporate Governance*, the lack of research that can account for the relationship between business and global societal forces is lamented (2008). This book helps to fill that gap, by joining theories from International Relations scholarship with theories from the management and public policy literatures as a step towards developing a shared paradigmatic understanding of dynamic global political processes, and the place of global corporations within them.

Notwithstanding the profusion of literature on CSR over the past two decades (for a literature review, see Margolis and Walsh 2003; Orlitzky et al. 2003), research and theory building on why and under what conditions companies behave in socially responsible ways is underdeveloped (Buhner et al. 1998; Campbell 2006; Gunningham et al. 2003). After considerable attention in the 1970s from a critical political economy perspective, the international relations literature is only just reawakening to the role and importance of multinationals in global governance processes (see, for example, Bernstein and Cashore 2007; Grande and Pauly 2005; Keohane 2008; May 2006; Ruggie 2004).[1] The decision to focus on the mining sector was influenced by relatively recent efforts on the part of mining executives to develop global CSR standards applicable to mining, and the lack of research analyzing what is driving these efforts and their impact. Furthermore, there is a lack of balanced empirical studies on how and why individual mining

1 Some would refer to the recognition of the role of multinationals in global governance as a "re-awakening," echoing earlier works in the 1970s on "transnational relations." (See Keohane 2008.)

companies have responded to global developments through their CSR policies and practices. This book is timely in that it meets an identified theoretical need to embrace multidisciplinary approaches to better understand the relationship of business to a globalized society. It fills an empirical gap with respect to the influence of global developments on the mining sector, the response of mining companies to those influences, and their role in disseminating global CSR norms.

## The changing global context

The dissemination of global norms of corporate social responsibility is best conceptualized as a dynamic process, where multinationals are playing a central role, often in conjunction with NGOs and states. Firms need to be recognized as political actors in their own right, through their agenda, norms, and rule-setting behavior (Fuchs 2007; Haufler 2001). This study is broadly situated in the global governance literature that recognizes the importance of understanding the wide range of global actors who are active agents, or "governors," seeking to establish new structures and rules in order to solve problems that cannot be addressed through unilateral action (Avant et al. 2010).

Mining companies such as Noranda and Placer Dome were active at the global level, working through industry associations and international organizations to promote standards of behavior applicable to the mining sector. The most salient example of this is the creation in 1991 of the International Council on Metals and the Environment (ICME) and in 2001 of the ICME's successor organization, the International Council on Mining and Metals (ICMM). Through these efforts, global norms have not simply filtered down, but have also been shaped by companies themselves, in an interactive or dynamic process.

The role of private actors and norms in global governance reflects the growing complexity of global political and economic governance. The provision of public goods is no longer the preserve solely of governments, and private actors, such as NGOs and multinationals, are involved in global governance processes (Bernstein and Pauly 2007; Grande and Pauly 2005; Peters et al. 2009; Ruggie 2004; Schaferhoff et al. 2009). For example, mining industry representatives have participated in global public policy decision-making through the United Nations Environment Program (UNEP) and the World Bank, and have attended important global conferences, such as the 2002 World Summit on Sustainable Development in Johannesburg (UN 2002).

At the broadest level, the devolution of state authority to the local and global levels, and the emergence of private authority in some issue areas, created the political space for non-state actors, including NGOs and multinationals, to participate in governance at both the global and national levels (Hall and Biersteker 2002; Levy and Prakash 2003). This has resulted in more complex, multi-layered governance processes, involving a range of stakeholders (Bernstein and Coleman 2009; Lipschutz 2000; O'Brien et al. 2000; Scholte 2000).

The international relations literature which best captures these dynamics is the constructivist and global governance literature (for example, Ruggie 1998; Wendt 1992, 1999). Until recently, studies employing constructivist approaches have focused primarily on states and NGOs (Florini 2000; Keck and Sikkink 1998; Risse et al. 1999). Recent contributions to the literature on global governance have advanced understanding of the sorts of activities firms are engaged in at the global level (Fuchs 2007), and provided a more nuanced appreciation of the differentiated power position and preferences of firms across issues and sectors (Levy and Prakash 2003). Firms employ similar strategies to NGOs to set agendas and shape the discourse on issues of concern to them (Fuchs 2007; Sell and Prakash 2004). Firms are agents of norms dissemination, as much as they are influenced by norms at both the national and global levels (Dashwood 2007a, 2011; Flohr et al. 2010).

The devolution of the political authority of the state in some areas, and the development of new domains of governance involving multinational corporations, has now attracted scholarly attention in the global governance literature (Keohane 2008; Kollman 2008; Pattberg 2005; Ruggie 2004). Different forms of global governance structures involving multinationals and the promotion of CSR have developed. For example, governance systems involving companies and NGOs, but excluding states, have emerged that ensure compliance with environmental standards in sectors such as forestry (Bernstein 2006; Bernstein and Cashore 2007; Cashore 2002; Cashore et al. 2004; Falkner 2003). There is a growing literature on the potential for private governance in areas of "limited statehood," where CSR practiced by international business provides a "functional equivalent" to the governance normally provided by governments (Borzel and Risse 2010; Haufler 2010).

The emergence of private regimes, and the concept of private authority, is central to capturing the impact of emerging global norms of corporate social responsibility, as well as the role of multinationals in disseminating global CSR norms (Buthe 2010; Cutler 2003; Cutler et al. 1999; Hall and Biersteker 2002). Private authority is defined as non-state actors who "perform the role of authorship over some important issue or domain" (Hall and Biersteker 2002: 4). This literature is concerned with strictly private governance initiatives, either on the part of companies acting on their own, or collaborating to develop a common set of standards, but nevertheless operating within the context of a state-based international system.

Building on the concept of private authority is Ruggie's notion of a "reconstituted global public domain," which is being shaped by the interaction between civil society actors and multinational corporations, alongside states (Ruggie 2004, 2002; but see Cutler 2006). The point is not so much that there has been a shift in authority away from the state to the private sector, or that the state is in retreat (Strange 1996), but that the private sector has created a new transnational space (Ruggie 2004: 503). The provision of global public goods is no longer (if it ever was) the exclusive domain of the sovereign state and the interstate order. The state still has a role to play, as this new global public domain is conceived as "an increasingly institutionalized transnational arena of discourse, contestation, and action concerning the production of global public goods, involving private as well as public actors" (ibid.: 504).

Avant et al. (2010) demonstrate that the literature on global governance must account not only for the variation in types of global actors, but also the variation in actual governance that takes place. Global governance is best understood as a political process where variables such as power, access, mobilization, and leadership influence outcomes, such as the mechanisms chosen for resolving a problem (Avant et al. 2010: 7). Although multinationals are often considered to be all-powerful, it is important to distinguish between material sources of power, and discursive sources of power (Levy and Prakash 2003: 144–5). Mining companies had lost ground to environmental NGOs in setting the global agenda and framing debates. The leadership provided by a small number of mining companies was critical in efforts to reposition the global mining industry to align it more closely with shifting societal values. In so doing, leading mining companies set in

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motion a process that resulted in a transformation in how the industry addresses its environmental and social responsibilities.

The role of mining multinationals in global governance encapsulates elements of private authority. Many mining companies developed their own codes of conduct, and worked together to develop private governance structures through the ICME and then the ICMM. Mining companies have also sought extensive multistakeholder consultations with NGOs (and other interested parties) as part of the process that led to the creation of the ICMM. NGOs are regularly consulted as the ICMM develops voluntary standards to enhance the environmental and social performance of the mining sector. At the same time, the ICMM and individual mining companies have participated alongside states in international organizations to develop CSR standards relevant to mining. The most pertinent example of this is the World Bank's Extractive Industry Review (EIR), which entailed extensive consultations between the Bank, NGOs, and mining and oil and gas companies. These developments suggest that a hybrid public/private governance process is taking place at the global (and domestic) levels, where private sector norms are shaping the delivery of public goods (Clapp 1998).

## Global norms and mining

Notwithstanding the huge interest in CSR, research and theory building on why and how companies embrace beyond-compliance measures is underdeveloped (Gunningham et al. 2003: 39). In the absence of a critical mass of empirical studies upon which theory could be developed, available theoretical tools for explaining the central research question of this book were found wanting. In particular, the existing theoretical literature proved ill-suited to explain three important findings that emerged from the research. The first is that most large mining multinationals came to adopt the norm of sustainable development as a means to frame their CSR policies, pointing to the impact of global CSR norms on these companies. The second finding is that senior management in the companies studied viewed the experience of mining in the countries where they had operations to be the single most important influence on their CSR policies, pointing to the importance of institutional context. Third, some mining multinationals have taken on leadership roles in disseminating CSR norms globally, pointing to the need to account for companies as actors in their own right, and the variation in timing in terms of the uptake of CSR norms.

Leading mining companies launched a major stakeholder consultation initiative (Global Mining Initiative) and worked through the ICME, and later the ICMM, to promote the concept of sustainable development. By the early 2000s, most major mining companies had converged around the norm of sustainable development, and by the late 2000s, a growing number of junior mining companies had accepted the normative validity of sustainable development. Of the companies surveyed in KPMG's *Global Mining Reporting Survey* (2006), 59% published a separate sustainability-related report in 2006, compared with 44% in 2003.[2] This trend also parallels developments in industry as a whole. The KPMG *International Survey of Corporate Responsibility Reporting* 2005, found a dramatic upward trend in the number of companies that had adopted sustainable development strategies, as reflected in reporting on social, environmental, and economic issues (KPMG 2005).

One could conclude that macro-level, or systemic, factors were therefore key to the explanation of why, starting in the late 1990s, mining multinationals came to adopt CSR policies framed as sustainable development. Certainly, the global normative weight of sustainable development provided the context within which mining multinationals came to frame their CSR policies. Yet, what is interesting is that there were early movers and late movers in terms of the adoption of CSR policies, and a small number of mining companies felt it necessary to take on a leadership role in the late 1990s, to bring other firms along. To account for these developments, firm-specific factors need to be brought into the explanation. An approach that is able to explain how norms work their influence on mining companies, and how mining companies themselves disseminate norms, becomes a central part of the explanation. Organizational processes and managerial leadership need to be factored in to explain the leadership roles undertaken by a small number of mining multinationals. At the same time, important studies have noted the dynamic and interdependent relationship between internal influences, external influences (including institutional dynamics), and

[2] KPMG surveyed forty-four companies in total, of which thirty-one are headquartered in the advanced industrialized economies.

intra-organizational factors (Galaskiewicz in Powell and DiMaggio 1991; Gunningham et al. 2003; Hoffman 1997). Attempts to isolate variables operating at the global level are therefore misguided, given the interdependence between macro and micro-level influences (Fuchs 2007; Levy and Prakash 2003).

## Corporate social responsibility and sustainable development in mining: emerging patterns

### *CSR: a brief definition*

There is no single definition of corporate social responsibility, and other terms have been used to describe roughly similar activities, such as business ethics, corporate citizenship, corporate governance, and sustainable development or sustainability. CSR is understood as the beyond-law obligations which companies must adhere to because their economic activities affect the social and ecological systems in which they are embedded (Culpeper and Whiteman 1998; Prakash 2000). Abiding by existing regulations represents the baseline of good corporate behavior (Carroll 1999). The notion that CSR is voluntary is misleading, because it can imply that CSR is philanthropy, in the sense that companies can simply choose which charity they might support. There is tension between what a firm's responsibilities are, and what it is deemed they should be. As the late Friedman famously postulated, so long as the firm's activities are legal, then the firm's primary responsibility is to maximize profit and shareholder value (Friedman 1970). Firms have a fiduciary responsibility towards their shareholders, but since Friedman first advanced his arguments, states have introduced regulations that impose legal requirements on firms respecting the treatment of labor, human rights, and the environment.

The term CSR connotes duties that, even if not legally required, entail obligations that resonate with societal norms and values. Not all of these norms are regulated. In short, CSR expects that organizations engage in a combination of self-regulation, active promotion of the public interest, and an awareness of their fiduciary responsibility to stockholders, as well as to society and the natural environment (Carroll and Bushholtz 2006).

CSR is understood as distinct from sustainable development, in that it refers to a narrower range of responsibilities that corporations can act

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upon. Sustainable development implies that companies are but one actor in a larger project undertaken together with governments and civil society to promote development in the economic, social, and environmental realms (the three pillars of sustainable development). Sustainable development is a broader concept, which has provided the normative underpinning for mining companies' CSR policies. Separating out CSR from sustainable development allows this study to trace how mining companies' self-regulatory initiatives evolved over time. Sustainable development can be understood as a broad norm of appropriate behavior, while CSR norms can be understood as industry-specific standards.

## The normative weight of sustainable development

Global initiatives that brought the environment and sustainable development onto the international agenda, and efforts at the national level among the advanced industrialized economies, led by the early 1990s to a consensus among the majority of states on the norm of sustainable development. The establishment in 1983 of the World Commission on Environment and Development (WCED) set the stage for a lengthy process of consultation that culminated in the report, *Our Common Future* (better known as the Brundtland Report after the Chair). The report defined sustainable development as "development that meets the needs of present generations without compromising the ability of future generations to meet their own needs" (WCED 1987: 43). While much ink has been spilled in attempts to clarify what this means in practice, sustainable development refers to the economic, social, and environmental dimensions of development.

Sustainable development has been variously defined, but it is generally understood to encapsulate two principles: the Earth's finite capacity to accommodate people and industrial development, and the need to refrain from depriving future generations of the natural resources necessary for life (Smith 1995). Sustainable development further implies that profit maximization must be squared with measures that promote ecological and human well-being. In the context of non-renewable mineral resources, sustainable development can be broadly understood as the efficient use of such resources, while encouraging environmental, social, and economic preservation (Jenkins and Yakovleva 2006; Pring 1999). In