

The Socio-economic Impact of Corporate Social Responsibility on the Zimbabwe Mining Industry



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1 Introduction

The purpose of this study is to analyse the implementation of corporate social responsibility programmes by Marange mining companies to determine whether they mitigate negative social and environmental impacts and contribute to sustainable development in the communities in which they operate. Mining firms can become good corporate citizens for their communities and societies by adopting the concept of corporate social responsibility, which has emerged globally as an increasingly crucial concept and has become an important part of the debate on competitiveness and sustainability. The term CSR refers to organisation efforts that go beyond what may be required by regulators or environmental protection groups. A widely used definition of CSR from the World Business Council for Sustainable Development reads as follows:

Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. (Holme & Watts, 2000)

Another definition (Kotler & Lee, 2005) equates CSR to an organisation's commitment to the enhancement of its community's welfare, through ethics in business practices and philanthropic activities. Alternatively, CSR is engaging in activities leading to the achievement of social welfare. These activities must be voluntary, that is, over and above the dictates of the law.

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1.1 Background

The state-owned Zimbabwe Mining Development Corporation (ZMDC) entered into joint venture agreements of 50% shareholding apiece with the following firms: Mbada Diamonds, Anjin Investments and Diamond Mining Corporation (DMC), while Marange Resources is owned 100% by ZMDC. These were expected to operate in Marange (Chininga, 2013). It was estimated that the country had the capacity to supply 25% of the global diamond market.

Marange refers to diamond fields scattered over an area encompassing 566.5 km in Chiadzwa, Zimbabwe. These diamond fields gained prominence in 2006, after the government took over the mines from African Consolidated Resources, at the height of the political, economic and humanitarian crises in the country. This prominence was evidently due to the illegal diamond mining activities and the regular government raids in the area, which made Marange diamonds to become controversial. This had not been the case when the mine was owned by African Consolidated Resources; illegal mining was not a major concern. MA range attracted a lot of interest locally and internationally from human rights groups, parliamentarians, Cable News Network (CNN), British Broadcasting Corporation (BBC), and from local newspapers, such as The Herald, Newsday, and Daily News, as well as from academic researchers.

Corporate social responsibility has emerged to be an important business activity locally and internationally. It aims to guarantee the success of a business venture by the inculcation of social and environmental considerations into the venture's operations as a gainful addition to society. In this conceptualisation, the success of a venture is assured when the interests of all stakeholders are satisfied. Consequently, institutions have realised the importance of enhancing corporate image, corporate identity, and corporate reputation through the utilisation of CSR as a strategy for building competitive advantage (Altakan & Eker, 2007; Dahan & Senol, 2012; Melewar & Akel, 2005; Porter & Kramer, 2006a, b; Stensaker, 2007).

1.2 Statement of the Problem

When government took over the mines in 2006, expectations were high that the livelihoods of the local villagers would be improved with the arrival of four mining firms. These firms would compete amongst themselves to impress government and locals with their corporate social responsibility programmes. Villagers numbering 4321 needed to be relocated to make way for the mines; and a farm had been chosen as the resettlement site 24 km west of Mutare City. It was not anticipated that there would be a lot of bad publicity. Given that CSR is designed to enhance image of corporations, the current research seeks to address the following question:

Through the implementation of CSR programmes, can mining firms mitigate the negative social and environmental impacts and contribute to sustainable development in the communities in which they operate?

The primary objective of this study is to analyse the implementation of CSR programmes in Marange diamond fields. Secondary objectives required to attain the foregoing objective are to: determine nature of CSR; examine opportunities for CSR; and investigate challenges in terms of sustainability. This study is significant because it contributes to understanding the implementation of CSR in Marange. As well as contributing to the body of empirical evidence about CSR in an environmentally sensitive industry.

2 Review of the Theoretical and Empirical Literature

2.1 Concept of Corporate Social Responsibility

Theories that underpin a research area cannot be overemphasised. The concept of corporate social responsibility whether in the traditional corporation or in a university, has theoretical foundations that serve as a guide for this study. The relevant theories are: stakeholder theory and uncertainty theory. Lewis (1958) observes that:

Good theories enable researchers to put facts in perspective and to hypothesise what will happen, even before they happen. (cited in Amodu, 2012: 12; Asemah, Okpanachi, & Olumuji, 2013: 207)

Folarin (2005) adds that: “Theories help researchers to manage realities” (cited in Amodu, 2012: 12; Asemah et al., 2013: 207).

The current form of CSR, which emerged in the 1990s, is representative of a constellation of ideas and developments. Most significantly, CSR is derived from the concern for the environment and is related to the concept of sustainable development, which emerged from the deliberations of the Brundtland Commission in the late 1980s and adopted by the Rio Earth Summit in 1992. A crucial catalyst of CSR is the concept that there is a business case for social responsibility. This argument is supported by a strong belief that practices that are beneficial to the environment can also be beneficial for the financial performance of a firm. However, it was Carroll (1979) who argued that firms should fulfil economic, legal, ethical, and philanthropic responsibilities as a means of fulfilling their obligations to society.

2.1.1 Economic Theory

Friedman (1962) postulated that there is only one social responsibility of a business enterprise, which is to be profitable within the confines of the rules of the game. Within this conception, organisations were regarded as the basic economic unit in society. Their sole purpose was to produce goods and services demanded by consumers and to make acceptable profit. Later, the concept evolved to that of profit maximisation. Unsurprisingly, corporates who adhere to this view of CSR will only engage in CSR

activities when they are aligned to the goal of the firm. Barnett (2007) cautions against the unbridled pursuit of profit maximisation. It is contrary to the long-term interest of shareholders because excessive financial performance reduces the firm's ability to influence its stakeholders.

2.1.2 Legal Theory

Society demands that corporates achieve economic goals within the legal framework. De Schutter (2008) contends that the legal view of CSR focuses on the obligations that society places on business through different statutory and legislative provisions. Corporates taking this approach to CSR are, therefore, reasoning that in addition to being economic units, they are also contributing to social needs.

2.1.3 Ethical Theory

Carroll (1991) asserts that ethical responsibility of corporates contains standards, norms, or expectations which mirror concern for consumers, employees, shareholders, and the community. In terms of corporate behaviour, this should conform to the social ethical standards for a firm to attain its economic objective. Porter and Kramer (2006a, b) contend that ethical obligations constitute those benchmarks, norms, or expectations that mirror a regard for what consumers, employees, shareholders, and the community consider to be fair, just, and/or in harmony with the respect for, or protection of, stakeholders' moral rights. Moreover, Gummesson (2006) concludes that businesses adopting ethics in their corporate governance are surely taking some social responsibility in addition to the basic economic function of business organisations. In some instances, such ethical values and norms may set relatively higher standards of performance than those currently provided by law.

2.1.4 Philanthropic Theory

The logic underscoring this theory is that corporates should sacrifice their financial resources as well as executive time to community in developmental activities, such as arts and education (Ofori, 2005). Carroll (1991) suggested that philanthropic theories are reflected in programmes or acts that promote human welfare or good will. Such acts are usually a response to society's expectation that a business be a good corporate citizen. Philanthropy is very visible and voluntary, and provides a clearer link of societal corporate contribution, unlike the other theories that have a hidden approach.

2.1.5 Environmental Theory

Fan (2010) highlights that environmental responsibility alludes to the fact that the corporates should protect the environment, reduce environmental pollution and bear the responsibility of maintaining national environmental security. Consequently, taking measures and eliminating the environmental impact is an important part of corporate social responsibility.

2.1.6 Stakeholder's Theory

A stakeholder is an individual or group whose support the organisation needs to maintain its existence. Stakeholder theory (Freeman & Reed, 1983) is a theory of governance of an organisation and business ethics required to govern organisations. According to the stakeholder theory, business managers have a moral duty to protect not only their corporations but also the legitimate interest of all stakeholders. Stakeholders generally include managers, employees, customers, investors, shareholders, suppliers, government, the local community and the larger society, including the natural environment. The objective is to always maximise all stakeholder interests. Hillman and Keim (2001) found that developing a close relationship with key stakeholders can help corporations to obtain hidden and valuable assets. This can also lead to loyalty of customers and suppliers, reduce staff turnover rate, and improve corporate reputation.

2.1.7 Employees

A corporate should pay utmost attention to employee relations. Albinger and Freeman (2000) contend that good CSR makes it easy to attract and retain high quality employees. Moreover, employee motivation and initiative directly determine corporate competitiveness and development potential. So, employees have a great influence on the success or failure of the corporate.

2.1.8 Uncertainty Reduction Theory

The uncertainty reduction theory avers that people have a need to reduce uncertainty about others by gaining information about them. The information acquired can then be used to predict the other party's behaviour (Berger & Calabrese, 1975). This theory is important for universities since they need to communicate their corporate social responsibility activities to stakeholders to reduce uncertainty on the part of the stakeholders.

Embedding social and environmental responsibilities in business has its genesis in Bowen's (1953) study which has witnessed the emergence of two separate schools of thought. One school regards profit maximisation as the only responsibility (Fried-

man, 1970). The argument is that managers do not have the requisite skills to address social and environmental problems (Davis, 1973; Mintzberg, 1983; Calabrese, Costa, Menichini, Rosati, & Sanfelice, 2013). According to this framework, a concern with CSR might divert firms from their primary goal, resulting in a reduction in organisational performance, heightening the risk of bankruptcy, and the possibility of management engaging in opportunistic behaviour (Hayek, 1969.) The proposition that performance of a firm is enhanced by engaging in CSR is naive and so is the concept of economic development based simultaneously on profits, people and the natural environment. Instead, CSR is expensive in terms of workflows and operations, and distracts firms from their primary goal of profit maximisation (Henderson, 2005). In practice, it is profit maximisation that increases social welfare. Furthermore, whenever there is a conflict between profit maximisation and social welfare, it will be social welfare that suffers since CSR initiatives will go unimplemented (Karnani, 2011).

The second school of thought, also known as the socio-economic view on social responsibility, recognises that profit maximisation may not be the sole focus of an institution and its managers. Indeed, there has been a proliferation of calls by non-governmental organisations, the media and governments insistently encouraging the private sector to implement social and environmental methodologies as part of the processes and systems of their business activities (Calabrese et al., 2013; Kolk & van Tulder, 2010; Robbins & Coutler, 2005; Smith, 2002).

Globalisation is another force that has influenced companies to take on additional responsibilities (Calabrese et al., 2013; Heslin & Ochoa, 2008; Scherer & Palazzo, 2008). Consequently, there has been an internalising of CSR in their strategic plans and decision-making such that managers must acknowledge of both shareholder and stakeholder concerns (Calabrese & Lancioni, 2008; Calabrese et al., 2013). CSR handled in a proactive manner is bound to confer public influence. Failure to be proactive on corporate social responsibility may result in a loss of public influence (Davis, 1973). Moreover, CSR, through focusing on stakeholder needs, provides opportunities for innovation (Husted & Allen, 2007) and ultimately establishes a strategic competitive advantage (Calabrese & Scoglio, 2012; Calabrese et al., 2013; Kurucz, Colbert, & Wheeler, 2008; Porter & Kramer, 2006a, b). The true worth of and value of modern firms is their ability to give back to society part of what they earn through some beneficial initiatives. Such initiatives are contained in the concept of corporate social responsibility.

Transition and transformation from shareholder interests to simultaneous consideration of shareholder and stakeholder interests demands change of management and cultural overhaul (Calabrese et al., 2013; Porter & Kramer, 2011). This is another instance of the environmental influence in the concept of “stakeholders,” which refers to any individual or group affected by the activities of a firm. This established the principle that a corporation is expected to approach social issues through the identification of the impact of its activities.

On the basis that CSR is a source of innovation (Husted & Allen, 2007), it is of strategic importance in creating value in the long term, and a source of differentiation and competitive advantage (Porter & Kramer, 2006a, b). The second school of thought further postulates that a firm’s goals include maximising profits, complying with

laws and regulations, addressing society's needs, and preserving the environment. The message from this is that firms that pursue sustainability as part of their strategy will attain a competitive advantage (Nidumolu, Prahalad, & Rangaswami, 2009).

How is the foregoing literature relevant to the study of CSR in Marange diamond mining in Zimbabwe? A central theme in the literature concerning CSR is that it is a tool for gaining influence which is then attached to image and results in innovation which leads to conservative use of resources so that they are not depleted.

Mine firms are no different from corporations in that they seek to increase their influence and be innovative on behalf of society. No doubt these are troubling times for those who manage mining institutions, particularly in a controversial area. Moreover, in addition to a difficult global competitive environment, financial realities loom large besides the pressure to consider alternative structural and resource commitments to various knowledge areas (Gumport, 2000). To this end, according to Raufu (2005: 85), the principle behind CSR is that it is a social investment that derives from the notion that: "A company has a responsibility to the community in which it operates." Thus, the goal of CSR is image management—the essence of public relations.

Finally, India and other Western countries have legislated CSR. India incorporated corporate social responsibility into her Companies Act of 2013 (18 of 2013), known as the Companies (Corporate Social Responsibility Policy) Rules 2014. The Act makes it mandatory for corporates to contribute to CSR, with education being the major beneficiary.

2.2 Parties Involved in CSR at Marange

Three main parties are involved in CSR in Marange; these are business, communities and government. It is instructive to view the case for CSR from their individual perspectives.

2.2.1 Mining Companies

The spirit or force behind mining house engagement in CSR methodologies is based on both business and social goals. Thus, business goals may include the cultivation of a positive local reputation which would result in a favourable local and national operating environment. Coupled with the adoption of and compliance with both national and international best practices embellishes the corporation's image. An off-shoot of this strategy of compliance is that it creates a reputation which in turn ensures that green-field projects can access finance, thereby protecting the firm's image, whilst satisfying consumer and shareholder expectations, which enhances company market value, and mitigates risks and cost. Concomitant to this is disclosure of information by management to the community, about the firm's impact on the environment and human resources. Moreover, by also remaining sensitive to local employment and

income needs constitutes a demonstration of a keen desire to contribute to broader development. These social goals are usually incorporated into a formal CSR strategic plan and code of conduct.

2.2.2 Community

The outlook of the community is influenced by the basic desire that its quality of life should improve and not diminish, and its physical and cultural environment should not deteriorate. That the organisation remains in the community as a going-concern and continues to be a source of employment and earnings to the community. These concerns are also the concerns of the people of Chiadzwa. Their major concern and aspiration are having an industry that impacts their livelihoods. A fundamental requisite of CSR is to consult communities, define and meet key community needs and priorities, required to build trust. It establishes a focal point for transparent communication between industry and local communities. Without these bridges and in its absence, the fundamental concerns of the community will remain opaque and hamper community members from assuming a prominent role in defining their own CSR initiatives that meet their priorities.

2.2.3 Government

Typically, there is a good basis for government promotion of CSR and good corporate governance in general. This is so because revenue generated from industry can contribute significantly to the national treasury and to national development. The private sector is the catalyst for income and employment in any economy; and it can also play an additional role in local development through its CSR activities. By simply making contributions to local service delivery, provision of infrastructure and demand for goods, services and labour, the private sector can make a greater development impact than government could hope to achieve in years.

2.3 CSR in Africa: Nigerian Oil Industry

In Africa, the Nigerian oil industry is a typical example of how institutional and structural factors can make the implementation of CSR initiatives very problematic, as there is virtually no recognition of the local community as a vital stakeholder of the oil industry. While they continue to bear the full brunt of the negative effects of oil production, local communities have continued to be marginalised and excluded over the years (Orubu, Odusula, & Ehwarieme, 2004). Empirically, in Nigeria there is a skewed relationship in oil exploration and community involvement and participation in the decision-making process. According to Freeman and Velamuri (2006), involvement of the community will introduce a feeling of oneness, as opposed to the

present feeling of alienation, which appears to have taken firm hold in the Nigerian oil industry. Yet, involvement of the community in the design, implementation and monitoring of CSR initiatives is still minimal. For example, it is common for Nigerian community members to refer to Nigerian oil industry initiatives as ‘Shell’s borehole’, or ‘Mobil’s hospitals’. Consequently, they remain aloof and do not participate in the project, nor see any need to contribute to the sustainability of the projects (Freeman & Velamuri, 2006).

Mining companies, particularly those operating in frontier situations, tend to function as ‘black boxes’ immune to the influence of public opinion. For example, they constructed customised mining towns with the company as the dominant employer, the decision maker about what was to be developed, the nature of the social and infrastructural services, and essentially the manager of the town as part-and-parcel of the mine’s production system. As a result, companies were able to control and predict most variables affecting their operation, right down to issues of community administration (Freeman & Velamuri, 2006). The depletion of the resource almost resulted in a ghost town.

2.4 CSR in the Zimbabwean Context

The Zimbabwean government has been advocating adoption of CSR by Zimbabwean firms for a long time; and most large corporations have, to this end, implemented the notion of ploughing back into the communities in which they are operating. The Deputy Minister of Mines and Mining development Mr. Gift Chimanikire, speaking at a CSR Conference held in Harare, Zimbabwe, in August 2011, declared Zimplats, Rio Tinto, through the Rio Tinto Foundation, and Mimoso, as the mining corporations that have implemented CSR initiatives. These, according to Chimanikire, have invested in “projects that impact meaningfully on the lives of rural communities” (The Herald, August 2011).

Indeed, some mining companies have responded positively to CSR by working to improve their own methods of community engagement; for example, negotiation of agreements with communities on how to avoid harm and provide benefits. In so doing, they have gained strong local support for projects, while communities have seized the opportunities for development. But more work needs to be done. Too often however, the rhetoric in support of community engagement does not match the practice, as evidenced by lack of compliance-based monitoring mechanisms or legislation governing mining companies should engage with their communities.

2.5 Anglo American ‘S Unki Mine CSR Initiatives in Shurugwi

Corporations such as Zimplats and Anglo-American platinum company Unki Mine have been actively involved in CSR initiatives in their host communities. Unki Mine has been involved in numerous CSR activities since 2009. The CSR activities include water supply and sanitation, relocation of the displaced communities, infrastructure development, donations, scholarships, health and education. Moreover, they employed locals, offered investment incentives, and have been proactive in environmental management. Unki Mine is ISO1400 certified and compliant with the legal systems of the country’s Indigenization Act. Finally, the company spent, in 2013 alone, US\$ 1 Million in community projects. In the prior year 2012, Unki Mine donated \$21 183.00 to the community.

The above initiatives are sustainable, as they improve the quality of life, involve capacity building, employing locals ensures that money flows to locals who also receive investment incentives to invest in their community. Clearly, this is a community that will cite the positive impact of mining operations in Shurugwi.

2.6 Rio Tinto’s Murowa Diamonds CSR Initiatives in Zvishavane

In the diamond mining sector in Zimbabwe, RioZim’s Murowa Diamonds in 2010 won the Zimbabwe National Chamber of Commerce (ZNCC) Best CSR award (ZNCC, August 2010). The then managing director of Murowa Diamonds, Niels Kristensen said (ibid):

Effective management of our community relationships is as important to our commercial success as is the management of our business operations. During its six years of existence Murowa has worked with local partners and communities to ensure we played a significant role in the continued improvement of the local communities.

Murowa Diamonds’ community initiatives encompass health, education, agriculture, and business development. The diamond mining company has also constructed classroom blocks for various schools in the district, provided stationeries and text books and constructed and refurbished some health facilities such as clinics in the district. The company also assisted in upgrading the local cattle stock, provided training for farmers, and spearheaded several initiatives that enabled the community in the drought-prone areas to survive. Murowa Diamonds is also facilitating voluntary HIV testing and counselling for employees and members of the local community as part of its wellness campaign. Murowa Diamond’s community programmes span more than 50,000 people in five wards, namely Murowa, Mhototi and Mutambi in the Zvishavane District, Davira ward 14 in the Chivi district, and the Shashe resettlement area in Masvingo (ZNCC, August 2010).

The interventions by Murowa are sustainable in that they ensure that when the firm leaves, life will continue as community members have been conferred with diverse skills in agriculture, and education.

3 Research Design and Methodology

The content analysis research methodology was selected for this study. Furthermore, websites were analysed in search of evidence of data or information pertaining to Marange diamond fields.

A case study approach was used for the Marange Diamond mining CSR initiatives in Chiadzwa, Zimbabwe, to demonstrate how not to engage in CSR and respond to some of the issues highlighted in the on-going debate about CSR's use and role in sustainable development.

Mainly, two types of case studies exist: the first is called intrinsic case study whereby the case itself is the target of the research due to its peculiarity, and secondly, the instrumental case study in which the research focuses on specific issues that the case serves to illustrate (Creswell, 1998; Whellams, 2007). In this respect, Marange serves the latter of these two purposes. It is an instrumental case study which can shed light on firms operating in a developing country context.

A case study of mining is significant since mining has been the subject of serious criticism regarding its effect on sustainable development. Because of this some mining companies are employing CSR programmes as a means of responding to some of the criticism and concerns. Marange CSR initiatives were of interest as the firms have been berated for not doing enough.

3.1 Methodology

To be sure, many aspects of sustainable development cannot be quantified, and those which can frequently cast a hazy picture of development in a society. For instance, gross domestic product growth rates typically fail to reveal the effect and changes employment levels or higher living standards have on society. Consequently, one technique which is of use in understanding the real effect of employment levels is to engage people in the area. Berger (2004) states:

Qualitative techniques allow researchers to share in the understandings and perceptions of others and to explore how people structure and give meaning to their daily lives.

For this study, content analysis was used with respect to newspapers and websites to determine what the people are saying.

4 Research Findings

This study set out to analyse the implementation of corporate social responsibility programmes by Marange mining companies to determine whether they mitigate negative social and environmental impacts and contribute to sustainable development in the communities in which they operate. The timing of this research is apt as the government of Zimbabwe has consolidated the four previous mining firms into one and the previous experiences should provide important lessons for the new mining policy.

4.1 Reputation not a Matter of Great Concern

SW Africa Radio news reported on 20 MAY 2011:

Those households who had been rejecting moving until fair compensation had been paid to them have been forced to leave their homes, after the Chinese company, Anjin, recruited soldiers and launched a brutal eviction process over the weekend. A distraught man called the MDC-T offices on Saturday saying the process was being done hurriedly and properties are being destroyed in the hasty operation. “We are being moved from Chiadzwa right now, and the soldiers are being brutal. Our properties are being destroyed, and we are not even sure of where we are being moved to.” The man said, before the phone went dead. This followed reports last week that Anjin, one of the mining firms granted a licence to mine at Chiadzwa by the government, had recruited soldiers to start removing the 40 remaining families in the area.

Clearly, the mining house in question does not consider corporate citizenship or public image as being worthy of pursuit, as postulated by CSR proponents (Raufu, 2005: 85).

4.2 Environmental Degradation in Marange

According to the First Report of the Portfolio Committee on Mines and Energy on Diamond Mining (with special reference to Marange Diamond fields) 2009–2013 presented to Parliament of Zimbabwe in June 2013.

4.3 Refusal to Address Sustainability Concerns

Although the Committee was impressed upon visiting Arda Transau farm regarding the infrastructure that was in place, such as houses, schools, shops and clinics, it was observed with some trepidation that only 780 households have been evacuated out of the 4300 households to be re-located. The Committee was informed by the

Provincial Administrator for Manicaland that the mining companies were unwilling to construct an irrigation project at Arda Transau to ensure sustainable livelihoods for the communities being relocated.

4.4 Lack of a Re-location Policy

Concurrently, the Committee observed that ZMDC and the Provincial Task Force had no clear re-location policy to guide both the task force and mining companies in their relocation program. It was left to the discretion of the mining companies.

4.5 Profit-Motive Overriding

One of the Marange mining companies, DMC stated categorically, during the Committee's field visit in 2012 that its primary goal was to make profits whereas exhumation and re-burial of the communities' graves was a minor matter.

4.6 Lack of Communication Amongst the Players

The Committee observed that effective communication between the mining companies, the Provincial relocation committees and the communities on the relocation program was absent. As a result some households still resident in Marange experienced anxiety and food insecurity within the community as they had suspended most of their livelihoods such as farming on the basis that relocation was imminent.

4.7 Relocation Status

The Committee noted the re-location status as per Table 1.

In conclusion, the Committee called upon the government to come up with a standard as there were discrepancies in CSR mandates amongst the mining houses. It then made the following additional recommendation: The national and provincial task force on relocation of communities be advised to develop a standard relocation model, to prevent any inconsistencies and guarantee that the concerns and welfare of the communities are taken into consideration. Moreover, the development of such standards should be handled together with all relevant government institutions, the local communities, NGOs and the civil society.

Table 1 Re-location status

Company	Total number of houses to be constructed	Total number of houses constructed	Total number of houses allocated
Anjin Investments	474	474	474
Mbada Diamonds	487	100	100
Diamond Mining Co.	114	30	30
Marange Resources	350	184	116
Jinan Investments	350	1110	31
Rera Diamonds	92	0	0
Total	1947	989	751

Source Chininga (2013) Committee Report

4.8 CSR Implementation

On the 27th of April 2014, the *Standard* Newspaper reported that:

Only one mining company in the Marange diamond fields has managed to fulfil part of its CSR obligations while others are now reluctant to fulfil their promises because of dwindling alluvial diamonds, a resource watch group has said.

In the meantime, it was also reported that (ibid):

Anjin Investments has managed to complete all 474 housing units it promised to build for displaced villagers. However, the other three players, Mbada Diamonds, Marange Resources; Diamond Mining Corporations (DMC) and Jinan Investments are believed to be behind in terms of the first phase of the relocation process.

The families to be relocated to an area 24 km west of the City of Mutare totalled 4321 (although the Portfolio Committee cites 4300 households). This means that each firm was supposed to relocate approximately 800 households, assuming each household had 5 people.

In October 6, 2014, *Newsday* carried the following report:

The Musikavanhu MP made the claims during a mining legislation workshop for parliamentarians in Kadoma last Friday.

Chinese companies in Chiadzwa are polluting Odzi and Save rivers which are almost 270 km, and when cattle drink water their stomachs swell, and they have stillbirths and eventually die in a year, Mutseyami said.

The Environmental Management Agency (EMA) was told about the issue and now women are also experiencing stillbirths at surrounding hospitals. Mangwe MP Obedingwa Mguni (Zanu PF) said at Mpoeings, cyanide poisoning in water sources caused cattle to fall ill and due to ignorance people consumed the meat. He said one person died and 30 people had since been hospitalised for consuming contaminated meat.

We reported the issues to police, but up to now the culprits have not been caught, he alleged. EMA official Chris Mushava confirmed receiving reports of massive water pollution from villagers in Chiadzwa. We have tried to enforce the law to ensure there are slime dams that hold their effluent so that they do not pollute the water.

Most of the miners now have the slime dams, Mushava said. However, our problem as law enforcers is to go to Chiadzwa, we need to apply for written permission which takes seven days as it is a protected area. By the time we get clearance and we go to do our checks, the polluters would have hidden the evidence, he said.

Evidently, failure to be proactive on CSR may result in loss of public confidence and influence (Davis, 1973). This fact is borne out by the negative publicity and mounting evidence of a cavalier attitude by the mining firms with respect to the environment and the community.

4.9 No Tangible Benefits to Communities

At a dialogue meeting organised by the Zimbabwe Environmental Law Association on implications of a proposed consolidation of diamond companies, villagers said since commencement of diamond mining they have no tangible benefits from the extractive activities (News of the South, 10th April 2015).

On the 4th of March 2016 the Herald newspaper reported:

Mbada Diamonds, Anjin Investments, Diamond Mining Corporation and Jinan were denied mining licences thereby closing their operations.

Government had high expectations that with the discovery of diamonds in Marange most of its problems would be resolved. Figures of USD 2 billion in revenue per annum were usually mentioned. So, when mining companies announced that alluvial diamonds had expired—it was unbelievable, driving the government to deny the miners their licences and to consolidate their operations.

In the *Newsday* of April 9, 2016, it was reported:

Mbada Diamonds said it did a lot of corporate Social responsibility work in Chiadzwa, including building state-of-the-art houses and schools for relocated families, adding they would continue to assist the communities with training and farm inputs.

For the past five years Mbada contributed over USD 35 million towards corporate social responsibility programmes, mostly for the benefit of villagers in the diamond mining areas.

According to Shingi Manyeruke, as quoted in the *Newsday* (ibid):

Anjin is the only mining company that set up a tarred road in Chiadzwa. We even brought Chinese doctors to deal with cataracts and other health issues and spent USD 14 million. In the past two years, the company accumulated debts of which, it is struggling to clear because of operational issues.

A villager made the following observation in the *Newsday* of April 9, 2016:

We are worse off than before. Our rivers are now polluted, and diamond mining has brought more problems than before. Why doesn't government force the diamond mining companies to start cleaning the rivers so that we begin to breed fish? Is consolidation going to change the behaviour of the mining companies in Chiadzwa?

Dube (2016) had this to reveal about one firm operating in Marange diamond fields:

In the Chiadzwa area, Mbada Diamonds Company had made great strides in CSR interventions in the community it was operating from. The company embarked on extensive CSR initiatives, including support for ARDA Transau families that it relocated, sponsorship of development and social activities at Chiadzwa and Marange areas (www.reclam.co.za). After successfully relocating 100 households to the new houses in ARDA Transau the company continued to empower the community through various developmental projects. For example, each of the 100 households was given food hampers every three months with \$180,000 budgeted for the exercises. This budget had been used each quarter from May 2011 to date with some \$50,000 being spent each farming season for procurement of farming inputs (www.reclam.co.za).

On health and sanitation, a total of 93 fully equipped boreholes had been commissioned in the community to date with the company spending \$651,000; while medical assistance to the community to the tune of \$10,000 is being provided per quarter. The company also employed a visiting doctor to attend to the community once every week. Mbada Diamonds also supported the community's income generating projects. The company initiated a conservation farming project in ARDA Transau to train the relocated families to increase their productivity in farming with special emphasis on horticulture and poultry as income generating projects for the relocated families spending an initial \$160,000 in the projects (www.reclam.co.za).

The company also spent on education as part of its CSR initiatives. Construction of Mafararikwa School in Marange and Wellington Primary and Secondary schools in ARDA Transau are further examples of the impact of CSR by Mbada Diamonds in the community it was operating in (www.reclam.co.za). The company also assisted with maintenance of school buildings around Chiadzwa and Mukwada wards with an annual budget of \$200,000 set aside. The company's Schools Supplementary Feeding Scheme (\$100,000 budget) that offers supplementary feeding to 9 schools, both Primary and Secondary schools in Chiadzwa & Mukwada wards and the Chiadzwa Mukwada Community Orphanages Support schemes through food provisions on a quarterly basis are other notable CSR initiatives that positively impacted on the lives of the Chiadzwa mining community (www.reclam.co.za).

Newsday of March 10, 2017, reported that the Zimbabwe Consolidated Diamond Company had replaced the previous mining companies operating in Chiadzwa.

CSR is derived from a concern for the environment and is related to the concept of sustainable development. Carroll (1979) stated it well when he argued that firms should fulfil economic, legal, ethical, and philanthropic responsibilities as a means of discharging its obligations to society. Therefore, mining activities at Marange would be analysed based on their contribution to local development using the following indicators: quality of life, health, education, income and sustainability.

4.10 Discussion and Analysis

Information and findings from the case study can thus be employed to address some of the arguments made by supporters and opponents of CSR, as well as to draw some conclusions about whether CSR programmes can contribute to sustainability.

4.10.1 Quality of Life

Civil society organisations and parliamentarians aver that the quality of life in Marange has deteriorated because of mining activities. No alternative economic activities were developed. On the contrary, it is on record that one mining firm has been providing food hampers quarterly. The living conditions of the inhabitants have not improved since they have no access to clean water, electricity and latrines. When interviewed, the community alluded to a worsening situation. It is worth noting that, as observed by Raufu (2005: 85), the principle behind CSR is that it is a social investment that derives from the notion that: The goal of CSR is image management—the essence of public relations. Indications are that mining firms in Marange abdicated their responsibility to the community of Chiadzwa. Shankelman (2007) summed it up as follows in a discussion on the oil industry:

Doing impact assessments of new projects, consulting with neighbouring communities and to understand what the unintended impacts of investment might be and how these can be avoided, and financing community projects chosen to reflect community needs and priorities. And finally, oil companies should become explicitly involved, as a matter of enlightened self-interest in collaborating with the governments, businesses, and NGOs in activities aimed at preventing the “curse of oil” and ensuring that oil booms result in economic and social development.

In this author’s view, mining of diamonds should not be conceived merely as a means of making profit. Rather, mining companies should ensure that persons from the area benefit from employment, business opportunities, training, hiring and business development programmes, establishment of small-scale industries and infrastructural development. That would confer on the people a sense of belonging. This is lacking at Chiadzwa.

4.10.2 Health

The health of humans and livestock is sacrosanct; but it appears to have deteriorated because of the pollution of Rivers—Odzi and Save, both of which are the source of food and drinking water. Cases of stillbirths in livestock and humans were reported. Meat from the livestock, too, has been contaminated, causing illness in humans. The uncertainty reduction theory avers that people have a need to reduce uncertainty with regards to others by gaining information about them. The information acquired can then be used to predict the other party’s behaviour (Berger & Calabrese, 1975).

Consequently, mining firms in Marange ignored this advice and did not conduct an environmental impact assessment. This weakness was exploited to their detriment by human rights and civil society organisations.

Witness the Judicial authority of *Donoghue Vs Stevenson* (1932). The court held the manufacturing company liable in negligence. This was so because of their failure to recognise the intrinsic human dignity of those who were likely to consume their products. By failing to make a thorough check of facilities to detect unwholesome products, which might be harmful to consumers. Lord Atkin explained the “neighbour principle” thus:

The rule that you are to love your neighbour becomes, in law, you must not injure your neighbour and the lawyer’s question, who is my neighbour? – receives a restricting reply. You must take reasonable care to avoid acts or omissions which you can reasonably foresee would be likely to injure your neighbour. Who then is my neighbour? The answer seems to be—persons who are so closely and directly affected by my act that I ought reasonably to have them in contemplation as being so affected when I am directing my mind to the acts or omissions which are called to question. (*Donoghue Vs Stevenson*, 1932)

The Chiadzwa mining companies should have foreseen the impact of their actions on the community and taken pre-emptive measures since they owe it as a duty to the local communities.

4.10.3 Education

The impact of the mining firms on education remains unclear. Mbada makes claims of building schools and clinics; but the claims have not been confirmed by a third party. The stakeholder is an individual or group whose support that organisation needs to maintain its existence. Stakeholder theory (Freeman & Reed, 1983) is a theory of governance of an organisation and business ethics required to govern organisations. According to the stakeholder theory management has a moral duty to protect not only the corporation but also the legitimate interest of all stakeholders. The objective is always to uphold all stakeholder interests. Regrettably, either Marange mining firms were not conversant with the stakeholder theory, or they chose to ignore it.

4.10.4 Income (Economic)

The direct economic impact of mining in the Marange diamond fields is also difficult to ascertain. The evidence based on Mbada claims of donating food hampers and CNRG reports indicate that households had no source of livelihoods. Even farming inputs were donated by Mbada. An important conceptualisation is that of Kotler and Lee (2005) who equate CSR to an organisation’s commitment to the enhancement of the community’s welfare through ethics in business practices and philanthropic activities. Commendable as these steps are, once they are done without a thought for their sustainability, then they may be said to be no more than reckless lip-service. In the case of Marange, it cannot be determined if the CSR activities being engaged in

by mining firms have the goal of achieving social welfare. These activities must be voluntary, that is, not simply compliant with the dictates of the law.

4.10.5 Sustainability

Thus far, until the mining licences of the firms were revoked by the Ministry of Mines, their combined initiatives appear to have had an overall negative impact on the surrounding communities. The fact that food was donated, the rivers polluted, failure to relocate families and construct homes for them and failure to compensate indicate that the mining activities in Chiadzwa were not carried out with the long-term in view. To make matters worse, the miners seem to have thought that alluvial diamonds would be available for the rest of their mining lives, as they appeared shocked that alluvial diamonds were no longer to be found. They were also reluctant to bring in the necessary specialised equipment for underground digging.

It is clear from the foregoing that certain philanthropic contributions, such as gifts and handouts, are not the most effective approach to sustainable development. Straight philanthropy may lead to dependency. To avoid this, firms should engage in capacity-building projects that would enable communities to help themselves.

However, the manner in which capacity building is done is also crucial. A company implementing capacity building can unwittingly create dependency and impair a government's ability to discharge its duty to its citizens. To achieve sustainability, there must be collaboration between the firm, the community and the government to design, develop and implement the projects.

The research further suggests that Marange diamond mining firms should have worked closely with local non-governmental organisations, community leaders and local government. There is need for local government and communities to take ownership of development projects, thus preventing companies from being paternalistic and patronising (Whellams, 2007).

The subject of corporate image has been a challenge for most firms in Marange. CSR is often used as a risk management tool and as a means for firms to improve their image. Opponents present the argument that firms employ CSR to conceal the harm to the environment and the social impacts that their operations have on the surrounding communities. Thus, what is portrayed as CSR is in fact a charade that distracts the less discerning into believing that the firm has a serious sustainability agenda. This practice is not only unethical; it is also indicative of dishonesty.

5 Conclusion

The purpose of this study was to analyse the opportunities and challenges of corporate social responsibility (CSR) in Zimbabwe's Marange diamond fields. The analysis provided in the previous section supports the contention that firms mining diamonds in Chiadzwa failed to take advantage of opportunities presented by CSR to manage

both risks and their images as catalysts of sustainable development in their communities. This section outlines four main conclusions.

5.1 Nature of Philanthropic Activities

Activities that temporarily improve the livelihoods of communities are likely to satisfy the community's short-term, rather than long-term needs. Moreover, they tend to engender dependency which undermines the community's ability to manage its own affairs responsibly. Even worse, this may lead to corruption with companies being forced to meet demands for cash or gifts-in-kind from community members to maintain the stability of their operations. Capacity building is the appropriate approach to take for sustainability. Mines should engage in CSR to win the goodwill of stakeholders. To this end, CSR is not transactional, but a matter of principle. It is not something done as a quid pro quo. It is about showing consideration for the impact the institutions' activities have on various stakeholders. To this end, they gain the trust of the stakeholders, which helps them to form partnerships with them.

Mining institutions should not just engage in social responsibility activities from a merely philanthropic point of view, but also seek to promote the sustainable development agenda of their host community so that its future needs are met. Their interventions should encompass this so that even when mines leave, the inhabitants will also promote sustainable development in their spheres of influence.

5.2 Community Participation

Marange diamond miners neglected to engage non-governmental organisations, community leaders and local government leaders in designing their CSR programmes. Instead of being proactive they were reactive and were always caught on the back foot. An additional issue is that once a firm is viewed negatively by the public, as was the case in Marange, it tends to be quickly isolated, as government officials shun such firms for fear of alienating their constituents. Mines play a major role in development. There is need to create strategic partnerships and collaborate with different stakeholders.

5.3 Identifying the Nature of the Community

Diamond firms were more interested in exploiting the diamonds than understanding the community in which they had settled. Their arrival changed the host community's dynamics. Instead of co-existence with the host communities, there was a drive to push the communities out and relocate them as far away as possible. The whole area

suddenly became a security zone. Therefore, the CSR programme should have been designed with co-existence in mind and made the move as smooth as possible.

5.4 Reporting on CSR Activities

CSR activities in Marange are not reported by firms. Mining firms must communicate their activities, lest stakeholders misunderstand them. Reporting sheds light on what they are doing and demonstrates good stewardship.

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