

Opportunities and Pitfalls of CSR: A Summary



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For too long, our people's hopes for a bright and prosperous future have been betrayed. Instead of hope, their days have been filled with starvation, disease and fear. A culture of entitlement and impunity has brought our nation to the brink of a dark abyss. (Tsvangirai, 2009)

The troubled history of the Marange Diamond fields continues through the present day. As we write this Concluding section in early 2019, the country is in turmoil. The optimism that greeted the change in leadership in 2017 has given way to disruption and again Zimbabwe finds itself looking into a “dark abyss.”

Yet, the incentives of mining the fields continue to attract companies outside of Zimbabwe. The potential benefit to the country remains huge and Zimbabwe, despite its change in leadership, has no shortage of socio-economic needs.

Therefore, the perspectives about CSR offered by the contributors in this book are relevant to the present day. The case study is presented in dimensions which help to analyse and inform about the challenges and opportunities of CSR in extractive industries. The recommendations and findings here are also applicable to other developing countries which rely on mining and other extractive industries.

The applicability may be particularly pointed for Africa which, in the present day, encompasses many of the major themes of international concern. Natural and human resources in Africa are now, as they have been perennially, a source of rivalry between international powers with China and the US as the current key rivals. Economic disparities are evident within African countries and also across continents leading to the current migrant travels to Europe and the associated travails of these migrants.

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Some African countries, such as Cameroon and Nigeria, face separatist movements in the Anglo-phone and Igbo areas, respectively and countries in the horn of Africa are stressed by ethnic tensions. And African countries, in various degrees, face the challenge of religious extremist and terrorism—again a stage where international rivalries are played out.

Focusing more narrowly for the moment on CSR and its further development, we believe that there are opportunities for CSR implementation through creation of comprehensive CSR policies that promote stakeholders' participation. The major challenges and obstacles of CSR in Zimbabwe are economic crises, weaknesses in the institutional framework, corruption and governance issues. Government policy and enforcement of regulations are critical to overcoming these weaknesses.

In the modern business environment, engaging with stakeholders is imperative. Firms should engage stakeholders on their terms conveniently, transparently and authentically. Stakeholder dialogue is more established in Europe, where CSR has developed most extensively, than elsewhere (Tokoro, 2007). The standard business demands firms to engage stakeholders and have a CSR management system which is balanced by according equal weight to the economic, environmental, and social aspects of the business activities. Firms should look at issues such as equitable wages, unsafe or unhygienic working conditions, child labour, discrimination against ethnic minorities, environmental impact and their supporting of dictatorial regimes. Consideration must be given to avoid dealing with enterprises which are involved in those practices (Tokoro, 2007).

Stakeholders are the most important aspect of CSR their role and behaviour in cases of problems such as Marange diamond mines is very critical. The notion of who is included as a stakeholder is a major element of CSR. The Zimbabwean government is one stakeholder who was complicit in the looting and plunder of Marange diamonds. For many reasons, the government's stakeholder role outweighed the role of many others, particularly the populace of the Marange region.

The Marange case reveals that a major problem for implementation of effective CSR is a fragmented and imbalanced approach to stakeholder management. The community and civil society lacked collaborative effort to force the ruling party and the firms to account for inhuman practices and corruption in the mines. The mining firms were not held to any accountability to various stakeholders; in fact they were protected by the state.

The community share ownership scheme needs to be improved as an institution through capacity building, changing composition of governing boards including by ensuring that appointments are not political. When analysing the theoretical basis of stakeholder protection, it is necessary to consider the protection of stakeholders under general corporate law. Stakeholders should be considered at the same level as shareholders for success and sustainability of the corporate enterprise. Given the number of external stakeholders involved in the Marange mines, which includes up until the present day, stakeholder management is particularly challenging. Are international firms above the law of a given land? Are the benefits, and associated power, connected with international investment and business development, greater

than the costs to the country itself? In the case of Zimbabwe, it appears, regrettably, that the answer to this question was, Yes.

We sought a comment on corporate social responsibility in Zimbabwe from James Mandeya, an entrepreneur based in Harare, Zimbabwe. The following profound statement summarises the state of CSR in Zimbabwe. “CSR in Zimbabwe is not mandatory as shown by absence of legal framework to guide firms. It is therefore one of those objectives rarely adopted by firms, If adopted it is usually affected by short termism. Many firms undertake CSR with one stakeholder in mind which are the politicians. Thus in Zimbabwe CSR is highly influenced by politicians than by the community who are supposed to be the beneficiaries. In some cases politicians summon firms to do certain projects to further their interests. Once this is done these firms receive special protection from these politicians.”

Mr. Mandeya further explained, “Our media does not report objectively on the issue of CSR but rather exaggerates small acts and make people believe a lot is happening when in fact very little is a happening. The media is doing a disservice to the nation as they are bribed by firms to focus on what the firms wants instead of what the community wants. A comparison of the super normal profits earned, and the corporate social responsibility undertaken shows firms are giving little attention to the issue. Indeed, CSR is being given peripheral attention by a lot firms. There is also lack of appreciation by stakeholders especially the community and customers as firms are not adequately rewarded for undertaking CSR. The treatment of firms happens to be the same for those who carryout CSR and those who do not. People need CSR awareness so that they appreciate firms which undertake CSR. The knowledge of CSR also helps to advocate for CSR and better express their interest as stakeholders.”

The increasing of awareness of CSR in communities and the advocating for CSR initiatives should focus on outputs and outcomes. The output is mainly the CSR programs by firms whilst the outcomes measure behaviour or systemic change by firms or management through responsible leadership. Collaboration between the government and the private sector is needed to meet the basic human care and social responsibility needs as public-sector resources become scarcer. The financial resources of developing countries have been depleted through corruption, economic mismanagement which has led to business closures and illicit financial outflows by the ruling elite banking externally looted public funds. Developing countries have challenges with financial resources and are often in debt therefore they usually lack the resources required for development. If there is better collaboration between business and government there would be more economic development and thus more tax revenue that could be used for public sector work. The communities will not only benefit through CSR initiatives but through economic development.

The importance of sustainable supply chain management cannot be underestimated. The supply chain should ensure that the problems such as labour issues, human rights issues warranted Marange diamonds to be classified as blood diamonds. The diamonds were certified as clean only because there was no responsible CSR throughout the supply chain. The Kimberly process only focused on unpolished diamonds and did not consider the Marange issues which involved the government oppression and violation of citizens’ rights as a case for blood diamonds classifi-

cation. In a highly contested vote in 2009, the international government delegates who comprised the voting members in the Kimberley Process Certification System (KPCS) ruled that conflict in Marange did not meet the KPCS definitions of “conflict diamond” (Spiegel, 2014).

The supply chain problem exposes another factor in implementing CSR in general and particularly in an extractive industry: diffusion of responsibility. The supply chain for diamonds is very long, involving multiple parties from mining to refinement to export to sales. And each of these steps includes several sub-steps.

Social psychologists (Darley & Latané, 1968; Latané & Darley, 1970) have long identified the so-called “bystander effect” whereby the presence of others discourages individuals from intervening in an urgent or emergent situation. The bystander effect is a resilient social psychological phenomenon. Even imagining the presence of other people is enough to discourage an individual from intervening in a crisis (Garcia et al., 2002). The relevance to the Marange situation is clear—many parties involved in the mining and sale of diamonds may have decreased the likelihood that any one party would step forward and blow a whistle on problems within the operation.

We believe that the bystander effect is a fertile area for further research as it relates to CSR. Could interventions that have been tried in order to reduce the bystander effect prevent a future Marange-like tragedy from occurring? Some organizations require annual trainings in fraud and regulatory compliance for all employees to acculturate employees to the need for reporting irregularities. The Kimberly Process was created to be an external, independent review board, a good idea in theory but as has been shown, not fully effective in practice. What would strengthen such external bodies? Further study is needed to identify how this can occur.

The accountability and stakeholder’s engagement in the mining sector and other extractive industries can be enhanced through reporting. The government of Zimbabwe should consider making sustainability reporting mandatory through enacting laws. Firms should publish CSR reports using the Global Reporting Initiative (GRI). Mining economic consideration can be reported by disclosing the company’s impacts on the economic conditions of its stakeholders and on economic systems at local, national and global levels. The extractive industries have impact on the natural ecosystem, water, energy, emissions and waste which pollutes the environment. The reporting on such issues will ensure that firms can be brought to account for environmental compliance and stakeholders can advocate for expenditure which alleviate the social costs. In response to the concern that such reports are costly, one wonders whether the long-term costs of not reporting outweigh the short-term costs of making such reports. Moreover, the advancements in technology, information processing and social media—despite their undeniable down-sides—provide a means by which firms can collect and interpret data about impacts.

Following GRI standards will ensure that concerns about unethical or unlawful behaviour and matters of integrity are reported promptly and thoroughly. Social impact reporting ensures reporting on the company’s impacts on the social systems within which it operates, including those relating to human rights, society and product responsibility. The Marange case study lacked the social impact reporting by the firms regarding human rights violations, torture, looting and unethical practices in

Marange. The reporting should not only be thorough and transparent but also interactive, including the stakeholder engagement for the purposes of getting feedback. It is through this latter process that social media may be especially helpful to businesses.

The CSR initiatives in mining communities should include the measurement of the effectiveness of such projects not just in terms of the benefits to shareholders or income statements but also through the secondary effect on communities. What impact does the business initiative have on the lifespan of community members, their educational attainment, their economic well-being, their mobility, to name a few factors. The CSR initiatives which focus solely on philanthropy may not provide sustainable development. Therefore the focus ought to be on how communities are empowered by the multinational firms mining minerals in the areas. The discovery and extraction of precious minerals is expected to improve the livelihoods of people who live in the communities with such resources, as would be the case for any business initiative in a community.

The problem with Marange diamond mines is the plundering and looting of natural resources, ZANU-PF politicians and the military. With the consent and assistance of certain ZANU-PF politicians, members of the security agencies became the key beneficiaries of the looting (Towriss, 2013). Individuals emerged as major beneficiaries instead of the state. Politicians solicited bribes and established exploitative mining syndicates, and positioned themselves in and around joint ventures and also secured a 'diamonds for arms' deal with the People's Liberation Army of China (Towriss, 2013). The politicians have auctioned the country's minerals as if they are personal assets thereby depriving present and future generations' from benefiting from the natural resources. The Zimbabwe is open for business mantra adopted by the current dispensation may focus on elite deals which only benefit those in proximity to power and the politicians themselves. The reforms both political and legal which would improve the ease of doing business and attract the much need foreign directing investment (FDI) in mining and other key sectors of the economy have been neglected.

To the present day the government of Zimbabwe has failed to generate enough revenue from the development of diamonds to prevent the country from its current and continued economic malaise. CSR if practiced well can complement the government's work and ensure maximum benefits from the private sector.

The syndicates formed by the politicians and foreign firms were a result of unethical behaviour, corruption and lack of integrity of the public officials. The ruling party to strengthen their hold onto power, stifling democracy by fighting unfairly from competition from the opposition used the Marange diamonds. The politicians created a symbiotic relationship between the security agencies and the party ZANU-PF who, under challenging economic and political circumstances, became increasingly reliant upon the support of the former (Towriss, 2013). The political system in Zimbabwe is resistant to change, the leadership is resorting to repressive security apparatus instead of focusing on politics of engagement, guaranteeing freedoms and protecting citizens. The political leadership has failed to develop the institutions that are required under the constitution and allowing such institutions to have their auton-

omy and independence. The transformation of the political system, developing and strengthening strong institutions will provide an enabling environment for CSR.

In examining the Marange case with respect to CSR, we are aware that CSR is a concept developed in European-American societies. As such, what are considered “standard” CSR principles bear a strong stamp of the history and culture of these societies. We wonder if this is a good thing. Certainly there are basic principles of honesty and justice that are important in all cultures. But, could the Marange case have evolved differently if a different model of CSR had been applied? And even if the model were the same, is there an Afro-centric model of CSR that would be more relevant to African countries and businesses, and more likely to be implemented?

We offer this thought with caution realizing that “Africa” is not monolithic. Nonetheless, we believe that this area is a further one for academic and professional attention. In doing so, we are not espousing moral relativity. The travesties that occurred in Marange have no place in any culture. Nevertheless, for a strong and sustainable CSR in Africa perhaps new models and standards can be found that will benefit those who live and work in the continent and beyond.

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