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**The London School of Economics and Political Science**

*Digging for Compliments: Rio Tinto Group, Corporate Social Responsibility and the Diffusion of International Norms*

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A thesis submitted to the Department of International Relations of the London School of Economics for the degree of Doctor of Philosophy, London, April 2013

## Declaration

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## Abstract

It is a rare multinational corporation which neglects to express interest in Corporate Social Responsibility. Across countries, across industries and across organisations, ideas about 'giving back', 'working with communities', and 'being responsible' are discussed as commonly as profit margins and shareholder return. Despite, or perhaps because of, this plenitude, there remains confusion in understandings of what this phenomenon actually is and how it works. Of particular relevance for scholars of International Relations are lacunae in understanding how such an idea, value-based and emphasising organisational consistency, can be meaningful for actors operating simultaneously in many diverse locations, and under the freedom of international anarchy. Further, questions arise about what this phenomenon, reliant on ideas of good and bad, may illuminate about the movement of norms through the international system. These are the two interrelated problems that the dissertation seeks to address.

Following a constructivist approach, the dissertation uses a qualitative case study method, focusing on one main corporate case (Rio Tinto Group). Insights derived from the main case study are then compared with two secondary corporate cases, to strengthen their validity and reliability.

Key findings about the operational question, of *how* corporate social responsibility operates in multinational firms, point to the importance of broad, non-prescriptive and value-based policies at the global corporate level, with plenty of space for flexibility and variation in local implementation. In this way, corporations are able both to claim global consistency and local appropriateness. Insights about the movement of norms through the international system then follow, taking their cue from the well-known work of Finnemore and Sikkink (1998). The study finds that, while the essence of their 'downwards' model remains valid, applying it to the workings of international CSR points up limitations. Specifically, it appears that norms can move in various directions, not only 'downwards', but also 'upwards', as well as in cycles. Further, it appears that the direction of movement is influenced by local circumstances, and in particular the stability of the local political and economic environment.

## Acknowledgements

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## Introduction

### Between Dichotomies: Origins of the research project

'Public' and 'private' are terms that pepper contemporary scholarship and discourse with such regularity that one could be forgiven for assuming the dichotomy they describe is original and absolute. As social individuals, we intuitively understand that there is a difference between the things we do or show collectively, and those we keep to ourselves. So it is but a small step to expand and rearrange this idea into a whole series of categories and sub-categories, all based on the two essential states of 'public' and 'private'.

For example, the distinctions appear in law, where there are various actions that are permissible if undertaken in the privacy of one's home, but sanctioned if in public. It appears in academia, where discussions about the formation, use and abuse of power in different public or private settings is a core interest for philosophers in many disciplines. It appears most readily, perhaps, in politics, where 'public' and 'private' are defined in relation to the state, its organs and its civilian populations. Ideas of a 'public sector', encompassing government and government-supported organisations and initiatives, become contrasted with a 'private sector', of independent business and other enterprises, commonly oriented towards personal rather than state profit.

Such a dichotomy clearly has its uses. It is simple and reflects a manageable type of reality, allowing the building of practical organisational and legislative frameworks that impose order on the more chaotic elements of communal life. It is also, of itself,

morally neutral and culturally independent. In theory, neither is inherently better nor preferable compared with the other, they are simply two opposing possible states of being.

Nevertheless, in the manifestations of 'public' and 'private' life, the simplicity and common usage of the two terms does mask a much more complex reality, in which there are not only many shades of variation within each category, but considerable and fluid cross-over between the two. For example, an individual can have simultaneously many identities, some public (a professional identity, perhaps) and some private (an identity as a mother or a brother, perhaps).

This fluidity is particularly prominent in the political arena, where debate about the relative responsibilities and characters of the public and private sectors is common and often adversarial. Provision of services for civilian populations is a regularly contested area, where decision-makers argue about the rights and wrongs of private companies providing, for example, education and health care services.

In these practical cases, moral elements become pertinent. Values and ideas of worth become attached to certain actions and characters, with high value phenomena being encouraged and low value ones being constrained. Difficulties arise when there are contested views about which values should be applied where. This is so even in small and relatively homogenous communities; on a world scale, and under the emulsifying tendencies of globalisation, disagreements can be profound.

This highlights another popular dichotomy which is of common and on-going interest in contemporary scholarship and discourse: the division between the universal and the relative. This is another very complex idea, with origins indeed preceding the

formality of 'private' and 'public'. It deals with the difficult problems of variety within unity, and the simultaneous diversity and commonality of the human condition. Beyond the question of determining what is common to all, and what is distinct to some and not others, practical manifestation of this dichotomy often leads into similar moral and ethical disagreements as the 'public' and 'private' division. For example, human rights is one area where the difficulties and contentions most readily show up; despite decades of intensive scholarship and the establishment of countless practical initiatives and formal institutions, debate continues about the rights and wrongs of a truly universal human condition, and the foundations or rationales for any kinds of rights or statuses which should accompany it.

It is in these murky, contested 'in-between' places that this project finds its origins. Cognisant of, but dissatisfied with, the fundamentally practical utility of dichotomised concepts of 'public' and 'private', and 'universal' and 'relative', the project seeks to explore something of the rocky terrain between the two. International Relations (IR), with its encompassing theoretical foundations and broad reach across cultural, political and social contexts, is the ideal discipline in which to situate such an exploration.

### **Setting Parameters: Specific interests within general contexts**

To make such an investigation possible, it is necessary to focus in on more specific elements and examples of the problems of dichotomy. My previous work on international ethical initiatives has provided a useful starting point. In particular, a research project conceived and developed in the course of a Masters Degree in International Relations and concerning the United Nations Global Compact pointed at the many specific complexities involved in establishing a single, 'universal' set of

value-based principles that could be acceptable to actors from both the public and private, and indeed the third and voluntary sectors; and to actors in many different countries. Independent work on an edited volume<sup>1</sup> examining a public-private partnership in a developing country context further pointed to the challenges of implementing projects with ethical foundations in different cultural contexts, as well as highlighting the practical effect of divergent public and private sector differences. Together with other investigations and studies, these works suggested that studying the spaces between the public/private and universal/relative dichotomies within an IR framework would require a topic encompassing political parameters, cultural variation and public and private sector values and ethics. One topic thus suggested itself clearly: international corporate social responsibility.

This is a matter which has not often been written about from a distinctly IR perspective, more often appearing in management and business studies.

Nevertheless, when viewed through a prism of global values and cross-cultural ethics, it becomes clear that this is a topic which can have much to say in IR. Specifically, international corporate social responsibility (CSR) action is built on a core of values and principles. Seeing that values and principles are intimately connected with norms, and that strands of IR scholarship are intensively interested in the movement of norms through the international system, the relevance of international CSR for scholars of IR begins to be apparent, and a 'hook' from which to hang the project emerges.

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<sup>1</sup> Timmermann, M. and Kruesmann, M., eds. (2009) *The Women's Health Initiative: Striving for best practice within the UN Global Compact* (Tokyo: United Nations University Press)

## Structure of the Project

The challenge for the project, then, has been to find a way to build on existing IR scholarship on norms by using international CSR as an analytic framework. Discourse on globalisation, with its vast attendant literature and broad topic remit, provided the appropriate conceptual foundations. Chapter one discusses this literature, what it highlights about the movement of norms and values in a globalised and globalising world, and where some of the most pressing conceptual gaps remain.

Chapter two then examines international CSR, clarifying its relationship to global norms and normative movement, and highlighting the key elements which matter for examining CSR as a normative vehicle. In particular, the importance of CSR action as a response to local community expectations becomes apparent, together with the challenges that business actors operating across national borders (that is, multinational corporations) face in attempting to apply a single policy across many contexts. This discussion enables formulation of a specific research question: *‘What does the operation of CSR in multinational mining corporations disclose about the movement of norms through the international system?’*

The project’s theoretical foundations are then examined through empirical research; in this instance a case study involving one multinational corporation (mining firm Rio Tinto Group) and its operations in two very different country contexts. Chapter three discusses Rio Tinto Group and its approach to international CSR, while chapters four and five then report on and discuss field work undertaken to examine the empirical aspects of the research question, first in Australia (chapter four) and then in Zimbabwe (chapter five).

Chapter six brings together the separate empirical findings from the two case study experiences, and analyses them in concert with the overall project research question, articulating key research findings dealing with both the operation of CSR internationally, and the movement of norms in the global system. Finally, chapter seven provides an element of cross-validation for these findings, contrasting the Rio Tinto Group case with international CSR in two other large multinational corporations (pharmaceutical firm GlaxoSmithKline and banking firm Hong Kong Shanghai Banking Corporation). Finally, concluding comments and suggestions for future research agenda close the project.

International life is not static. Indeed, it is dynamic and volatile, never still, frequently changing and rarely consistent. This fluidity both motivates and confounds social science research. Attempts to impose order through categorisation and definition are natural, and a necessary part of organised human life and progress. It would be a mistake, however, to rely too heavily on these categories and definitions, hiding as they do apparently infinite complexity. This project, by digging under the surface of two of these most common dichotomised categories, hopes to shed some light on the cloudy space in between, and thus make its contribution to scholarship and the building of knowledge within the field of International Relations.

## Chapter 1: Globalisation, Authority and Non-State Actors

*“Authority, by definition, operates through a sense of obligation rather than coercion, one of its distinctive features that makes it particularly suited to the analysis of international affairs where enforcement capacity is weak.”*

*A. Claire Cutler, et al., 1999, p. 359.*

International Relations (IR) scholarship is painted across a broad canvass. It includes the study not only of relations between states, but relations between people, economies, organisations and even ‘things’, like the natural environment. Thus, a research project concerned with the particular policies of a particular group of actors must take care to situate itself clearly and explicitly in the appropriate part of that canvass. The purpose of this chapter is to provide such clarity, and to situate the project clearly within the relevant strands of IR discourse.

The project takes as its first conceptual framework the idea of ‘globalisation’, an issue which has interested IR scholars to a greater or lesser extent for at least the last three decades. The first sections outline what is meant by ‘globalisation’, and what some of the responses of various international actors have been. This then leads to discussion of ideas of ‘global governance’, with its emphasis on institutional responses to globalisation, and accompanying questions about which institutional actors matter and why or why not. The door is then open to bring in ideas about the role and relevance of non-state actors, and specifically multinational corporations (MNCs), in contemporary international life. Issues of authority and legitimacy emerge as

important here, and the role of standards, values and expectations come to the fore in MNCs' search for legitimacy.

By the end of the chapter, the scene is set for substantive discussion of MNCs, corporate social responsibility, and international norms and values. Chapter two provides this discussion, and together these first two chapters supply a firm conceptual and intellectual grounding for the empirical parts of the project in later chapters.

## Globalisation

'Globalisation' has been accepted for some time now as a major strand of interest and discourse within the study of international relations. Indeed, as Keohane and Nye note, "'Globalization' emerged as a buzz word in the 1990s, just as 'interdependence' did in the 1970s..."<sup>1</sup> This does not mean, however, that there is clarity or consensus on what it means and how it operates.

Definitions vary, and emphasise different aspects of transnational and global affairs. David Held, writing from a cosmopolitan perspective, speaks of "... 'overlapping communities of fate' where the trajectories of all countries are deeply enmeshed with each other."<sup>2</sup> Benjamin Barber considers the individual, noting that "The reality of human life today is interdependence. Lives are intertwined in ways that, though often invisible, conjure a global web of cause and effect and that give to almost every individual action an economic or political resonance that impacts others across the globe".<sup>3</sup> Keohane and Nye studied the constraining effect of 'interdependence' on

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<sup>1</sup> Keohane, R. and Nye, J. (2000) 'Globalization: What's new? What's not? (And so what?)', *Foreign Policy*, Spring, p. 104.

<sup>2</sup> Held, D. et al. (2005) *Debating Globalization* (Cambridge: Polity Press) p. 1.

<sup>3</sup> Barber, B. (2005) 'Global Governance from Below', in Held, D. et al., *ibid.*, p. 95.

power politics,<sup>4</sup> and differentiate this from 'globalism' which they define as a state of the world in which multi-continental distances are linked by "...flows and influences of capital and goods, information and ideas, and people and forces, as well as environmentally and biologically relevant substances ...".<sup>5</sup> 'Globalisation' is simply the increase of this state. Others have focused on increasing global linkages in particular industries or sectors, such as trade, the environment, security, communications and civil society.<sup>6</sup>

One of the most perceptive, and encompassing, definitions is offered by Holton, who takes care to note that globalisation is an ongoing process, and that it comprises at least three main elements which may or may not be linked. These are an intensified movement of goods, money, information, technology, people, ideas and cultural practices across political and cultural boundaries; the inter-dependence of social processes across the globe (and moreover an interdependence that results from human activity and specific human agents like entrepreneurs); and a consciousness and identification with the world as a single place.<sup>7</sup>

What all these definitions have in common is the fundamental idea that international and transnational connections and linkages between people, ideas and things are increasing, and that these connections bring with them mutual effects and

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<sup>4</sup> Keohane, R. and Nye, J. (1977) *Power and Interdependence* (Boston: Little, Brown and Company); and Keohane, R. and Nye, J. (1987) 'Power and Interdependence revisited', *International Organization*, 41:4, Spring, pp 725-753.

<sup>5</sup> Keohane, R. and Nye, J. (2000) op. Cit., p. 105.

<sup>6</sup> See, for example, Stiglitz, J. (2002) *Globalization and its discontents*, (New York: W.W. Norton and Company Inc.)

<sup>7</sup> Holton, R. J. (2005) *Making Globalization* (Hampshire: Palgrave Macmillan) pp 14-15.

dependencies that mean the action of one has consequences for increasing numbers of others. This, in a nutshell, is what is meant by 'globalisation'.<sup>8</sup>

Scholars and commentators are just as divided on whether the effects of globalisation are positive or negative: "Advocates cite its virtues and its inevitability. Opponents proclaim its supposed vices and vincibility."<sup>9</sup> One of the major claims of those critical of globalisation is that it increases inequality and that this has in turn pernicious effects on those in poverty and most needful of support.<sup>10</sup> Others deny this, arguing that the global trend towards greater inequality peaked in 1975 and has been stable or receding since, and that in fact inequality within economies has not increased at all.<sup>11</sup> Some even argue that globalisation's effects are, in fact, not all that significant.<sup>12</sup>

It is interesting to note, in the context of this project, Holton's claim that a great deal of popular antipathy towards globalisation has been based on a simplistic understanding of the phenomenon, one that acknowledges only economic globalisation and assumes this to mean free trade, deregulated markets, multinational corporations and neo-liberal ideology.<sup>13</sup> Where protests towards the perceived ills of globalisation have achieved extensive exposure and popular support, criticism has thus focused often on economic actors such as transnational companies

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<sup>8</sup> It is also useful to note that the current experience of 'globalisation' is, at least in academic circles, not considered entirely novel. Some argue the history of human evolution is one of large-scale movement in search of food and security, and others note that there have been periods of particularly extensive expansion in the past, for example related to European imperialism in the 18<sup>th</sup> and 19<sup>th</sup> centuries. See for example Holton, R. J., *Ibid.* pp 28-40.

<sup>9</sup> Bhagwati, J. (2002) 'Coping with Anti-Globalization: A trilogy of discontents', *Foreign Affairs*, January/February.

<sup>10</sup> See, for example, Mazur, J. (2000) 'Labor's New Internationalism', *Foreign Affairs*, January/February. Mazur claims that "Globalization is leaving perilous instability and rising inequality in its wake. It is hurting too many and helping too few." p. 79.

<sup>11</sup> See, for example, Dollar, D. and Kraay, A. (2002) 'Spreading the Wealth' *Foreign Affairs*, January/February.

<sup>12</sup> For example, see Grahame Thompson, 'The limits to globalisation: Questions for Held and Wolf', in Held, D. et. al., (2005) *op. Cit.*, pp 52-8.

<sup>13</sup> Holton, R. J. (2005) *op. Cit.*, p. 160.

and economic regulatory bodies. The reputations, and the popular acceptance, of these actors has sometimes suffered as a result. The need to develop methods for repairing such damage is part of the broader move in corporate thinking in recent decades to improve social standing and status; a core concern of this project and one which is discussed below.

## **Globalisation and the Sovereign State**

Whatever the truth of the existence and import of globalisation, the idea has spawned a vast literature in IR and related disciplines. One particular line of inquiry here, and one of central relevance to this project, concerns the effect of globalisation on the sovereign nation state. In order to understand this debate, it is useful first to be clear about exactly what is meant by 'sovereignty' of the state, and how it is thus affected by globalisation.

At a basic level, 'sovereignty' describes one method of organising political space. Like all politics, it is a system for rule, which comprises "...legitimate dominion over a spatial extension."<sup>14</sup> As Ruggie points out, sovereignty need not apply only to 'spatial extensions' in the form of territorial states, and indeed in the pre-modern era systems of legitimate rule have applied in a range of different spatial contexts.<sup>15</sup> However, since the emergence of the modern international system during the 17<sup>th</sup> century, it has been in relation to territorially-bounded nation states that sovereignty is generally considered.

This has led to scholars suggesting definitions that emphasise certain elements of state sovereignty, such as constitutional independence, where "...a sovereign state is

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<sup>14</sup> Giddens, A. (1981) p. 45, cited in Ruggie, J. G. (1993) 'Territoriality and beyond: problematizing modernity in international relations', *International Organization*, 47:1 (Winter) p. 148.

<sup>15</sup> Ruggie, R. J., *ibid.*

not subordinate to another sovereign but is necessarily equal to it by international law..."<sup>16</sup> Definitions may also underline the *supremacy* of sovereign control, involving "...the final and absolute authority of a political community";<sup>17</sup> or the sovereign's role in legislating for a particular polity.<sup>18</sup> Perhaps most importantly, most definitions refer to a geographically defined status: "Sovereignty is supreme legitimate authority within a territory."<sup>19</sup> Touching on all these ideas together, Cusimano provides a comprehensive definition:

*"Sovereign states have exclusive and final jurisdiction over territory, as well as the resources and populations the lie within that territory. A system based on sovereignty is one that acknowledges only one political authority over a territory, and looks to that authority as final arbiter to solve problems that occur within its borders. In theory, the sovereign state has a monopoly on the use of force within that territory."*<sup>20</sup>

Such a definition makes clear the relevance to this arrangement of 'globalisation'. Sovereignty is all about control (through the legitimate exercise of power) within a territory by a single highest authority. Globalisation, on the other hand, is all about crossing territorial borders, and forging transnational linkages and connections between various people and things. How the two can be understood in relation to each other has proved persistently intriguing for scholars of international relations.

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<sup>16</sup> Jackson, R. (1990) *Quasi-states: Sovereignty, International Relations and the Third World* (Cambridge: Cambridge University Press) p. 32.

<sup>17</sup> Weinert, M. S. (2007) *Democratic Sovereignty: Authority, legitimacy and state in a globalizing age* (London: University College London Press) p. 96. See also Philpott, D. (1995) 'Sovereignty: An introduction and brief history' *Journal of International Affairs* (48:2) Winter, p. 356.

<sup>18</sup> Dunning, W. A. (1896) *Jean Bodin on Sovereignty with some Reference to the Doctrine of Thomas Hobbes* (Boston: Ginn and Company) p. 100.

<sup>19</sup> Philpott, D. (1995) 'Sovereignty: An introduction and brief history' *Journal of International Affairs* (48:2) Winter

<sup>20</sup> Cusimano, M. K. (2000) *Beyond Sovereignty: Issues for a global agenda* (Boston: St Martin's Press) p. 2.

Some scholars have taken a pessimistic view, so that “Wherever we look across the social sciences, the state is being weakened, hollowed out, carved up, toppled and buried. We have entered a new era of ‘state denial.’”<sup>21</sup> Particularly for earlier theorists, such as Ohmae, the only way forward would be to cede meaningful operational autonomy to powerful regional centres, effectively heralding the end of the nation state.<sup>22</sup> A somewhat similar argument, though one reaching less dramatic conclusions, was made by Susan Strange, who examined the functional responsibilities of states under globalisation pressure in relation to such matters as taxation, social welfare and the use of violence, to find that “...the domain of state authority in society and economy is shrinking and...what were once domains of authority exclusive to state authority are now being shared with other loci or sources of authority.”<sup>23</sup>

More recently, however, there has been growing support for the idea that rather than the death of the state, it is the transformation of the state from one form (the nation state) into some new form that is happening. For example, one prominent thesis has been offered by Philip Bobbitt.<sup>24</sup> Drawing on insights from both strategic studies and international law, he argues that there is a transition occurring away from the ‘nation state’ and towards a ‘market state’. To make the distinction he begins with the bases of sovereign state legitimacy, suggesting (like many others before him) that nation states gained legitimacy through their provision and protection of citizens’

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<sup>21</sup> Weiss, L. (1998) *The myth of the powerless state* (London: Polity Press) p. 2.

<sup>22</sup> Ohmae, K. (1995) *End of the Nation State: The rise of regional economies* (London: Harper Collins)

<sup>23</sup> Strange, S. (1996) *The Retreat of the State: The diffusion of power in the world economy* (Cambridge: Cambridge University Press) p. 82.

<sup>24</sup> Bobbitt, P. (2003) *The Shield of Achilles* (New York: Random House). See also his later book, which applied some of the ideas of *The Shield of Achilles* to instances of modern warfare. Bobbitt, P. (2008) *Terror and Consent* (New York: Alfred A. Knopf).

material well-being. In the market state, by contrast, legitimacy rests on the state's ability to maximise its citizens' opportunities. This does not involve any guarantee that opportunities will be realised, but rather that citizens will have the freedom, either individually or collectively, to pursue their own goals and wishes.

A similar transformative thesis is offered by Jessop,<sup>25</sup> who writes from a Marxist point of view to argue for a change from a 'Keynesian Welfare State' (KWS) to a 'Schumpeterian Workfare State' (SWS). Here, a process of (capitalist) state transformation rather than decline is proposed, and Jessop argues that whereas the state's legitimacy under the KWS derived from its ability to provide stability, job creation and mass consumption, under the SWS the bases of sovereign legitimacy flow from the ability to maximise opportunities for innovation in market competition.

A third thesis focusing on economic drivers as the basis for state change under globalisation comes from Weiss, in her work debunking 'the myth of the powerless state'.<sup>26</sup> Taking a comparative approach, she begins with analyses that have found the state to be increasingly impotent in the face of economic globalisation, and argues that despite the complexity inherent in this process, there remain many areas of monetary and industrial policy and practice where state intervention remains vital for national prosperity, social wellbeing and wealth creation. She uses the Japanese case, for example, to demonstrate that the Ministry of International Trade and Industry (MITI) plays an important role not only in promoting imports in the domestic market, but also in facilitating international corporate activities and creating new tools for

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<sup>25</sup> Jessop, B. (1993) 'Towards a Schumpeterian Workfare State? Preliminary remarks on a post-fordist political economy' *Studies in Political Economy* (40)

<sup>26</sup> Weiss, L. Op. Cit.

industrial cooperation.<sup>27</sup> Similarly, she notes how the 'private sector governance' system that has guided (West) Germany's development for much of the post-war period is not the result of private sector initiative, but is rather a state-informed and state-sponsored system of industrial and economic coordination.<sup>28</sup>

Not all scholars have focused (only) on economics. Sorensen does consider economic issues, but he equally examines social institutions and the power vested in states' governments to suggest the evolution of a 'postmodern state' (as an ideal type) in place of the conventional 'nation state'.<sup>29</sup> In this view, states retain their core of juridical sovereign independence while selectively extending, though by no means relinquishing, their influence beyond national borders in matters of economics (related for example to international trade and finance) and of government (related for example to international regulation of immigration or crime). Additionally, postmodern states include a transformation in relation to 'nationhood', where collective loyalties involving a 'community of citizens' and a 'community of sentiment' are projected outwards and away from traditional state borders.<sup>30</sup>

Similarly, Loughlin goes beyond economics to consider culture, identity and history as factors in the effect of globalisation on states.<sup>31</sup> Focused on Europe, he proposes a 'hybrid state' model as most appropriate to describe the way states in that part of the world are changing. Tracing the evolution of the post-war European welfare state, Loughlin argues that as this highly centralised version of the nation state became

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<sup>27</sup> Ibid. pp 197-204.

<sup>28</sup> Ibid. pp 131-136.

<sup>29</sup> Sorensen, G. (2004) *The Transformation of the State: Beyond the myth of retreat* (Hampshire: Palgrave Macmillan)

<sup>30</sup> Ibid. p. 162.

<sup>31</sup> Loughlin, J. (2009) 'The 'Hybrid' State: Reconfiguring territorial governance in Western Europe', *Perspectives on European Politics* 10:1 (April)

more difficult to sustain both financially and politically from the 1960s onwards, states began selectively to reform their forms and functions. This has involved conferring certain powers on local domestic bodies, on regional interstate institutions, and on international organisations, while still retaining a core identity as a locus of authority and decision-making. Loughlin sums this up as a shift from a “...very hierarchical, top-down, ‘principal-agent’ model of government to one that is characterized by significantly increased ‘choice’ and flexibility for local and regional tiers of government.”<sup>32</sup>

Also in the European context and again in a somewhat similar vein, Keating focuses on the meaning of ‘nation’ in ‘nation state’ to articulate the contemporary transformation as one from a nation state to a ‘plurinational’ model.<sup>33</sup> Echoing those others who have pointed to the importance of economic restructuring as a driver for state change, he argues that European welfare states still exist in some form, but that as their functional capacity and ability to mould and sustain identity is challenged, states have been demystified and their old monopolies undermined, providing a “...cue for new historiographies, which have traced other, competing state traditions lost since the rise of the monolithic nation-state.”<sup>34</sup> The result of this is a post-sovereign order, in which territorially-bounded states share their prerogatives with supra-state, sub-state and trans-state systems.<sup>35</sup>

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<sup>32</sup> Ibid., p. 68.

<sup>33</sup> Keating, M. (2009) ‘Rescaling Europe’ *Perspectives on European Politics*, 10:1 (April)

<sup>34</sup> Keating, M. (2001) *Nations Against the State: The new politics of nationalism in Quebec, Catalonia and Scotland* (Basingstoke: Palgrave) p. 134.

<sup>35</sup> Ibid. p. ix.

## **In summary: Globalisation as Disaggregation of Power and Authority**

What all these apparently diverse theses have in common is the idea of globalisation resulting in a fragmentation and disaggregation of sovereign state power and authority. Further, they share the idea that this fragmentation results from changes in the *bases of legitimacy* accorded to state authority. That is, the authority of the state to wield power and influence in its territory on the basis of a response to the expectations of those within the territory. Whether concerned principally with economics, or with questions of history and culture, this strand of IR scholarship argues the case for a diffusion of power from the central core of the 'state' to include other legitimate actors, including those from other sectors and with interests beyond the territorial confines of the state. As such, it provides the most appropriate grounding for this project, concerned as it is with non-state actors in the international realm. The sections below deal with this in more detail.

## **Global Governance: A response to fragmentation**

A change of this magnitude in the organisation of international space has, unsurprisingly, provoked reactions, particularly from state actors who are anxious to understand and to maintain some control over the forces that threaten to diminish their own authority and autonomy.<sup>36</sup> One of the most prominent forms of reaction has been an emphasis on creating and strengthening transnational, interstate institutions and organisations by which some measure of control can be levied. A further strand of IR scholarship has emerged to study this phenomenon, and literature on 'global governance' is now similarly extensive.

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<sup>36</sup> See Woods, N. (2002) 'Global governance and the role of institutions', in Held, D. and McGrew, A. (eds) *Governing Globalization* (Cambridge: Polity Press). Woods explains that "Policy-makers worry they are losing yet more of their control over their own economies, and policy choices as key policy instruments seem to dangle just out of reach. They are turning increasingly to regional or international institutions in the hope that coordinated solutions will provide some respite." (p. 25).

In essence, 'global governance' concerns systems for making rules, solving problems and coordinating political action that go beyond nation states, and the study of it is particularly concerned with structures and processes of government for the international space. Importantly, global *governance* is distinct from global *government*; in the former, there is no single highest authority dictating or enforcing decisions.<sup>37</sup> Further, Held and McGrew clarify global governance's distinct characteristics in terms of multiple layers (including supranational, regional, transnational, state and substate layers) and structural complexity (there are "...diverse agencies and networks with overlapping...jurisdictions, not to mention differential power resources and competencies.")<sup>38</sup>

In a practical sense, global governance can best be observed through the proliferation of organisations and institutions aiming to impose structure and convention on the complex and dynamic relational networks of globalisation. There are various types, and they can usefully be categorised according to which 'layer' of global governance they deal with.

Key organisations at the supranational level include international organisations, like the United Nations and its associated institutions in the World Bank Group; at the regional level groups such as the European Union, the Asia Pacific Economic Cooperation group, and the Association of South East Asian Nations; at the transnational level, there are global business networks and non-government organisations, such as the International Chamber of Commerce or Greenpeace International; and at the substate level there are community and local government associations.

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<sup>37</sup> Held, D. and McGrew, A. (eds) 'Introduction', *Governing Globalization*, *Ibid.*, p. 8.

<sup>38</sup> Held, D. and McGrew, A. *Ibid.*, p. 9.

Another key phenomenon associated with attempts to govern globalisation, and one which often flows from these organisations, is the recent proliferation of international standards initiatives, and voluntary or industry-mandated codes of conduct. The diversity of these standards and codes is wide, ranging from those with a normative emphasis, such as codes of conduct designed to bind subscribers to uphold international human rights norms; to those with industry-specific aims such as the newly-emerging International Code of Conduct for Private Security Service Providers;<sup>39</sup> and those emphasising particular global issues including climate change, such as the International Organization for Standardization 14000 Series.<sup>40</sup> Perhaps one of the most celebrated, and one having the widest scope of interest and membership, is the United Nations Global Compact, a “...strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.”<sup>41</sup>

At this stage, perhaps the most important idea to draw out is the involvement in these organisations, institutions and initiatives of non-state actors, including business actors. For example, the governmental-based World Trade Organization frequently includes non-governmental participants in symposia, and sometimes as observers to member deliberations. Business participants in the recent Symposium on Trade, Environment and Sustainable Development, for instance, included Alcan Aluminium Ltd, The Procter and Gamble Company, and Union Bank of Switzerland.<sup>42</sup> Given the

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<sup>39</sup> <http://www.icoc-ppsp.org/>, accessed 23 May 2012.

<sup>40</sup> [http://www.iso.org/iso/iso\\_14000\\_essentials](http://www.iso.org/iso/iso_14000_essentials), accessed 23 May 2012.

<sup>41</sup> <http://www.unglobalcompact.org/>, accessed 23 May 2012. Further discussion of the United Nations Global Compact appears in the next chapter.

<sup>42</sup> [http://www.wto.org/english/forums\\_e/ngo\\_e/ngoenv\\_e.htm](http://www.wto.org/english/forums_e/ngo_e/ngoenv_e.htm), accessed 23 May 2012.

centrality of this phenomenon to the current project, it is worthwhile examining this matter in a little more detail.

### **Non-State Actors in global affairs**

Like 'globalisation' and 'global governance', there is an extensive literature on the presence and action of non-state actors in transnational affairs. Further, in line with the former two concepts, there is acknowledgement that the phenomenon is not new, but may rather be traced back in archaic and proto-modern forms to very early stages of human civilisation.<sup>43</sup> This is hardly surprising, when one considers that the sovereign nation state has been considered the dominant organisational unit in international affairs only since the mid-17<sup>th</sup> century.<sup>44</sup> Nevertheless, in contemporary analysis and comment, the prominence of the term 'non-state actor' indicates that a marked dichotomy does now exist between those agents comprising or derived from the state, and all those who claim an alternate identity.

The unifying implication of the single term 'non-state actor' is, however, misleading in the way it may obscure the vast number and diversity of those agents and organisations influencing global affairs. Indeed, it may be argued that the fragmented multitude claiming status as non-state actors is larger and more variable than at other times in history. Such actors may now include such varied bodies as large charities

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<sup>43</sup> Holton notes, for example, that evidence of an early form of global civil society, understood as cross-border activities involving individuals, networks and organisations, may be found in Saint Paul's letters to geographically divided Christian communities in the first century A.D. Holton, R. J. (2005) op. Cit., p. 136.

<sup>44</sup> The 'Peace of Westphalia', a collective term used to describe the Treaties of Muenster and Osnabrueck, signed in 1648 and ending the Thirty Years War, is generally accepted as formalising a political system based on sovereign states. See *Treaty of Westphalia: Peace Treaty between the Holy Roman Emperor and the King of France and their respective Allies*, 'Avalon Project' website, Yale Law School, [http://avalon.law.yale.edu/17th\\_century/westphal.asp](http://avalon.law.yale.edu/17th_century/westphal.asp), accessed 29 May 2012. Some have contested the link between Westphalia and the establishment of a sovereign state system (For example Croxton, D. (1999) 'The Peace of Westphalia of 1648 and the origins of sovereignty' *The International History Review* (21:3) pp 569-591); but a general consensus within IR scholarship accepts the relevance of this development.

with staff numbering in the hundreds of thousands, such as the International Committee of the Red Cross; transnational volunteer networks such as Medecins Sans Frontieres; philanthropic foundations with multi-billion dollar endowments, such as the Bill and Melinda Gates Foundation; and single issue campaign groups focused on issues such as climate change or child labour.<sup>45</sup>

For this reason, it is in some senses more useful to consider the term 'civil society', rather than 'non-state actor', avoiding as it does the dichotomising tendency. The issues dealt with in literature referring to either of the two ideas are in any case very similar; and hence it is helpful to consider scholarship locating itself under both banners.

One point worth noting, though, is that in much literature referring to civil society, and sometimes to non-state actors, there is a reluctance to include corporations and for-profit actors. The reason for this common omission is a "...moral political conception of global civil society that typically excludes markets because they are seen as elite activities that often damage civil life."<sup>46</sup> Yet as Holton argues, such an omission is unhelpful as it suggests that global civil society could exist without money and monetary exchange, and that "...to exclude trans-national corporations and the activities they represent...makes bad sociological sense."<sup>47</sup> This points, then, to the distinct relevance and importance of private sector actors in international affairs, including multinational corporations.

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<sup>45</sup> Holton, R. J. (2005) *Op. Cit.*, p 148.

<sup>46</sup> Holton, R. J. (2005) *Op. Cit.*, pp 134-135.

<sup>47</sup> *Ibid.*, p. 149.

## Multinational Corporations as legitimate global actors

The importance and role of multinational corporations (MNCs) in the international space came to scholarly prominence in the 1970s, when academic research focused explicitly on such issues. In their introduction to the 1971 issue of the journal *International Organization*, Nye and Keohane argued that although transnational relations and actors had largely been ignored in scholarship on world politics to that point, nevertheless they constitute an important area of concern, not least because of the effect such relations and actors can have on the state. Specifically, they note that transnational interactions may increase the sensitivity of societies to one another, thereby altering relations between governments.<sup>48</sup>

Later in that same issue, Wells took up the particular issue of the MNC to argue that depending on the particular industry, and on the internal organisational structure of the firm, MNCs' foreign operations may effectively circumvent or frustrate the policies of host governments. Thus, these firms themselves become autonomous actors whose behaviour has cross-border implications. Traditionally, he notes, this has been particularly the case in extractive industries, where the importance of raw materials to development has meant MNC home governments and corporate headquarters dedicate close attention to management of site operations:

“If the extractive operations of multinational enterprises behaved as a local firm did, it was only a coincidence. The host government quickly felt the frustration of trying to induce the local manager to respond to its wishes...As the local tax authorities soon discovered, the important financial

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<sup>48</sup> Nye, J. S. and Keohane, R. O., (1971) 'Transnational Relations and World Politics: An Introduction' *International Organization* (25:3) p. 336. Nye and Keohane go on to elaborate on the effects transnational relations may have on states, noting that outcomes may include attitudinal changes, increasing international pluralism, and increasing dependence and interdependence. Further, they explain that transnational linkages may in themselves become instruments for state influence; but transnational organisations may also act as autonomous or quasi-autonomous bodies of themselves. See pages 337 to 341.

records were also kept in head offices. Here was a transnational actor that fit many of the characterizations of the centralized decision-maker."<sup>49</sup>

In the years since MNCs became a prominent topic of academic study, literature on this phenomenon has bloomed not only in International Relations, but in Economics and in Management Studies also.<sup>50</sup> A cross-disciplinary consensus thus exists that acknowledges the relevance of MNCs, and the value of studying them from a range of conceptual perspectives.

For IR scholarship, one of the key issues for the study of MNCs, and one that continues to animate debate today, concerns the *legitimacy* of those corporations to claim status as international actors on the same stage as sovereign states. This is also a question at the heart of the current project.

As the section above on the transformation of the sovereign state explained, concepts of legitimacy in global affairs have historically, at least in relation to the state, rested on contractual ideas of power and consent. Arguments for the legitimacy of MNCs are somewhat more varied. One possible argument, for example, suggests that where states are recognised as legitimate actors in international affairs, inclusion of MNCs in interstate discussion and decision-making fora confers by 'mutual recognition' a type of international legitimacy on those MNCs. Examples of this idea emerge most clearly where business actors are permitted to observe or contribute to the deliberations of bodies such as the United Nations, in its various

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<sup>49</sup> Wells, L. T. (1971) 'The Multinational Business Enterprise: What kind of international organization?' *International Organization* (25:3) p. 457.

<sup>50</sup> As well as dedicated book publications, journals such as the *Academy of Management Review*, *Strategic Management Journal*, *Journal of International Business Studies*, the *Journal of Economic Surveys*, and the *Journal of Political Economy* have all devoted considerable space over the years to studies and articles about MNCs.

sectoral manifestations.<sup>51</sup> However, as work by Clark suggests, this idea is not fool-proof, not least because in practice it has often not functioned even between states themselves, let alone actors not formally displaying the characteristics of a state. In some cases, such a concept can even be used negatively, so that withholding the legitimacy of recognition becomes an instrument of oppressive power. “That international society has actively discriminated against other types of would-be international actors, so as to marginalize their importance, is widely accepted.”<sup>52</sup>

Another explanation for the way in which MNCs derive their status as legitimate international actors relates closely to those ideas of globalisation and the transformation of the state mentioned above. Here, it can be argued that ‘legitimacy’ is effectively a zero-sum phenomenon in world affairs, and as globalisation causes some states to lose a part of their sovereign legitimacy, so that legitimacy passes to other actors such as MNCs: “...the growth of competing types of disaggregated authority to that of the state can be associated with a decline in state authority...”<sup>53</sup>

Descriptions for how such as transfer or disaggregation may take place are, however, very complex, and it is difficult to pin down with accuracy or consistency the precise workings of such a process. It may be, for instance, that states willingly cede control over some mundane or technical matters, which they do not regard as critical to their own survival, to other actors such as international institutions.<sup>54</sup> Alternately, non-state actors may proactively demand that states share their power or control over

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<sup>51</sup> The inclusion of business actors in discussion and debate at the World Trade Organization, mentioned above, is a useful example.

<sup>52</sup> Clark, I. (2007) *Legitimacy in International Society* (New York: Oxford University Press) pp 26-27.

<sup>53</sup> Porter, T. (2008) ‘Disaggregating authority in global governance’, in Hansen, H. K. And Salskov-Iversen, D. eds, (2008) *Critical Perspectives on Private Authority in Global Politics*, (Basingstoke: Palgrave Macmillan) p. 28.

<sup>54</sup> *Ibid.*, p. 32.

issues which affect them, and states may subsequently abide by that demand.<sup>55</sup> Both of these possibilities suggest that states actively delegate control to non-state actors, and thus confer legitimacy directly, albeit perhaps reluctantly. It could also be the case that non-state actors claim legitimacy independently of state conferral, for example in relation to technological expertise where they may claim legitimacy through specialist knowledge and mastery of skills.<sup>56</sup> Thus, while the accumulation of legitimacy by non-state actors may operate as a kind of transfer with states, it is by no means certain that this is often or even usually the case.

Another different explanation for the method by which MNCs obtain legitimacy as international actors may emerge from the study of international law and juridical systems. Here, the idea is that the existence of a large and growing body of international law concerned with the operation of MNCs across national borders and national jurisdictions, confers upon those MNCs involved a type of legitimacy as international actors. Once again this explanation falls short of comprehensive, however, as soon as the incompleteness and *ad hoc* nature of international law concerning MNCs is considered. In the first place, international law does not have the same binding qualities as law within national jurisdictions; so its own authority to declare an actor or organisation as a legitimate international figure must be questioned. Further, as Kell and Ruggie pointed out in their monograph outlining the nature and purpose of the United Nations Global Compact, the provisions of

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<sup>55</sup> *Ibid.*, p. 33.

<sup>56</sup> *Ibid.*, p. 30.

international law for corporations are not adequate to cause any consistent or genuinely effective regulation of the global private sector.<sup>57</sup>

One further, and fairly simple, argument for how MNCs may obtain legitimacy in the state-dominated international space relates to the pure economic and operational power of MNCs; the size of their financial resources, and the fact that MNCs may often these days take over the tasks that states as traditionally expected to do. Panić argues, for instance, that

“...because of the contribution that they (MNCs, or transnational corporations, as she refers to them) make to national output and employment, they are in a position to exert considerable influence on national economic and social policies and, consequently, on national material prosperity, social wellbeing and political stability...(they) are able to spread and rationalize their operations internationally – becoming in the process the main channel through which world production, trade, investment, capital flows and the diffusion of technology take place.”<sup>58</sup>

Even more explicitly, Hall and Biersteker list the variety of actions and tasks that contemporary non-state actors undertake, noting that “In short, they do many of the things traditionally, and exclusively, associated with the state...”<sup>59</sup> and moreover, in doing so, they appear to have been accorded a form of legitimate authority.<sup>60</sup>

It is likely that all of these explanations for how MNCs derive a status as legitimate international actors have some value, though none is by itself adequate to solve the

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<sup>57</sup> Kell, G. and Ruggie, J. G. (1999) ‘Global Markets and Social Legitimacy: the case for the Global’, in United Nations UNCTAD, *Transnational Corporations* (8:3) [www.unctad.org/en/docs/iteiit12v8n3\\_en.pdf](http://www.unctad.org/en/docs/iteiit12v8n3_en.pdf), accessed 17 May 2012.

<sup>58</sup> Panić, M., (2011) *Globalization: A threat to international cooperation and peace?* (Basingstoke: Palgrave Macmillan) p.5.

<sup>59</sup> Hall, R. B., and Biersteker, T. J. ‘The emergence of private authority in the international system’, in Hall, R. B., and Biersteker, T. J., eds., (2002) *The emergence of private authority in global governance*, (Cambridge: Cambridge University Press) p. 4.

<sup>60</sup> Saskia Sassen argues that the simple fact that the power MNCs have arrogated to themselves is not effectively challenged gives that power its legitimacy. Sassen, S. (2002) ‘The State and Globalization’ in Hall, R. B. and Biersteker, T. J. (eds) *The Emergence of Private Authority in Global Governance* (Cambridge: Cambridge University Press) pp 91-108, and especially pp 92-95.

problem convincingly. The final point in the fourth explanation above, however, (that of MNCs attaining legitimacy by fulfilling (some of) the tasks and roles traditionally managed by states) points to the one underlying idea that provides the most consistently applicable argument; legitimacy through consent, and the meeting of expectations of those who are subject to the corporations' power. In this sense, legitimacy for MNCs is derived in much the same way as legitimacy for states.

A body of scholarship has developed to examine this idea particularly. Cutler et al. in their landmark compilation of papers on international private authority draw direct references between the rationales for state authority and private authority, which they define as decision-making power over an issue area that is generally regarded as legitimate by participants, and which (in the case of private authority) need not be associated with government institutions but which may be associated with firms.<sup>61</sup> Arguments for the way in which the acceptance of participants is obtained closely reflect those above, including the value of private actors' technical expertise, or their historical dominance over a particular phenomenon, such as a product market.<sup>62</sup>

Hall and Biersteker et al. support and develop this argument, emphasising that an essential element of private authority is the lack of coercion in securing participants' acceptance.<sup>63</sup> Acceptance may result from persuasion, trust or apathy,<sup>64</sup> but it is not forced or powerfully *enforced*. Further, they note that there is an implicit social relationship between those exercising authority and those subject to it, and that it is a public relationship, "...to the extent that claims and recognition of claims of

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<sup>61</sup> Cutler, A. C., (1999) *Private Authority and International Affairs* (Albany: State University of New York Press) p. 5 and p. 362.

<sup>62</sup> *Ibid.*, pp 38-353.

<sup>63</sup> Hall, R. B., and Biersteker, T. J., eds (2002) *op. cit.*

<sup>64</sup> *Ibid.*, p. 5

authority involve an open, visible process among different agents.”<sup>65</sup> It is this open process which suggests that authority may exist separate from recognised government institutions.

Cutler et al. make a further interesting distinction, between the ‘inward’ exercise of private authority, meaning exertion of influence by one actor or set of actors over others of a similar nature and with similar, cooperative interests (cartels are cited as an example); and the ‘outward’ exercise of private authority, meaning exertion of influence over citizens or actors in other industries or institutional sectors.<sup>66</sup> It is this second exercise of private authority that is of particular interest for the project, concerned as it is with the relations between multinational firms (especially mining firms) and local communities. Notably, it is possible for the outwards exercise of private authority to be assisted and supported by governments, though this is not always necessary. How these relations of authority creation, maintenance and extension function, involving both private and public sector actors, will be interesting to investigate in the course of the research.

### **Legitimacy and Anarchy**

Before moving to the substantive part of the research, however, one important point must be acknowledged, and that is the anarchical nature of the international system. Anarchy affects the operation of contractual legitimacy for multinationals in two connected ways.

First, the lack of an overarching authority means that there is no single source determining what the particular expectations of any group or individual with whom

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<sup>65</sup> Ibid.

<sup>66</sup> Cutler, A. C., et al. (1999) *op. Cit.*, pp 358-359.

the MNC may interact are or should be. It is perfectly possible that different groups may have wildly divergent expectations about appropriate behaviour in physically or factually identical situations, and anarchy means there is no arbiter to decide which is ultimately correct.

This leads to the second matter, which is the challenge of consistency. The very nature of an MNC, being one entity operating simultaneously across various national borders, means firms may confront contradictory expectations about how they should behave in relation to the same or similar situation, occurring in different countries. In this circumstance, it may be very difficult for the firm first to clearly identify what the different expectations are, and to respond to them in a way which is consistent across the company.

It might be possible to argue that the second problem, that of consistency, need not create too much difficulty. Under anarchy, just as there is no ultimate authority to dictate what preferences and expectations should be, there is also no ultimate authority to sanction inconsistency in the response of a single entity to multiple participants. This question will be dealt with in more detail in the next chapter, but for now it is enough to say this is very rarely the case in reality. Most firms claim a consistent global approach on major issues of policy and in value-oriented positions, and as such have committed themselves to achieving consistency despite the challenges of anarchy. How this can work thus becomes a very interesting question, and indeed animates the core of this research project.

## In Summary

This chapter has set out, with broad brush strokes, the conceptual landscape in which this study of norm-based social responsibility in multinational firms is located.

Highlighting existing strands of scholarship that view and explain the world as a dynamic institutional and organisational environment, one currently undergoing a process of coalescence and collision involving many actors and popularly called 'globalisation', makes clear the justification for studying the interaction between multinational corporations and diverse social environments; and thereby aiming to say something about how norms and values exist and function within this unstable space. By contributing to this line of scholarship, the project makes a novel, and relevant, contribution.

Having thus set the scene, the next chapter begins in earnest to examine the particular phenomenon in question, that of the corporate social responsibility policy and practice in multinational corporations.

## Chapter 2: CSR and Legitimacy for Multinationals

The previous chapter examined the way in which, through processes associated with contemporary globalisation, non-state actors including multinational corporations have increasingly sought and succeeded in occupying a legitimate space within the anarchical global environment. This legitimacy may be obtained through a variety of processes of exchange, including mutual recognition with existing legitimate international actors; participation in collective organisational and normative fora; establishment and adherence to ethical standards and agenda; and obligation setting and realisation.

Common to all of these processes is the idea of *external expectation*. The establishment of corporations' legitimacy is heavily influenced by their acknowledgement of, and response to, the customs and norms of a given community; so that "Corporate legitimacy...follows from corporate compliance with societal expectations."<sup>1</sup>

The project now takes this idea forward by noting arguments from literature on *corporate social responsibility* (CSR) that such activities can play a role in corporations obtaining norm-based legitimacy in the international system. A key objective of the research is to confirm how this is in fact the case; and to understand which actors are influential in setting the normative expectations to which companies respond through CSR; and how this agenda-setting process works.

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<sup>1</sup> Scherer, A. G. and Palazzo, G. (2008) 'Globalization and Corporate Social Responsibility', in Crane, A. et al. (eds) *The Oxford Handbook of Corporate Social Responsibility* (Oxford: Oxford University Press) p. 420

This chapter prepares conceptually for the more empirically-focused case study discussion which follows. It commences with a review of the literature on CSR, and in particular its normative and legitimising properties. This is then placed in the international context by aligning such ideas with arguments from International Relations (IR) literature on the existence and functioning of norms in global politics. The chapter concludes by bringing these strands together in a summative articulation of the project's central research question, together with a note of those issues which will be of most interest to consider in answering the question. This then sets the scene for examination of the case study, which focuses on the specific corporate context of extractive industries, which by their nature have a particular interest in ensuring their long-term legitimacy within the communities where they must operate.

### **What is CSR?**

Attempts to rigorously analyse the concept and practice of CSR have presented scholars with numerous challenges. Of central concern is the notorious difficulty of definition, not only in semantic terms, but also empirically.

In semantic matters, a scan of relevant literature reveals the use, often interchangeably, of terms as varied as corporate citizenship, corporate philanthropy, strategic philanthropy, corporate responsiveness, corporate social performance and corporate sustainability to describe activities and philosophical programmes which all fit to some extent under the same umbrella as corporate social responsibility.<sup>2</sup> This diversity reflects not only conceptual fungibility, but a bewildering array of empirical

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<sup>2</sup> See, for example, Moon, J. et al (2003) 'Can corporations be citizens? Corporate citizenship as a metaphor for business participation in society', *ICCSR Research Paper Series*, (13)

realisations of the CSR idea; companies pursue a wide variety of programmes, projects and policies under the banner of one or other of the terms cited above.

In attempting to bring some order to this confusion, scholars have viewed the phenomenon through a number of different analytical lenses. These include historical, theoretical, thematic/empirical, and comparative or case study lenses.

Carroll, for example, has surveyed the concept historically to chart its evolution from the Industrial Revolution of the late 18<sup>th</sup> century, when employers began to dedicate more systematic attention to the well-being of their employees with the hope of increasing their productivity; to the 21<sup>st</sup> century, in which the globalisation of many aspects of political and business life have led to a splintering of CSR activity not only across social and cultural domains but also across academic disciplines.<sup>3</sup> Notably, he identifies a key turning point in the systematic study of CSR being Howard Bowen's early attempt to define the term in his book *Social Responsibilities of the Business Man* (1953). Here, Bowen explained that CSR could be understood as "... (referring) to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society."<sup>4</sup>

By examining the way the study and practice of CSR evolved over following decades, Carroll is able to highlight those elements which have remained constant or common, and thus may represent something inherent to the CSR concept. Among these are a recurring attention to the process of exchange between corporations and members of the society in which they operate, a factor which has already been discussed; as

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<sup>3</sup> Carroll, A. B. (2008) 'A History of Corporate Social Responsibility: Concepts and Practices' in Crane, A. et al (2008) op. Cit., pp 19-46.

<sup>4</sup> Bowen, H. R (1953) *Social Responsibilities of the Business Man* (New York: Harper and Brothers) p. 6.

well as the way study and practice of CSR interacts with 'real world' circumstances, such as the Great Depression of the 1930s, and the rebuilding of war-torn Europe after 1945.

Attempting to understand the phenomenon from a different angle, Mele applies a theoretical lens to examine CSR from a more abstract starting point.<sup>5</sup> Considering four theoretical perspectives in turn, namely Corporate Social Performance Theory; Shareholder Value Theory; Stakeholder Theory; and Corporate Citizenship Theory, he also is able to identify ideas which appear to be recurring, and therefore possibly inherent, characteristics of the CSR concept. For example, as in the historical commentary, the relationship between corporations and the societies in which they act is paramount, involving processes of corporate response to external social requirements. Further, this analysis indicates a common concern with ethics and morality, highlighting ongoing debate about how best and most justly to arrange the ownership and effects of power in corporate social relations.

However, this analysis also highlights how CSR may be thought of and operationalised differently across circumstances and times. This occurs primarily through emphasising a disaggregated understanding of the societies in which corporations operate and from which CSR expectations are derived, showing how different social groups (such as shareholders, compared with employees or those entirely outside the firm)<sup>6</sup> may have different and conflicting expectations of corporate behaviour. Further, the analysis describes varied ways of understanding the nature of the corporation-society relationship, focusing in particular on whether corporations are members of the societies in which they act, or external affective players with no sense of social

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<sup>5</sup> Mele, D. (2008) 'Corporate Social Responsibility Theories', in Crane, A. et al, op. Cit., pp 47-82

<sup>6</sup> Ibid., p. 57

belonging; and how this leads to different views on how CSR does and ought to operate.

In recent years, efforts to understand CSR have moved away from both the historical and theoretical perspectives to take a more empirical approach, focusing on what corporations and relevant public agencies are actually doing, and attempting more deductive methodological studies. For example, CSR case studies have proliferated, many now originating not only from academic institutions, but also from pay-for-service consultancies and even from corporations themselves through participation in collective reporting and transparency initiatives.<sup>7</sup> Empirical analyses focusing on CSR institutions, including both legal or regulatory institutions and organisational institutions have also flourished in recent years, following from the growth of such institutions attempting to order CSR beyond individual corporations.

The findings of such case studies and other empirical analyses are enormously varied, reflecting not only the diversity of CSR activity but the diversity of ways of studying this activity. As Carroll has pointed out, it is difficult to ascertain the contribution of this work for clarifying the conceptual confusion surrounding the general CSR concept, but over time it can be expected at the least to provide a rich database for further more systematic interrogation.<sup>8</sup>

Taken together, these comments suggest that work remains to be done on understanding and defining CSR in conceptual terms. As Campbell puts it, CSR

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<sup>7</sup> Examples of CSR case studies are widely available. Journals such as the *Journal of Corporate Citizenship*, *Business Ethics Quarterly*, the *Journal of Business Ethics*, *Organization Studies*, and *The Academy of Management Journal* are replete with case studies of various kinds; specialist CSR consultancies are numerous, and many larger generic management consultancies such as McKinsey and Company and KPMG also undertake case work in CSR; and the websites of reporting initiatives such as the United Nations Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org)) hold extensive collections of company-submitted CSR case studies.

<sup>8</sup> Carroll, A. B. (2008) op. Cit., pp 39-40

continues to mean "...different things in different places to different people and at different times".<sup>9</sup> Indeed, it may be that a final consensus definition will never be reached, and this in itself will be recognised as part of the character of CSR ideas and activities. It is nevertheless possible, however, to identify several core ideas that appear across different types and subjects of analysis, and it is from these ideas that this project draws in establishing a working understanding of what CSR is.

First, CSR crucially involves a relationship between corporations and the societies in which they operate. Moreover, it is a relationship in which corporations are obliged to fulfil expectations dictated externally by society. The content of these expectations may vary, as may the means by which they are met and by which corporations are held accountable for their CSR successes or failures. These external expectations do, however, typically include an ethical or moral element, designating not only what corporations can do, but more particularly what they *ought* to do; with judgements here commonly related back to corporations' position of relative economic and political power *vis-a-vis* those their activities affect. Finally, it is by fulfilling these expectations that corporations gain legitimacy as valid actors in the political space.

As such, CSR can be understood in the most basic terms as a type of social contract, in which private actors gain legitimacy to exist and act in the public political space by meeting expectations or requirements dictated by the society of that space. In this sense, it matches perfectly with arguments in the previous chapter about the methods by which non-state actors gain legitimacy, and proves its relevance to that line of scholarship. As chapter one also pointed out, however, this project is explicitly concerned with the anarchical international space, so it is necessary before

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<sup>9</sup> Cited in Azmat, F. and Samaratunge, R. (2009) 'Responsible Entrepreneurship in Developing Countries: Understanding the realities and complexities', *Journal of Business Ethics* (90:3) p. 439

proceeding to make some further comments on how CSR operates in that particular context; the follow sections take up this task.

## **CSR in the International Space**

As the first chapter noted, questions of normatively-based legitimacy in the international sphere differ fundamentally from those in the national or local community sphere through the fact of global anarchy. Contractual models that rely on one actor responding to the external expectations of another actor must be able to identify and articulate what those expectations are, and how they are to be realised. Within national or local polities, there are typically laws, agencies and government bodies which both articulate the behavioural norms required for legitimate participation in the public space, and devise and implement methods of enforcing those expectations. The difficulty of doing this internationally, where there is no overarching power or law that either articulates expectations or is reliably enforceable, has long been a key concern of scholars of globalisation and global governance.<sup>10</sup> The implications for international CSR are clear; where corporations gain legitimacy through responding to external social expectations, it is much harder in the diverse and fractured global arena to identify and interact with those expectations than in a localised context where these matters will be more clearly spelled out.

Moreover, and part of the same problem, the underlying ethical or moral aspect inherent in the CSR concept is much less stable in the international context, making efforts by individual multinational corporations to proactively develop and rationalise

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<sup>10</sup> See, for example, Held, D. and McGrew, A. (eds) (2002) *Governing Globalization* (Cambridge: Polity Press); and Held, D. et al. (2005) *Debating Globalization* (Cambridge: Polity Press).

CSR policy difficult even beyond the lack of explicit external guidance.<sup>11</sup> For multinationals operating across numerous countries and communities, the difficulty of establishing and implementing ethically coherent CSR programmes that will be appropriate and deliver legitimacy while also accommodating diverse social contexts is clearly a major challenge. De George illustrates the problem neatly: “...it seems to beg the question of whose ethics an American multinational is to follow in foreign countries, where the ethical norms and ways of doing business may differ from those found in the United States. Are ethical norms universal or culture bound?”<sup>12</sup>

Nevertheless, there is ample evidence that despite these problems, CSR in the international arena exists and even flourishes. Most obviously, this is demonstrated through the attention given to CSR by a wide variety of major multinational corporations, and by the growth of international CSR institutions. The following comments provide an overview of developments in both areas.

### Corporate Perspectives

All of the top ten largest corporations in the world in 2010<sup>13</sup> had some form of CSR programme or policy, and all made some form of public declaration or report on their activities to this end. This is particularly interesting, as the ten companies are not culturally homogenous, and included not only different Western corporations (Walmart Stores, British Petroleum and Royal Dutch Shell) but also firms originating

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<sup>11</sup> This is one of the classic critiques of John Rawls' celebrated 'theory of justice', in cases where the idea of social contractual morality has been applied to international contexts; a critique which applies neatly in the CSR circumstance also. Rawls, J. (1971/1999) *A Theory of Justice* (Oxford: Oxford University Press).

<sup>12</sup> De George, R. T. (1993) *Competing with Integrity in International Business* (Oxford: Oxford University Press) p. 9.

<sup>13</sup> See *2010 Fortune 500 Companies* listing at <http://money.cnn.com/magazines/fortune/global500/2010/>. Accessed 7 November 2010. The Companies listed were, in order: Walmart Stores, Royal Dutch Shell, Exxon Mobil, British Petroleum, Toyota Motor, Japan Post Holdings, Sinopec, State Grid of China, AXA and China National Petroleum.

and based in Asian countries (including Japan Post Holdings, Sinopec, State Grid of China and China National Petroleum). Further, major international companies undertaking CSR activities are present in a range of industries, including minerals, energy, manufacturing, banking and finance, insurance and consumer sales.<sup>14</sup>

Beyond the largest firms, CSR activity is also undertaken by a wide range of other corporations. In the UK, for example, most major high street retailers have CSR or corporate sustainability programmes, some well-known such as that of The Bodyshop,<sup>15</sup> which has been campaigning on environmental, animal rights and fair trade issues since becoming a public company in 1985, others lesser known but still well-developed, such as Sainsbury's issue-based corporate responsibility platform.<sup>16</sup>

In attempting to understand this phenomenon, the perspectives and statements of corporations themselves are vital. By examining how multinational companies explain, implement and report on their CSR programmes, it is possible to draw out some common themes about how the challenges of international anarchy and cultural heterogeneity are being confronted.

Annual reports of CSR activity are useful in this regard. A scan of reports from the top ten companies noted above shows, for example, a popular tendency to divide CSR activity across several core domains, namely *economic*, *environmental* and *social* responsibility. For example, China National Petroleum reported its activities in

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<sup>14</sup> The most recent listing (2012) shows that the identity and ordering of the top ten firms has changed slightly, so that it currently includes (in order): Exxon Mobil, JPMorgan Chase, General Electric, Royal Dutch Shell, ICBC, HSBC Holdings, PetroChina, Berkshire Hathaway, Wells Fargo, and Petrobras-Petroleo Brasil. The main points, however, of attention to CSR, and geographic and industrial diversity, remain. See Forbes, 'The world's biggest public companies', <http://www.forbes.com/global2000/>, accessed 8 March 2013.

<sup>15</sup> See *The BodyShop* website

([http://www.thebodyshop.com/en/ww/services/aboutus\\_history.aspx](http://www.thebodyshop.com/en/ww/services/aboutus_history.aspx)), for details.

<sup>16</sup> See *J Sainsbury Corporate Website* (<http://www.jsainsburys.co.uk/cr09/index.asp?pageid=2>) for details. Sainsbury's was the first UK food retailer to publish an environment report (1996).

relation to energy supply (linking to its key economic imperative); safety and environment; and public welfare (as well as a category on career progression for employees). Walmart provided information for its annual Global Sustainability Report concisely and simply across the three domains 'economic', 'environment' and 'social'. This tripartite reporting structure reflects the ongoing popularity of the 'Triple Bottom Line' (TBL) accountability concept put forward by Elkington in 1994, which initially described the idea of corporate social responsibility across these three domains.<sup>17</sup>

Another common approach to CSR for multinationals evident in annual reports is a clear distinction between CSR activity directed at domestic (that is, in the country where the company is incorporated or based) operations and communities, compared with CSR directed at communities in other countries where the firm operates. For example, under its 'public welfare' CSR activities, China National Petroleum Corporation had projects aiming to 'help build a new socialist countryside' within China, compared with other activities specifically directed at development of overseas communities.<sup>18</sup> Japan Post Holdings had many locally-oriented CSR activities, such as sponsoring public-health promotion initiatives; but also took part in larger national initiatives aimed at reducing green-house gasses in line with provisions of the Kyoto Protocol.<sup>19</sup>

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<sup>17</sup> For an expanded articulation of the TBL concept, see Elkington, J. (1998) 'Partnerships from cannibals with forks: The Triple Bottom Line of 21<sup>st</sup> Century Business', in *Environmental Quality Management*, 8:1, Autumn, pp 37-51.

<sup>18</sup> China National Petroleum Corporation (2007) *Corporate Social Responsibility Report 2007* (Beijing: Central Office CNPC) pp 44-53. Available online at <http://news.cnpc.com.cn/template/zhuanti/dyl/shzr/ezrbg.pdf>, accessed 7 December 2010.

<sup>19</sup> Japan Post Holdings (2008) 'Dedicated to Becoming an Even More Trustworthy Group' *Annual Report 2008* (Tokyo: Japan Post Holdings), accessed 7 December 2010. Available online at <http://www.japanpost.jp/en/group/disclosure/2008/pdf/03.pdf>.

A third factor in the mix of multinational companies' CSR approaches made manifest in annual reports is diversity in the processes and organisational structures used to deliver CSR. In particular, there is a rich mix of direct (where the company acts under its own name and on its own authority in initiating and sometimes delivering CSR projects) or indirect activity (where the company engages a third-party through which resources, most typically funding, are directed towards the intended CSR recipient). For example, energy giant British Petroleum has engaged directly with community development in Bintuni Bay, Indonesia, through the establishment of a community health centre where immunisations are carried out and community members are advised on medical and hygiene issues.<sup>20</sup> Alternately, banking corporation HSBC engages with many third-party organisations, often charities, to deliver a range of CSR activities including climate change initiatives and community education and development programmes.<sup>21</sup>

### **Institutional Perspectives**

The growing popularity of CSR in the international space is also evident beyond the activities of multinational corporations. In particular, the proliferation in recent years of institutions and organisations dedicated to promoting, shaping or reporting on CSR activity is remarkable for its scope and diversity. Key among these institutions are standard setting initiatives and regulatory frameworks. By examining these institutions, it is possible to derive some further general observations about how CSR appears to be functioning in the international space, as the following comments demonstrate.

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<sup>20</sup> British Petroleum website, 'Indonesia: A Community Relationship in Practice', <http://www.bp.com/sectiongenericarticle.do?categoryId=9032740&contentId=7060016>, accessed 4 December 2010.

<sup>21</sup> HSBC Holdings plc (2008) *Sustainability Report 2008* (London: HSBC Holdings plc).

One such observation suggests a persistent quest for *standardisation*. This is not surprising, given the challenges of CSR within the diverse and anarchical global space, and efforts here focus first on articulating a common ethical platform that can provide a standardised conceptual framework for CSR, and second on articulating standardised procedures which firms can use to realise CSR goals.

In determining appropriate content for the former, CSR institutions follow closely the path of existing initiatives that have attempted to articulate universally applicable ethical norms. As such, ideas about universal human rights as they appear in the United Nations *Universal Declaration of Human Rights* (UDHR) are prevalent among CSR ethical platforms, either explicitly or implicitly. A key example is the *United Nations Global Compact* (GC) (see [www.unglobalcompact.org](http://www.unglobalcompact.org)), the largest corporate citizenship initiative in the world. Launched in January 1999 by former UN Secretary-General Kofi Annan, the Compact sets out Ten Principles<sup>22</sup> based on the human rights ideals set out in the UDHR, and is designed to provide a common normative platform for economic activity at both the national and international level, and across the public, private and civil sectors.

The GC also reflects the second trend in international CSR institutions, which aims to standardise the procedures that companies follow to realise their CSR goals. In this case, such standardisation efforts are apparent in the emphasis the GC places on sharing of best practice between firms and support for provision of expertise to firms from GC partners and affiliates.

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<sup>22</sup> The Ten Principles are grouped under four key issue headings: human rights, labour, environment and anti-corruption. See United Nations Global Compact, 'The Ten Principles' at <http://www.unglobalcompact.org/aboutthegc/thetenprinciples/index.html> for details.

The focus on standardisation is linked closely to a second characteristic apparent in international CSR institutions, namely a quest for *accountability*. As Owen and O'Dwyer describe it, the current emphasis on accountability for businesses represents a continuation of early social and environmental reporting initiatives emerging in Europe during the 1970s,<sup>23</sup> and which reflected public concern with these issues at the time. Being in many ways conceptually congruent with the human rights ideals included in standardised CSR platforms, the foci of early reporting initiatives have been readily combined and broadened to make comprehensive accountability instruments.

One of the most substantial examples of such an initiative is the *Global Reporting Initiative* (GRI, see [www.globalreporting.com](http://www.globalreporting.com)). This is a network-based organisation that has developed a standardised framework for corporations to use in assessing and reporting publicly on their CSR activity across the three accustomed domains of economic, financial and social. The standardisation objective inherent in this is evident in the GRI's promoted rationale for business participation, which includes among other things the opportunity to use it to "...benchmark organizational performance with respect to laws, norms, codes, performance standards and voluntary initiatives..."<sup>24</sup> A range of tools and guidance are available to diverse corporations that wish to assess their CSR activities and standing.

It is also important to note, in the accountability context, how this trend has been nurtured and been furthered enthusiastically by the private sector itself, principally through the growth of for-profit consultancies that assess and report on companies'

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<sup>23</sup> Owen, D. L. And O'Dwyer, B. (2008) 'Corporate Social Responsibility: The reporting and assurance dimension' in Crane, A. et al (eds) op. Cit. pp 386-390.

<sup>24</sup> Global Reporting Initiative, [www.globalreporting.org](http://www.globalreporting.org), accessed 9 November 2010.

(including multinationals') CSR activity. As well as highly-developed CSR assessment services available from internationally recognised auditors and consultants such as Ernst & Young and McKinsey and Company,<sup>25</sup> there is a lively market of boutique and specialised consultancies dedicated purely to CSR assessment and promotion, such as *CSR Consulting Ltd*,<sup>26</sup> which takes its cue from a profit-oriented understanding of CSR utility; or *Jennifer Zerk Consulting*,<sup>27</sup> which deals in the legal aspects of CSR implementation and regulatory compliance. Further, many non-government organisations (NGOs) and charitable organisations dedicate time and efforts to reporting on multinational CSR, for example through 'alternative annual reports' such as those produced by *Corpwatch*,<sup>28</sup> or through more straightforward assessment of activity against an external standard, as in the assessment tools offered by the *One World Trust*.<sup>29</sup>

Providing a counter to the linked quests for standardisation and accountability in international CSR, institutions also demonstrate a quest to *accommodate diversity* in CSR policy and practice. This is especially important to note as examining this characteristic provides perhaps the best indication of how CSR is operating in the anarchical global environment.

Specifically, it is possible to suggest that international CSR may best be understood as a negotiated balancing act between universal ideals and practical applications. In this case too, the Global Compact provides a key example. Although centred on this

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<sup>25</sup> For example, McKinsey and Company has established a dedicated unit focused on advising clients how to manage and respond sustainably to business and environmental challenges associated with climate change. See <http://www.mckinsey.com/client/service/sustainability/>, accessed 1 December 2010.

<sup>26</sup> CSR Consulting Ltd, <http://www.csr-consulting.com/>, accessed 1 December 2010.

<sup>27</sup> Jennifer Zerk Consulting, <http://www.jenniferzerkconsulting.com/>, accessed 1 December 2010.

<sup>28</sup> See, for example, Corpwatch, 'Goodbye Houston: An Alternative Annual Report on Halliburton', <http://www.corpwatch.org/article.php?id=14482>, accessed 4 December 2010.

<sup>29</sup> One World Trust, <http://oneworldtrust.org/>, accessed 1 December 2010.

common ethical platform, the GC is nevertheless characterised by the wide diversity of its membership and the activities pursued under its auspices. Having (October 2012) over 10,000 participants in more than 145 countries, its members include over 7,000 businesses, but also UN agencies, labour associations, civil society groups, academic members, national public sector agencies and cities. Particularly popular in Europe and parts of Asia, the GC nonetheless attracts attention in all geographic and cultural regions, including the Americas, Africa and the Middle East. Activities being supported, including through expertise and resource sharing, include women's empowerment programmes, environmental sustainability initiatives, corporate transparency policy implementation and partnerships for local community development.

From this brief scan of both corporate and institutional CSR developments, it is already apparent that although CSR in the international context is a burgeoning phenomenon, the diversity of policy and practice promoted under this banner is extensive. This is hardly surprising given the challenges of anarchy already mentioned, but for scholars seeking to make sense of the maelstrom it is nonetheless complicated.

### **Scholarly Analysis**

One of the questions at the heart of the problem is that of decision-making, and understanding how and why companies make the decisions and choices that they do about international CSR, in the absence of an overarching global authority. By investigating this question, scholars have sought not only to articulate some general themes as to how CSR works, but also to say something about the deeper rationales

for action. In addressing the matter, scholars have attempted analysis through two main approaches; using theoretical lenses, and studying empirical examples, either on an individual case basis or using comparative cases.

In terms of theoretical perspective, scholars of business ethics offer useful insights. For example, de George takes a theoretical approach to identify three main perspectives that may help explain how companies make international CSR decisions, and the clarity of this trichotomy means it is worthwhile considering each of these briefly in turn.<sup>30</sup>

The 'When in Rome' perspective suggests that multinationals are guests in the countries where they operate, and ought therefore to follow the local laws and customs. Although intuitively appealing, the limitations of this approach become evident where there is dissonance between the customs and ethics of the home country and the hosts, for example in the types of activities that are considered to constitute corruption or nepotism in Western compared with non-Western societies.<sup>31</sup>

The 'Righteous American' perspective argues that "...American multinationals are American companies first and multinational companies second."<sup>32</sup> As such, they both represent the United States and benefit from its power, influence and prestige, and ought consequently to uphold American values and ethical positions consistently across all their business programmes, regardless of geographic location. (Of course, this thesis applies equally to the multinationals of other countries as well.)

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<sup>30</sup> De George, R. T. (1993) op. Cit. pp 9-19.

<sup>31</sup> For an overview discussion of some important issues here, see for example Enderle, G. (1997) 'Five Views on International Business Ethics: An Introduction' *Business Ethics Quarterly* (7:3) pp 1-4.

<sup>32</sup> De George, R. T. (1993) op. Cit., p. 15

Finally, the 'Naive Immoralist' perspective is perhaps the least likely to find open articulation, though this does not mean such a stance exists only in theory. Here, the drivers of commercial competition are paramount, and corporations engage in any behaviour (even unethical behaviour) to maintain a competitive advantage: "The claim here is that, if others act unethically, we too may act unethically without deserving the reproach of others."<sup>33</sup>

All three of these options hold some attraction, and indeed it is likely that elements of each appear at different times in the policies and practices of different companies. None, however, is convincing by itself.

One problem that was mentioned at the end of the previous chapter, for example, is that of consistency. Multinational corporations are at some level single entities, and can only exist as such by maintaining a common identity across all operations. This may be achieved in part through product branding and other superficial marketing instruments, but these must be underpinned by a more substantive identity. A company without a clear and consistent identity would not only be very hard to manage in a practical sense; it would also struggle to obtain and maintain any legitimacy. Consequently, CSR policies and practices in MNCs must demonstrate a level of consistency at a global level, and indeed the vast majority of corporations do so. In relation to de George's three perspectives, the failings of both the 'When in Rome' and the 'Naive Immoralist' options become clear; neither is compatible with a single global policy approach.

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<sup>33</sup> Ibid. p. 18

The 'Righteous American' perspective does not suffer from the same difficulty, but it has its own problem; that of hubris. By adhering to, and promoting, American values and priorities (or those of other home countries) even in circumstances where those values appear incommensurate with local customs and preferences, corporations may be perceived as arrogant and exploitative, neither being useful in terms of gaining local acceptance and thus legitimacy.

While all three of these perspectives thus have weaknesses, they nevertheless offer value as heuristic frameworks through which to investigate empirical examples. Applying one or the other, or more than one, to a case study may help illuminate important aspects of that case which could potentially be extended to add something more general to understandings of international CSR.

Other scholars, often those working in political science or international relations and its branches such as international political economy, have taken a different approach, favouring comparative empirical analyses of international CSR cases. For example, while noting that comparative studies of CSR are in many ways still in their infancy, Williams and Aguilera overview several different types of comparative analytical approaches, including institutional studies examining legal and organisational factors across companies and countries; agency-centred studies that compare the views of managers or consumers across contexts; and behaviour-centred studies that focus on the different content and realisation of various CSR programmes.<sup>34</sup>

Although often hampered by the complexity of the CSR concept, and the difficulty of ensuring viable comparison, such studies can nevertheless produce useful indications

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<sup>34</sup> Williams, C. A. and Aguilera, R. V. (2008) 'Corporate Social Responsibility in a Comparative Perspective', in Crane, A. et al (eds) op. Cit., pp 473-502.

about how CSR operates in the global context, including identifying the drivers for particular types of action. Blasco and Zolner's study of CSR in France and Mexico suggests, for example, that the different role and status of religious belief within those societies affects how companies incorporate religious ideas or ethics into their CSR policies.<sup>35</sup>

Other scholars, perhaps recognising the difficulty of valid comparisons in such a complex field, have approached international CSR analysis from a single case perspective only. Most commonly, this has meant focusing on the CSR policies and programmes of one particular firm. For example, Ite has examined the CSR activities of energy giant Shell Corporation in Nigeria to investigate the conditions under which CSR does or does not achieve the social and economic community development that it claims to support.<sup>36</sup>

### **In summary**

In essence, then, it is clear from both corporate and institutional perspectives that international CSR is a phenomenon which is already prominent, and which appears set only to increase in popularity. Indeed, an upwards trajectory is most evident in renewed and stronger calls for CSR, both in domestic and international contexts, in the aftermath of the 2008-9 financial crisis.<sup>37</sup> While one intuitive response to

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<sup>35</sup> Blasco, M. and Zolner, M. (2008) 'Legitimacy Work: Attitudes to CSR in a Mexican and French Employers' Association' in Hansen, H. K. and Salskov-Iversen, D. (eds) (2008) *Critical Perspectives on Private Authority in Global Politics* (Basingstoke: Palgrave Macmillan) pp 93-109.

<sup>36</sup> Ite, U. E. (2004) 'Multinationals and Corporate Social Responsibility in Developing Countries: A case study of Nigeria' *Corporate Social Responsibility and Environmental Management* (11:1) March.

<sup>37</sup> See, for example, comments by Stephen Green, 2010, at Oxford Analytica, <http://www.oxan.com/events/oaic/2010resources/speeches/stephengreen-whatiscapitalism.aspx>, and in an interview for *The Focus*, 2010, <http://www.egonzehnder.com/global/focus/topics/article/id/17500151>, both accessed 12 November 2010. See also proceedings and papers of the 2010 Asian Institute of Management *Asian Forum on*

straightened commercial circumstances may be to cut costs by cutting CSR programmes, strong voices within the international business community have called for the opposite, demonstrating clearly the persistence and ongoing importance of this idea. International CSR, it seems, is here to stay.

However, despite considerable scholastic effort, and some progress in understanding the decision-making processes and choices that MNCs make about CSR internationally, there remains much variation and uncertainty about how to conceptualise the phenomenon, and how to understand its workings.

Some practitioners see this in a positive light, as representing a level of flexibility in the way standardised concepts of CSR can be applied across community and business contexts: "If I go to Brazil, Mexico, India, China, Indonesia, Turkey, Britain, Germany...They're all very different countries, but actually people want the same things. So you are simultaneously struck by the fascinating differences and the commonality of understanding about what makes for really satisfying, sustainable, long-term business success."<sup>38</sup>

For scholars attempting to understand the CSR phenomenon empirically, however, it represents a greater heuristic challenge, and so far both theoretical and empirical approaches have failed to deliver comprehensive explanatory conviction. Here, the current project can make a useful contribution.

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*Corporate Social Responsibility*, <http://www.asianforumcsr.com/programs/programbyday/index.html>, accessed 1 December 2010.

<sup>38</sup> Green, S. (2012) Interview for *The Focus*, *ibid.*

## Understanding CSR Decision-Making

Taking a cue from the unsolved questions considered by scholarship to date, it is reasonable to begin this analysis by looking back, and more closely, at the problem of decision-making and the motives that drive and shape international CSR activity.

There are a number of difficulties that arise, including complexity and opacity. As Aguilera et al. point out, motives may exist across several different domains simultaneously (such as individual, organisational, national, and transnational).<sup>39</sup>

Further, Dunfee explains that even obtaining relevant information from corporations to answer questions of incentive may be difficult,<sup>40</sup> as “Motive is opaque to corporate outsiders. For a variety of reasons, a firm may not wish to reveal its true motivations.”<sup>41</sup>

Nevertheless, there is information that can be used to ground the investigation. As the preceding notes indicate, international CSR does involve an interaction between corporations and those with whom, and in whose communities, they seek to work. It also tends to focus on activity in several core domains (economic, environmental and social) although individual projects and programmes may vary widely; and corporations devote effort and resources to publicly reporting on their CSR activities. All of this points towards the legitimising properties of CSR.

The next question this raises for understanding the decision-making process, is that of ideas and norms. Specifically, if MNCs gain legitimacy through CSR activities presenting a response to local expectations, what are the ideas on which these

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<sup>39</sup> Aguilera, R. V. et al (eds) (2007), ‘Putting the S back in Corporate Social Responsibility: a multilevel theory of social change in organisations’, *Academy of Management Review* (32:3) pp. 836–863.

<sup>40</sup> Dunfee, T. W. (2008) ‘Stakeholder Theory: Managing Corporate Social Responsibility in a Multiple Actor Context’, in Crane, A. et al (eds) op. Cit.

<sup>41</sup> Ibid. p. 348.

expectations are based, where do they come from and how are they identified? In answering this question the considerable body of literature from international relations on the presence, importance and functioning of international norms provides a vital platform.

### **Norms in International Affairs: Existence and Functioning**

'Norms' in International Relations scholarship are a key concept within a strand of discourse that is concerned with understanding the non-material structures that can shape social and political action. Most readily associated with constructivist approaches to IR, norms can be understood in basic terms as "...a standard of appropriate behaviour for actors with a given identity."<sup>42</sup> A more complete, and for this project more useful, definition would however see norms as "...shared ideas, beliefs and values (that) also have structural characteristics, and that...exert a powerful influence on social and political action."<sup>43</sup> Scholars working within this reference frame have found it a useful counter to the rationalist assumptions of the mainstream (neo-)realist and (neo-)liberal theories, which begin with firm ontological assumptions about the material content of the structures that shape action.

Popularised in the 1990s following the end of the Cold War, scholars working with the idea of norms have argued for their importance on two main grounds. First, that "...material resources only acquire meaning for human action through the structure of shared knowledge in which they are embedded...";<sup>44</sup> and second, that non-material structures condition actors' identities, which is important because identities

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<sup>42</sup> Finnemore, M. and Sikkink, K. (1998) 'International Norm Dynamics and Political Change' *International Organization* (52:4) Autumn, p. 891.

<sup>43</sup> Reus-Smit, C. (2005) *The moral purpose of the state* (New Jersey: Princeton University Press) p. 196.

<sup>44</sup> Wendt, A. (1995) 'Constructing International Politics' *International Security* (20:1) Summer, p. 73.

in turn inform interests and actions.<sup>45</sup> In other words, *ideas and values*, not only ‘guns and money’ influence the decisions and actions that take place in the international space.

The relevance of this is clear in relation to corporate social responsibility, which by its definition involves actions that are not directly explicable with reference to firms’ primary, *material*, interest of wealth creation and profits. Thinking through a normative framework can be expected to provide an appropriate set of interrogative tools for the purposes of this project.

In terms of how norms actually function within the international sphere, Finnemore and Sikkink’s work is informative. Arguing that norms follow a patterned ‘life-cycle’, they suggest that their functioning can be understood in terms of three stages: ‘norm emergence’, followed after a critical tipping point by ‘norm acceptance’ and finally, by ‘norm internalisation’.<sup>46</sup> The relevance of this approach makes it worthwhile to describe each stage in slightly more detail.

At the first stage, norms are said to emerge primarily as a result of human agency, coupled with favourable conditions. A particularly important role is played by ‘norm entrepreneurs’; human agents with strong notions of appropriate or desirable behaviour in their communities. They actively seek to spread these notions by calling attention to them using “...language that names, interprets and dramatises them.”<sup>47</sup> Where these calls resonate with broader public understandings (or, where there is a favourable environment), the norms can be adopted and become part of the community’s way of talking about, understanding and valuing certain things. At the

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<sup>45</sup> Reus-Smit, C. (2005) op. Cit., p. 197.

<sup>46</sup> Finnemore, M. and Sikkink, K. (1998) op. Cit., p. 895.

<sup>47</sup> Ibid. p. 897.

anarchical international level, norm entrepreneurs further make use of the organisational platforms offered by existing institutions to convey their claims and calls to diverse audiences and actors.

At the second stage of norm acceptance (which the authors refer to as 'norm cascades'), new norms become formally institutionalised, through specific sets of international rules and organisations. International law in particular is a key instrument for norm acceptance, by clarifying exactly what the norm is, and how it may be violated. Once the norm is institutionalised, actors can formally subscribe to it, and indicate their willingness to adhere to the ideas and values therein.

At the third stage, norms are said to become internalised when they are so deeply accepted that adherence becomes almost 'automatic'.<sup>48</sup> In these cases, it can become difficult even to clearly identify a particular norm, as it develops a 'taken for granted' quality. In international relations, internalised norms of the most central importance include the norm of sovereignty, and at least in Western society, market exchange. In general, for norms to reach the internalised stage takes a long time.

In relation to international corporate social responsibility, the norms associated with which are relatively new, an illustrative example of the first two stages is offered by the United Nations Global Compact (GC – mentioned above). In this case, it is possible to argue that former United Nations Secretary General Kofi Annan acted as a norm entrepreneur, by advocating strongly for the promotion and acceptance of international corporate citizenship norms. He did this from the organisational platform of the United Nations itself (and his status within it), which provided a ready-made communication mechanism by which to reach diverse global actors; and

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<sup>48</sup> Ibid. p. 904.

the norms were formally institutionalised by being articulated in the '10 Principles'.

As membership of the GC continues to grow, and more actors operationalise the principles, it is possible to suggest that at some future time this set of norms could achieve 'internalised' status; though this is some way off. Nevertheless, this example shows how such a framework for understanding norms in the international system can be worthwhile as a reference point for examinations of CSR, as the present project intends to do.

Drawing from, but moving beyond this theoretical perspective, many scholars working with norms in IR have focused on empirical investigations. Much of this work to date has focused on international organisations such as the United Nations and global financial institutions, examining how norms become diffused in the international system via the policies and programmes of these organisations. This includes considering both the origins of norms, and the way they may be shaped or adapted during the diffusion process. For example, Susan Park has examined the environmental agenda of the World Bank to find that international organisations interact with and consume norms from trans-national advocacy networks, norms which they then promote to wider audiences and in diverse contexts.<sup>49</sup> In an Asian regional context, Amitav Acharya has examined how pre-existing social norms may be adapted or adopted by transnational institutions (in this case, the Association of South East Asian Nations) according to the institutions' sense of identity and purpose, and the nature of existing orders of legitimacy.<sup>50</sup>

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<sup>49</sup> Park, S. (2005) 'Norm Diffusion within International Organizations: a case study of the World Bank', *Journal of International Relations and Development* (8) pp 111-141.

<sup>50</sup> Acharya, A. (2004) 'How Ideas Spread: Whose Norms Matter? Norm localization and institutional change in Asian regionalism', *International Organization* (58:2) pp 239-275.

There has also been, in recent times, more specific scholarly attention to CSR norms, and the way they become diffused throughout business communities at both the national and the international level. A number of different arguments have been put forward here for how norms emerge and operate. For example, Bertels and Peloza argue that firms adopt CSR policies and behaviours in response to the activities of industry peers operating in the same community.<sup>51</sup> This is particularly the case, they argue, for firms working in sensitive industries; a point which will be elucidated below. Bansal and Roth take a broader approach, examining environmental CSR practices of firms in both the United Kingdom and Japan to find that adoption of environmental norms and implementation of related policy is driven by a combination of competitive imperative, social context, and managers' preference.<sup>52</sup>

This focus on managers has been picked up in more detail by others who have argued,<sup>53</sup> in a move which resonates with Finnemore and Sikkink's focus on norm entrepreneurs, that senior figures within companies have a substantial personal influence on the development of that company's CSR. For example, Hemingway and Maclagan argue that CSR can result from the personal championing of a few influential managers, who make organisational decisions according not only to official corporate objectives, but also to their own personal values.<sup>54</sup> Religious values, or personal interest in supporting a particular cause, are noted as factors that may influence managers to act in this regard.

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<sup>51</sup> Bertels, S. and Peloza, J. (2008) 'Running Just to Stand Still? Managing CSR expectation in an era of ratcheting expectations' *Corporate Reputation Review* (11:1) pp 56-72.

<sup>52</sup> Bansal, P. and Roth, K. (2000) 'Why companies go green: a model of ecological responsiveness' *Academy of Management Journal* (43) pp. 717-736.

<sup>53</sup> For a useful overview see Swanson, D. L. (2008) 'Top Managers as Drivers of Corporate Social Responsibility' in Crane, A. et al (eds) op. Cit., pp 227-248.

<sup>54</sup> Hemingway, C. A. and Maclagan, P. W. (2004) 'Managers' Personal Values as Drivers of Corporate Social Responsibility', *Journal of Business Ethics* (50:1) pp 33-44.

Still others focus on the importance of consumer preference in companies incorporating and developing CSR ideas within their business operations. More will be said on this matter below, but for now it suffices to indicate that the major arguments here focus on the way consumers can make choices about their purchasing behaviour based on ethical preferences to create a commercial incentive for firms to adopt and implement practices that are perceived to be socially responsible.<sup>55</sup>

Despite this considerable body of work, however, questions remain about norm diffusion (related to CSR and not) in international affairs. Reviewing Finnemore and Sikkink's model, for example, Checkel was quick to point out that it could be strengthened by paying more attention to the *process* of mutual constitution that causes (states) to change behaviour in relation to norms, and consider "...the feedback effects of state (agent) behaviour on the norms themselves."<sup>56</sup> In other words, to consider whether other directions of norm diffusion may be possible, apart from the downwards 'cascade'. More recently, Shawki suggested that there is a need for more and more explicit work concerning the role of sub-state and non-state actors in norm diffusion.<sup>57</sup> Further, it should be noted that there has been little explicit cross-over between IR literature on norm diffusion, and literature on international CSR, despite the clear synergies between work in both fields.

So in summary, literature on norm diffusion indicates that ideas can be important factors in the decision-making processes of MNCs in relation to international CSR; and

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<sup>55</sup> See, for example, Smith, N. C. (2008) 'Consumers as Drivers of Corporate Social Responsibility' in Crane, A. et al (eds) op. Cit., pp 281-302.

<sup>56</sup> Checkel, J. T. (1998) 'The Constructivist Turn in International Relations Theory', *World Politics* (5:2) January, p. 332.

<sup>57</sup> Shawki, N. (2011) 'Global Norms, Local Implementation: How are global norms translated into local projects?' *Globality Studies Journal* (26:2) September 2 (New York: Stony Brook University), <http://globality.cc.stonybrook.edu/?p=221>, accessed 13 June 2012.

further, it suggests something about how these norms function to influence global actors. There are, however, some things that the existing literature does not shed much light on, and in this sense the project can make a useful contribution. For example, there is the problem of identifying the origins of norms relevant to CSR, and understanding in more detail the process by which they may be adopted and diffused through the international system. Here, insights from management and business studies provide a valuable steer, through the prisms of stakeholder theory.

### **Whose Norms Matter: Insights from Stakeholder Theory**

Stakeholder theories or approaches to corporate management hinge on an underlying assumption of limited resources and multiple, competing demands for those resources. Managers, it is thought, need a system for prioritising how to allocate resources, and to decide which claims or claimants should receive the most. Stakeholder approaches attempt to provide such a system by acknowledging that there are competing demands for resources, and attempting to provide indications for how such demands can be managed.

This issue of limited resources and competing demands is particularly pertinent for actions related to CSR, which are often (albeit there is lively debate on this) looked on as discretionary and non-essential to the core business mission. “The constraints that managers face are intuitive and obvious. They have limited discretionary resources that need to be triaged in the face of extensive demand for social goods. There are many competing demands for corporate help from potential recipients who present a daunting array of characteristics.”<sup>58</sup>

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<sup>58</sup> Dunfee, T. W. (2008) op. Cit., pp 346-347.

Stakeholder approaches grapple with two key questions. First, identifying who the relevant stakeholders in any particular case are; and second, explaining or establishing a rationale for how to prioritise resource allocation across those stakeholders.

Freeman's work in this regard is useful. In relation to the first question, his original (1984) definition of a 'stakeholder' is widely used for general descriptive purposes, explaining that "A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives."<sup>59</sup> Acknowledging (in line with the second question) that for this definition to be useful in either a scholarly or empirical sense, explicit differentiation between the various groups and individuals who may constitute this broad category would be necessary, Freeman et al. went on to develop a model that identifies different stakeholders across two tiers, categorised by their perceived importance to the firm and its managers' decision-making.<sup>60</sup>

In the first tier are those stakeholders whose interests are considered of primary importance to the firm, and without whose support the business could not function. These are financiers, communities, customers, employees and suppliers. In the second tier are those stakeholders whose interests are considered of secondary importance to the firm; who may affect or be affected in a more general way by the firm's operation, without necessarily holding an existential determination. These are

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<sup>59</sup> Freeman, E. R. (1984) *Strategic Management: A Stakeholder Approach* (London: Pitman) p. 46.

<sup>60</sup> Freeman, E. R. et al (2007), cited in Freeman, E. R. et al. (2010) *Stakeholder Theory: The state of the art* (Cambridge: Cambridge University Press) pp 23-24.

government, competitors, non-government organisations (including consumer advocacy groups and special interest groups), and the media.<sup>61</sup>

In terms of this second question, it is important to point out that opinion remains divided on the best way to understand different rationales and justification for allocation decisions across stakeholder groups. Margolis and Walsh argued that understanding these very questions of how firms operationalise decision-making in relation to stakeholder interest approaches constitutes a pertinent research agenda in itself.<sup>62</sup> Here, the goal would be to understand “...how companies extract and appraise the stimuli for action; how companies generate response options and select a course of action; how the selected course is implemented; and, finally, what consequences follow from corporate efforts to ameliorate social ills.”<sup>63</sup> Scholars have been working on these issues in recent years; but it is clear that work remains, and it is possible that the findings of this project may contribute to the clarification of these matters.

In using the stakeholder lens for the project’s purpose of understanding how CSR norms operate in the international space, it is also necessary to acknowledge that stakeholder approaches as they currently stand do not provide a sound *exclusive* basis for understanding and guiding managers’ CSR or other resource allocation decisions.<sup>64</sup> However, for current purposes such a definitive approach is not needed. Rather the important insight from the stakeholder literature is a structured validation of the idea that corporations do have multiple stakeholders with differing claims.

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<sup>61</sup> Freeman, E. R. (2010) *ibid.* p. 26.

<sup>62</sup> Margolis, J. D. and J. P. Walsh (2003) Misery loves companies: Rethinking social initiatives by business, *Administrative Science Quarterly* (48)

<sup>63</sup> *Ibid.* p. 285.

<sup>64</sup> Dunfee, T. W. (2008) *op. Cit.*, p. 357.

Importantly, this includes suggestions for identifying who those stakeholders are, and support for the idea that corporations are likely to be taking the concerns of these stakeholders into account in making resource allocation decision.<sup>65</sup>

As such, this insight strengthens the project's conceptual basis, which revolves around the idea of corporations responding to various possible external expectations to gain legitimacy, and does provide a framework for thinking about which stakeholders and stakeholder groups may be of most relevance in this particular case; and hence play a key role in the norms that guide CSR.

Drawing guidance from Freeman et al.'s model, it can be suggested that a sensible starting point would be to note the possible nature of the interests and claims from the first tier of stakeholders, as those with the most pressing claims over a business' existential priorities: shareholders (financiers), employees, consumers, communities and customers. Briefer comments will then follow on the possible interests of governments, non-government organisations, competitors and the media. The following comments elucidate in a little more detail these categories of interest.

### *Responding to First Priority Stakeholders*

#### *Shareholders (Financiers)*

Freeman et al.'s model places priority on the interests of shareholders as stakeholder in the motivation debate. This relates closely to a highly utilitarian argument for the value of CSR that has grown in popularity since the 1980s, particularly amongst practitioners, and in business schools and international institutions. In the most basic terms, this argument suggests that businesses engaged in CSR will thereby gain a

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<sup>65</sup> Ibid., p. 358.

competitive advantage, so that they can 'do well by doing good'.<sup>66</sup> It is based on the conviction that "...increased consideration of environmental, social and governance issues will ultimately lead to better investment decisions, create stronger and more resilient financial markets, and contribute to the sustainable development of societies."<sup>67</sup> Most centrally, good CSR will increase the value of the company and raise the share price, responding to shareholder desires for profit.

Often described as the 'business case for CSR', multinational corporations across various industries articulate this concept with reference to their own particular areas of commercial activity, often focusing through a lens of specific environmental or social domains. For example, mining giant Rio Tinto describes its commitment to gender diversity and inclusion by explaining that "At Rio Tinto we are focused on diversity because it makes good business sense. We know that consulting with, and employing, diverse people gives us access to a range of perspectives to make the best decisions about how to grow and operate our business."<sup>68</sup> The key idea here is that behaving in a way that is considered socially responsible will lead to improvements in corporate financial performance and increases in company share value.

While intuitively sensible, scholars have dedicated considerable empirical energy to substantiating a direct link between corporate social performance and corporate financial performance; but have struggled to articulate a definitive case either affirming or negating the core assumptions of the 'CSR business case'. As Kurucz et al. put it, "...a firm that dedicates resources to fulfilling what are perceived to be its

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<sup>66</sup> Kurucz, E. C. et al (2008) in Crane, A. et al (eds) op. Cit., p. 84.

<sup>67</sup> Knoepfel, I. And Hagart, G. (2009) 'Future Proof? Embedding environmental, social and governance issues in investment markets' *Outcomes of the Who Cares Wins Initiative 2004-2008* (Zurich: onValues Limited) p. 3.

<sup>68</sup> Rio Tinto plc and Rio Tinto Ltd (2009) 'Why Gender Matters: A resource guide for integrating gender considerations into communities work at Rio Tinto' (Melbourne: Rio Tinto Ltd) p. 6.

social responsibilities will financially perform either better, worse, or the same as it might have done otherwise, depending on which studies we line up and consult.”<sup>69</sup>

This conundrum is illustrated by scanning meta-analyses that have attempted to show a direct link between corporate financial and corporate social performance. Two of the most prominent studies are contributed by Margolis and Walsh<sup>70</sup> and Orlitzky et al.<sup>71</sup> In both cases, the authors acknowledged the difficulty of finding comparable variables to line up in all the different studies under examination; Margolis and Walsh noting, for example, that of the 95 studies covered in their work, corporate financial performance was found to be measurable in 70 different ways.<sup>72</sup> Both meta-analyses aimed to take such difficulties into account, noting that measurement variable for both corporate financial and social performance can be broadly categorised; but both also acknowledged that measurement difficulties remain, with questions of causal direction rather than simple association remaining particularly unclear. Consequently, the results (for Margolis and Walsh, some positive associations but no reliable trends; for Orlitzky et al. a generally positive association, although variable across some categories) must be treated with caution, and do not provide a sound *exclusive* empirical basis on which to explain the proliferation of CSR. This is not to say that shareholders are not a vital stakeholder group whose interests must be accommodated and considered by managers; clearly this is not the case. Rather, both meta-analyses and individual cases seem to suggest that although shareholders are important stakeholders, concerns about the direct financial

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<sup>69</sup> Kurucz, E. C. et al (2008) op. Cit., p. 84

<sup>70</sup> Margolis, J. D. and J. P. Walsh. (2001) *People and Profits? The Search for a Link between a Company's Social and Financial Performance* (Mahwah, New Jersey: Lawrence Erlbaum Associates)

<sup>71</sup> Orlitzky, M. et al (2003) 'Corporate social and financial performance: A meta-analysis' *Organization Studies* (24)

<sup>72</sup> Margolis, J. D. and J. P. Walsh. (2001), op. Cit., p. 8

consequences or benefits of CSR are not the main or exclusive driver for multinationals to undertake such activities.

### Employees

According to Freeman et al.'s model employees represent another group of stakeholders whose interests a firm may take into account when making CSR decisions. Explanations of why employees' interests may be taken into account tend to focus on the personal fulfilment that employees seek from undertaking meaningful work. A key heuristic angle points out that employees are also citizens of civil society who, like all other citizens, have values and ethical preferences which they seek to realise in daily practice. As Freeman (2010) notes, "Employees have their jobs and usually their livelihoods at stake; they often have specialized skills for which there is usually no perfectly elastic market. In return for their labour, they expect security, wages, benefits, and meaningful work."<sup>73</sup>

For some, this can mean choosing an employer based on that employer's articulation of the values and ethics with which an individual is most concerned. For example, discussions with officers of HSBC bank (Philippines) in the course of primary research for this project appear to substantiate this argument. In this case, it was reported that employees choose to work for HSBC specifically because of its explicit CSR programme; many prospective employees apparently ask questions about the company's CSR commitment during recruitment interviews, and go on to cite this as a reason for their choosing to take up subsequent offers of employment.<sup>74</sup>

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<sup>73</sup> Freeman, E. R. (2010) op. Cit., p. 25.

<sup>74</sup> Discussion with Cat Avelino, Assistant Vice President for Communications, HSBC Philippines, 19 May 2010.

A more explicitly utilitarian angle may also suggest that happy workers are also likely to be more productive workers, and that employees who feel their ethical and moral preferences are shared and supported by the company they work for are more likely to work hard and contribute to better profit outcomes. It could be noted in this case, however, that there are many different reasons that employees do the jobs they do, and that the importance placed on matters of ethics or corporate social responsibility may vary according to other exogenous factors like the general state of the job market in a particular community (and therefore the likelihood of gaining alternate employment should the employer's CSR position be found wanting), salary rates and other remuneration arrangements, and the personal interests and priorities of individual employees. As such, the interests of employee stakeholders may not always be of primary importance to firms in making CSR decisions.

### Consumers

The relevance of consumers as stakeholders whose interests a company may be anxious to take into account in forming CSR decisions is clear; consumers' purchasing decisions directly affect profits. Discovering the reasons consumers choose some products over others is a key concern of marketing and advertising, and companies spend considerable time and effort finding ways to understand and respond to such preferences. Price and quality are two common consumer considerations in making choices; but ethical influences on purchasing behaviour have also emerged as pertinent concerns for business and scholarship in the past two decades.<sup>75</sup> The main argument here is that consumers hold ethical values that influence their purchase and consumption behaviours beyond mere cost or practical utility, so that where

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<sup>75</sup> Smith, N. C. (2008) in Crane, A. et al (eds) op. Cit. pp 284-285.

these values are reflected in a company's behaviour and products, consumers will be more likely to purchase goods from that company.

Noting that the normative and moral aspects of CSR policy and practice suggest a close resonance with this idea, several studies have sought to determine a link between CSR and consumer behaviour,<sup>76</sup> with the intention of testing a utilitarian rationale for CSR behaviour in a similar way to studies that examine the shareholder- or financial performance-relevance of CSR (above). Some surveys have indeed shown that a high proportion of respondents claim CSR considerations influence their purchasing and consumption behaviour.<sup>77</sup> However, N. Craig Smith points out that "...for all these expressions of good intentions, the evidence for extensive practice of ethical consumerism is less readily available."<sup>78</sup> In particular, there is not always a clear association between how consumers report their feelings and purchasing intentions in relations to ethical corporate practice and their actual purchasing decisions.<sup>79</sup> In these analyses, as little as 10 per cent of the population may actually engage in the behaviour they profess to support.

However, it is also not easy to entirely dismiss the idea that consumers' ethical stances influence company profits in a significant way; there are numerous examples of consumers making purchasing decisions on ethical grounds that have undeniably influenced sales patterns, particularly where this is the result of a particular incident

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<sup>76</sup> See, for example, Becker-Olsen, K. L. and Hill, R. (2005) 'The Impact of Perceived Corporate Social Responsibility on Consumer Behaviour' *Working Paper Series*, Center for Responsible Business, UC Berkley, <http://escholarship.org/uc/item/98f4n4fr>, accessed 10 December 2010; or Mohr, L. A. and Webb, D. J. (2005) 'The Effects of Corporate Social Responsibility and Price on Consumer Responses' *Journal of Consumer Affairs* (39:1) Summer.

<sup>77</sup> Vogel, D. (2005) *The Market for Virtue: The potential and limits of CSR* (Washington DC: Brookings Institution).

<sup>78</sup> Smith, N. C. (2008) in Crane, A. et al (eds) op. Cit., p. 286.

<sup>79</sup> For example, see Vogel, D. (2005) op. Cit. p. 48.

or an organised protest action like a boycott.<sup>80</sup> Further, it is important to note that there may be "...less immediate or less tangible effects that companies need to consider, relative to reputation, brand image, willingness to pay a price premium, word-of-mouth, loyalty or resilience."<sup>81</sup>

To the extent that CSR policies and practices may be able to identify and engage with consumers' ethical values, the relevance of this stakeholder concern is clear. Perhaps more problematic than establishing whether consumers are stakeholders whose preferences and expectations matter is to determine what those preferences are.

### Customers and Suppliers

Customers and suppliers may also be understood as a type of stakeholder group, sometimes with interests similar to those of civil consumers albeit within, rather than at the end of, the supply chain. Supplier companies provide raw materials or other goods that manufacturers or retailers can process, and sell on to other corporate customers. Here again, these groups are stakeholders with particular interests that firms may need to take into account in making CSR decisions: "As with financiers and employees, the customer and supplier relationships are enmeshed in ethics."<sup>82</sup>

There are two main ways that customer and supplier stakeholder interests can be relevant. First, customer and supplier companies may, like other types of stakeholder, constitute social actors with particular ethical or moral values. In these cases, a desire to work with other companies which share those values may be a factor in determining the establishment and success of otherwise materially-oriented business partnerships.

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<sup>80</sup> Smith, N. C. (2008) in Crane, A. et al (eds) op. Cit., p. 282-283.

<sup>81</sup> Ibid. p. 299.

<sup>82</sup> Freeman, E. R. (2010) op. Cit., p. 25.

A second way that customer and supplier interests may be relevant is through a type of symbiotic concern with reputation maintenance. Here, the idea is that end consumers of products created through complex supply chains can hold individual partner corporations to account not only for their own social practices but for the practices of those companies with whom they partner. This is particularly important in the global trade environment, where supply chains can spread across multiple countries and multiple regulatory regimes. Achieving a positive social responsibility profile for multinationals in these circumstances relies on ensuring consistent and defensible social practice at each stage of a complex production chain.<sup>83</sup> Where some partners in the supply chain fail to deliver acceptable social practices, the reputation of all partners in the chain may be jeopardised.

In such circumstances, CSR practices and policies can act as a type of quasi-regulation; where firms can articulate adherence to widely or internationally accepted standards for corporate social responsibility, chain management is facilitated through easier identification of supplier and customer partners whose CSR practices will be acceptable and defensible.

### *Responding to Secondary Priority Stakeholders*

Having offered a brief overview of the way that the interests of first priority (under Freeman's model) stakeholders may influence the CSR decisions of firms as they seek to obtain legitimacy through responding to external expectations and priorities, it is also useful to make a few comments on the possible interests of those stakeholders placed here in the 'second tier'.

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<sup>83</sup> Millington, A. (2008) 'Responsibility in the Supply Chain' in Crane, A. et al (eds) op. Cit., pp 363-364.

Of particular importance in the second group are governments. The key issue here is often one of regulation. Governments set the legal and regulatory environment in which firms operate, and as such their interests relate to the capacity and willingness of firms to adhere to these requirements. In relation to CSR, scholars have noted<sup>84</sup> that there are now many domestic contexts in which governments set explicit legislative requirements for the corporate social responsibility practices of all firms operating within those national borders, regardless of whether the firm is domestically incorporated or is a multinational. Where a firm does adhere to these requirements, it gains a clear form of legitimacy. To the extent then, that CSR policies and practice constitute a method by which firms can gain regulatory validity for their local operations, attending to governments' CSR expectations is a vital articulation of the legitimacy thesis.

The interests of the media and non-government organisations are also worthwhile considering as factors that companies can take into account in CSR decision-making. In this context, these two stakeholders groups are often linked to each other by a relationship of mutual relevance; non-government organisations often need media outlets to promote their views and messages of advocacy, while media groups receive useful information about public-interest issues from non-government organisations.

Finally, competitor firms also constitute a stakeholder group whose interests companies may take into account when developing and implementing CSR. The argument in this case is that CSR can become a competitive activity, in which firms operating in the same industry or community seek to gain an advantage over each other through the extent to which they meet others' (particularly community

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<sup>84</sup> For example, Moon, J. and Vogel, D. (2008) 'Corporate Social Responsibility, Government and Civil Society' in Crane, A. et al (eds) op. Cit., pp 312-217.

members') expectations about good social practice. As such, CSR is a competition in which the prize is the most complete acceptance and legitimacy.

### **In summary**

These comments have drawn on the substantial body of literature from international relations concerned with norms to show that *ideas* and *values* can matter in decision-making for MNCs just as much as material or direct commercial concerns. Further, the existence of norms and values in the international system can become important for CSR, by shaping the expectations of those who are subject to the operations and powers of international actors, both public and private. Just as actors seek to legitimise their power in a domestic context by identifying and responding to those expectations in the course of their operations, so too do actors in the international sphere seek legitimacy in this way.

The challenge arising from this understanding is to unpack how this works in practice, and specifically under conditions of global anarchy. There are important questions about how firms perceive and accommodate the variety of expectations that may exist in any one business environment, and indeed, where these ideas come from in the first place, and how they are identified. Existing literature on norm diffusion helps, but has not adequately grappled with all these questions, and there is room to develop this literature by doing so.

On the questions of precisely which ideas matter and why, stakeholder theory is useful, by providing a prism through which to identify the key types of groups and actors whose expectations could be expected to matter to companies, and to which

CSR policies and programmes may seek to respond. The insights derived here are also, however, incomplete.

In particular, while there are feasible arguments for the importance of all stakeholder groups, two key issues remain unresolved. First, there is no one set of stakeholders whose expectations can be assumed to be a company's primary concern in all circumstances and at all times. Rather, for every group there are arguments that cast doubt on the extent to which firms must or do take preferences into account; either because the real negative effect on profit of failing to address social responsibility ideas is likely to be less than popular rhetoric would suggest (for example in the cases of shareholders and of consumers), or because particular stakeholder groups are from the start less interested in social responsibility matters (for example in the case of governments and firm-to-firm customer transactions).

Second, there are no set rules for the *content* of stakeholder groups' preferences and expectations. While there appear to be general trends in the types of social responsibility issues that concern different stakeholder groups, there remains a lack of clarity about what precisely different social groups will expect from firms in the way of social responsibility, and why. As earlier comments have suggested, this is particularly difficult in the global sphere, and for multinational corporations which operate across different national, social and cultural contexts. Logical assumption suggests it is likely that companies pay attention to a combination of different stakeholder interests, with different emphases in different business contexts: "No stakeholder stands alone in the process of value creation. The stakes of each

stakeholder group are multifaceted, and inherently connected to each other.”<sup>85</sup>

Without knowing about this in more detail, however, a full understanding of how corporate social responsibility works to legitimise multinational corporations cannot be achieved.

Contributing to filling these gaps is part of the objective of the current project. As it is not possible to address all the possible variations of business and CSR type within this study, the project has limited itself to examining the nature and function of CSR in one particular type of corporation, namely the multinational mining corporation. This fits well with the project’s concern with non-state actor legitimacy in the anarchical international space, and more will be said about this in the next chapter, which introduces the case study in detail.

### **The Way Forward: Research Question and Considerations**

What remains here, finally, is to bring together all the strands of literature and analysis that have been highlighted in these first two chapters, to reiterate and clearly articulate first, the project’s central research *question*; and second, the key issues that will need to be considered in the investigation.

#### *Question*

The question that this project seeks to answer may be stated as follows:

**“What does the operation of CSR in multinational mining corporations disclose about the movement of norms through the international system?”**

Answering this question will provide information useful for filling the two major heuristic gaps in scholarship of international CSR highlighted above (namely, how to

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<sup>85</sup> Freeman, E. R. (2010) op. Cit., p. 27.

understand why and how some stakeholders appear to matter more than others; and how to understand the content and drivers of stakeholders' legitimacy expectations). More fundamentally, by doing this it will then be able to say something further about the movement of norms through the international system, contributing to development of this literature in international relations.

In posing the question thus, it is clear that the project has both an empirical (how does international CSR work) and a theoretical (norm diffusion) element, with illumination of the former contributing to resolution of the latter. This has structural implications for the following chapters; the next chapters consider more closely the empirical questions of CSR operation, providing material that the later chapters can then use to deal with the underlying question about norm diffusion. The division is not complete; but for clarity of expectation it is worthwhile setting out explicitly how the two elements of the research question link, and how this will manifest structurally.

The project accepts existing scholarship from international relations that argues legitimacy of actors, both state and non-state, in the anarchical global space relies on a contractual-type relationship between those who hold power and those who are subject to the outcomes or effects of the power. Related to this, it accepts arguments that the content of expectations on which these legitimacy relationships are based can be normative (that is, founded in ideas and values, rather than simply material resources), and that such norms emerge and are diffused via different configurations of environment and actor agency. It further accepts existing scholarship arguing that CSR is an exercise in the building of just such legitimacy; a method by which non-state (corporate) actors in global life gain social license from those who are affected by

their activities, and thereby gain license to exist as legitimate international actors. Finally, it accepts, and takes a cue from, scholarship arguing that while the existence of CSR as an international phenomenon is undisputed, too little is known about the character of the norms that underpin it, and how they operate; and about what this discloses about the contemporary international sphere itself. Addressing these lacunae is the fundamental research objective.

### **Issues to consider**

In line with the case study approach indicated above (and which is explained in more detail in the appendix and in the following chapters), an answer to the underlying question of norm diffusion will be obtained through considering a number of core issues relating to international CSR.

First, there is the issue of understanding which stakeholders matter and why. Here, the project takes its cue from Freeman's work, and considers whether the division between first and second tier stakeholders may be fruitful. Specifically, it will be interesting to see whether corporations will be most responsive to legitimacy expectations demanded by 'first tier' stakeholders, or those whose support is critical to the survival and prosperity of the business. Further, they may then tend to be less responsive to the expectations of 'second tier' stakeholders, or those who have an interest in or are affected by the firm, but whose support is not vital to business survival and prosperity. Under this model, in such cases corporations will only respond to expectations (and may indeed act as 'norm entrepreneurs', to borrow Finnemore and Sikkink's term) where they perceive there to be the chance of a particular gain or advantage to be secured in doing so.

Second, there is the issue of what the expectations of those stakeholders are. Here, the project can consider whether expectations may be determined in relation to the main reason for the stakeholder to have contact with the corporation. For example, shareholder expectations may relate primarily to the success of the corporation in delivering profits and shareholder dividends; employees' expectations may relate primarily to the corporation's provision of perceived good work conditions; non-government organisations' expectations may relate primarily to the corporation's success in demonstrating support for an ethical or value-based position on relevant issues like climate change or human rights; community members' expectations may relate primarily to the corporation's success in affecting community life in a perceived positive way. It could also be possible that there are some cases in which stakeholders entertain more than one expectation or set of expectations. For example, shareholders may also be concerned that profits are generated in a way that does not cause environmental harm.

Third, there is the difficult issue of the origins and drivers of expectations. This is one area where CSR research is least well-developed. Literature from psychology may provide some useful indications through work on motives<sup>86</sup> though this research often relates to motives for personal action rather than expectation of others' actions. This matter will be examined in greater detail in later stages of the project, but here it is nevertheless possible to note that matters to be considered can include the idea that stakeholders' normative CSR expectations emerge from a variety of intellectual and environmental stimuli, including education, personal and family background, religious belief, socio-cultural background, and legal mandate.

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<sup>86</sup> See, for example, Harre, R. et al. (1985) *Motives and Mechanisms: An introduction to the psychology of action* (London: Methuen).

Identifying and understanding these stimuli as they relate to CSR expectations is a key concern of the project.

In noting these points of consideration and thus indicating some of the main themes that will be useful to look at, the project accepts scholarship from management on the importance and functioning of stakeholder perspectives in corporate CSR policy and action, and notes the links between different categories of stakeholder and the likelihood that firms will make CSR decisions with a view to satisfying the expectations of certain stakeholders to gain legitimacy. It further notes literature, and indications from corporations themselves, on the possibility of CSR norm content being affected by varied cultural and contextual, and even historical, circumstances. Finally, it acknowledges the failure of scholarship to provide a definitive empirical link between corporate financial performance and CSR, and the support this consequently lends to arguments for CSR having other purposes (namely, legitimacy building and social license); but it also notes that such scholarship has also not succeeded in disproving a link of some kind. Instead, it is expected that, in line with broader management and business scholarship and practice, business performance is in fact a consistent concern underpinning CSR decision-making; though this will not always be demonstrable through economic or other statistical models.

Having thus reiterated and articulated the research question, and outlined the issues that will need to be considered in delivering an answer, the way is now open to engage empirically. The next chapter takes up this task, by contextualising and explaining the case study: an investigation of the CSR activities of multinational mining giant *Rio Tinto Group*.

## Chapter 3: Case Study Outline and Methodology

*"Development and management of good relationships with communities is as critical to our business success as the technical management of our mining operations"*

*Rio Tinto, 'Social Investment: Working with Australian Communities', p.4*

The previous chapter described the phenomenon that corporate social responsibility (CSR) has become, providing an overview both of its historical development in domestic economic and political contexts, and of its contemporary identity and function as an instrument of international legitimacy for multinational corporations. Drawing on literature from international relations and from management, the chapter highlighted lacunae in scholarship about this phenomenon, including the difficulty with adequately accounting for the character and operation of CSR norms. Further, it articulated both a research question and accompanying issues for consideration that the project will examine to address these heuristic failures. This process will be undertaken using a social scientific case study method, and the purpose of the current chapter is to provide details of the chosen case, and to describe and rationalise this choice of method.

The case study involves one multinational mining corporation, *Rio Tinto Alcan* (hereafter Rio Tinto), with a highly developed and well-publicised set of CSR policies and programmes. Given that the vast majority of multinational corporations now undertake some form of CSR (as detailed in the previous chapter) it is necessary to rationalise the choice not only of Rio Tinto specifically, but of an extractive industries

corporation more broadly. The first sections below address this question, explaining why this industry is suitable for the research purpose, and linking this rationale directly back to the project question. A description of Rio Tinto's own corporate identity and history is included, along with a detailed discussion of its CSR policies and programmes.

Similarly, given that there are numerous research methods by which information about CSR may be obtained, the rationale for choosing a case study method, and more over a case study of this particular corporation; and the expected scope and limits of the findings that the method can deliver, will be mentioned. This will include an overview description of the project's field work elements, as well as outlining the methods and activities by which it is intended that findings of the case study can be, to the extent found possible, cross-validated both within the extractives industry, and with multinational corporations in other industries.

Taken together, these remarks will open the way for recounting of field work activity, and reporting and analysis of case study findings in the following chapters.

### **CSR in Extractive Industries: Legitimacy for Multinational Miners**

As in many other fields of business and industry, in recent decades there has been an unprecedented increase in the attention given to CSR by international mining concerns. This is evident in the proliferation of public CSR proclamations issuing from such companies, as well as their participation in global business ethics and standards

initiatives, and the development and implementation of specific CSR policies and projects.<sup>1</sup>

While this is certainly part of a broader trend, there are also specific reasons why CSR matters to mining corporations in particular. First, mining corporations do not traditionally have a good record in the areas of most common interest to CSR advocates, such as the environment and human rights. As Kapelus notes, since colonial times there has been recognition that mining operations involve by their very nature the capacity to cause considerable harm in these areas.<sup>2</sup> As international mining operations have increased with the wider forces of globalisation, so too has awareness of these problems, leading to the establishment of networks of opposition to mining companies and activities. These networks are primarily made up of non-government organisations and advocacy groups of various kinds, and mining companies are explicit in acknowledging that CSR programmes function as a strategic response to these critics.<sup>3</sup>

A further reason why CSR is of particular interest to miners is the element of geographic dependency in extractive activities; mining corporations cannot move their operations between cities and countries at will in the way that, for example, financial or manufacturing companies can. Miners must go where the minerals are, and have no choice in this matter. Given the role of CSR as an instrument of social legitimacy, as chapter two described, it is therefore clear that mining corporations more than most have an interest in establishing good relations with members of

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<sup>1</sup> Kapelus, P. (2002) 'Mining, Corporate Social Responsibility and the "Community": The case of Rio Tinto, Richards Bay Minerals and the Mbonambi' *Journal of Business Ethics* (39:3) pp 278-279.

<sup>2</sup> *Ibid.*, p. 280.

<sup>3</sup> Jenkins, H. (2004) 'Corporate Social Responsibility and the Mining Industry: Conflicts and constructs' *Corporate Social Responsibility and Environmental Management* (11:1) March, p. 24.

communities in which they must operate. *Rio Tinto's* own statements on social investment make this point explicitly, explaining that "Our business success is built on access to land, people and capital. Rio Tinto believes we can help ensure access by building a strong and deserved reputation in our care for the environment, our social policies, and our contribution to economic prosperity."<sup>4</sup>

It is also worthwhile to note, however, that there are feasible reasons why international mining corporations may alternately be *less* concerned about CSR than some other businesses. For example, the sheer economic and financial size of some of the world's foremost international mining corporations is such that from a realist point of view, the power of those corporations exceeds the need for them to cultivate social license through CSR. Further, noting the comments in the previous chapter about the different types of stakeholders to whom companies may speak through CSR, it is clear that some stakeholder groups will tend to be of less interest to miners than to other types of business. Specifically, the distance between a mining company and the end consumer of a product containing a particular mineral (such as steel or aluminium) may be so great that consumers do not make the conceptual connections necessary to motivate protests against unethical business practices.

Further, in line with the literature showing only a tenuous association between corporate social performance and corporate financial performance, the consistent strength of share price for extractive materials over time, even in the face of blatantly poor social or environmental performance, suggests that concern with profit margins need not be a major motivator for miners to engage in CSR. A recent example of this phenomenon is the case of *British Petroleum* (BP). Having suffered a dramatic fall in

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<sup>4</sup> Rio Tinto plc and Rio Tinto Ltd (2008) *Social Investment: Working with Australian Communities* (Melbourne: Rio Tinto Ltd) Front Pages.

the share price from 650.00 down to almost 300.00 in June 2010<sup>5</sup> following an environmentally catastrophic oil-spill at one its operations in the Gulf of Mexico, the company's value was nevertheless soon recovering, with executives noting that underlying profits in the third quarter of 2010 were up 18 percent compared with the previous year.<sup>6</sup>

Regardless of these protests, however, the fact remains that international mining corporations do expend considerable time and effort on CSR, demonstrated through participation in CSR institutions and initiatives and through individual projects. In this sense, the utility of examining the operation of the CSR phenomenon, as this project seeks to do, is highlighted. The first requirement, in orienting the research project in line with the research question, is to introduce the corporate subject of the case study, Rio Tinto, and describe its CSR approach in both policy and practice. The next section takes up this task.

## The Case Study: Rio Tinto Group

### Overview

*Rio Tinto* is an international mining group, comprised of two publicly listed companies: Rio Tinto plc, a London-listed public company headquartered in the UK, and Rio Tinto Limited, listed on the Australian Stock Exchange with executive offices in Melbourne. Although the two companies are separate legal entities, with separate

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<sup>5</sup> See London Stock Exchange website, <http://www.lse.co.uk/ShareChart.asp?sharechart=BP.&share=bp>, accessed 1 December 2010.

<sup>6</sup> Sylvia Pfeiffer, "Rising prices help BP's tentative recovery", *Financial Times Online*, <http://www.ft.com/cms/s/0/a41db778-e6b4-11df-99b3-00144feab49a.html#axzz16sVRDoMv>, 2 November 2010.

share listings and registers, they operate under a 'Dual Listed Companies' (DLC) structure as a single economic unit, known as the Rio Tinto Group.<sup>7</sup>

Rio Tinto's declared fundamental objective is "...to maximise the overall long term financial return to its shareholders by operating responsibly and sustainably in areas of proven expertise where the Group has a competitive advantage. Its strategy is to maximise net present value (NPV) by investing in large, long life, cost competitive mines."<sup>8</sup> Investments are, it is stated, driven by the quality of opportunity rather than a choice of country or commodity.

Rio Tinto is the evolved and expanded version of two major mining companies with long histories in the extractive industries. The Rio Tinto Company was formed by investors in 1873 to mine copper at Rio Tinto in southern Spain, while the Consolidated Zinc Corporation was incorporated in 1905, initially to treat zinc bearing mine waste at Broken Hill in New South Wales, Australia. In 1962 the two companies merged to create the UK-listed Rio Tinto Zinc Corporation (RTZ Corporation); and at the same time consolidated their Australian interests to create Conzinc Riotinto of Australia Limited (CRA Limited). The two companies were formally unified in 1995 under the DLC structure, and in 1997 changed their names respectively to Rio Tinto plc and Rio Tinto Limited, to be known together as the Rio Tinto Group.

The Group consists of wholly and partly owned subsidiaries, jointly controlled assets, jointly controlled entities and associated companies. Its businesses include open-pit and underground mines, mills, refineries and smelters, as well as research and service

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<sup>7</sup> Rio Tinto, "Diverse places: A global journey to many of Rio Tinto's operating sites near and far" *Rio Tinto* website, [http://www.riotinto.com/documents/Corporate\\_brochure\\_Places.pdf](http://www.riotinto.com/documents/Corporate_brochure_Places.pdf), accessed 26 January 2011.

<sup>8</sup> Rio Tinto, *Ibid.*, p. 1.

facilities. Major products include aluminium, copper, diamonds, energy products (primarily coal and uranium), gold, industrial minerals (borax, talc, titanium dioxide and salt), and iron ore. This extensive operations portfolio is spread across diverse geographic locations, with the group having a presence in approximately 50 countries, mostly in Australia and North America as well as South America, Asia, Europe and Southern Africa; and having more than 102,000 employees.<sup>9</sup>

Rio Tinto is one of the largest mining concerns in the world, consistently ranked high in global size listings: in 2010 it was ranked third, behind only Vale CVRD (second) and world leader BHP Billiton.<sup>10</sup> With net earnings in 2009 of US\$4.9 billion, it is clear that the Group wields considerable financial weight.<sup>11</sup>

#### *Governance and Structure: Implications for Policy and Practice*

##### **Boards and Committees**

Similar to many other comparable multinational corporations, Rio Tinto is governed by a Board of Directors, headed by a Chairman and supported by a Chief Executive, a Chief Financial Officer, an Executive Director, and 12 Non-Executive Directors.<sup>12</sup> The Board is further supported by a suite of five management committees. As explained by the Group,<sup>13</sup> these are:

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<sup>9</sup> Rio Tinto website, "About Rio Tinto", <http://www.riotinto.com/annualreport2009/overview/index.html>, accessed 27 January 2011.

<sup>10</sup> Business Excellence website, "Mining Companies – World Wide" <http://www.bus-ex.com/article/mining-companies-worldwide?page=0,7>, accessed 27 January 2011.

<sup>11</sup> Rio Tinto, *Annual Report 2009*, [http://www.riotinto.com/annualreport2009/overview/performance\\_highlights.html](http://www.riotinto.com/annualreport2009/overview/performance_highlights.html), accessed 27 January 2011.

<sup>12</sup> For a list of current Board Members and their backgrounds, see Rio Tinto, "Board of Directors", *Annual Report 2009*, <http://www.riotinto.com/annualreport2009/governance/index.html>, accessed 27 January 2011.

<sup>13</sup> Rio Tinto, "Board Committees", *Annual Report 2009*, [http://www.riotinto.com/annualreport2009/governance/corporate\\_governance/board\\_committees.html](http://www.riotinto.com/annualreport2009/governance/corporate_governance/board_committees.html), accessed 27 January 2011.

The *Audit Committee*, which assists the Board to ensure the integrity of the Group's financial reporting, and the maintenance of sound systems of internal control and risk management;

The *Remuneration Committee*, which assists the Board to ensure remuneration policy and practices reward fairly and responsibly, and with a clear link to individual performance;

The *Nominations Committee*, which is headed by the company Chairman and is responsible, on behalf of the Board, for regularly assessing the balance of Executive and Non-Executive Directors and the composition of the Board in terms of its capacity to oversee delivery of core objectives and strategy;

The *Committee on Social and Environmental Accountability*, which assists the Board to manage social and environmental risks and to achieve compliance with social and environmental responsibilities and commitments; and

The *Chairman's Committee*, which acts on behalf of the Board in between regularly scheduled Board Meetings.

In addition, an *Advisory Forum* has been established in each of Australia and Canada (where the bulk of Rio Tinto's operations are located) to provide dedicated advice on political, economic and social developments in those countries, where they could impact the successful development of the Group's businesses.

There are also a number of procedurally-oriented management committees, responsible for overseeing the day-to-day management of the business, including

monitoring performance and strategy alignment.<sup>14</sup> The Group's operations are divided into nine key areas,<sup>15</sup> each of which is overseen by a group Chief Executive.<sup>16</sup> Together, these Chiefs Executive form, with the addition of the company Chief Executive and company Chief Financial Officer, the Executive Committee.

### Rules of Management

The two main documents guiding the actions of the Board and Committee members are the *Constitution of Rio Tinto Limited*,<sup>17</sup> and the *Articles of Association of Rio Tinto plc*.<sup>18</sup> These documents are formed under the relevant legislation in Australia and in the UK, being respectively the Corporations Act 2001, and the Companies Act 2006.

The documents set out rules on such matters as the issuing, management and surrender of shares in the Group dual listed companies; the convention and operation of General Meetings; the number, responsibilities, powers and remuneration of Directors; dividends and the capitalisation of profit; and procedures for winding up the company in the necessary event.

Both documents make provision for communication with members (shareholders), though the Articles of Association for Rio Tinto plc are more explicit on this count.<sup>19</sup> In

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<sup>14</sup> For a list of these committees, see Rio Tinto, "Management", *Annual Report 2009*, [http://www.riotinto.com/annualreport2009/governance/corporate\\_governance/management.html](http://www.riotinto.com/annualreport2009/governance/corporate_governance/management.html), accessed 27 January 2011.

<sup>15</sup> The organisational and product groups are: People and Organisations, Technology and Innovation, Business Support and Operations, Legal and External Affairs, Rio Tinto Alcan, Copper, Diamonds and Minerals, Iron Ore and Energy.

<sup>16</sup> For a list of current group Chiefs Executive, see Rio Tinto, "Executive Committee", *Annual Report 2009*, [http://www.riotinto.com/annualreport2009/governance/executive\\_committee.html](http://www.riotinto.com/annualreport2009/governance/executive_committee.html), accessed 27 January 2011.

<sup>17</sup> Rio Tinto, "Constitution of Rio Tinto Limited", *Rio Tinto website*, [http://www.riotinto.com/documents/ReportsPublications/Rio\\_Tinto\\_Limited\\_Constitution.pdf](http://www.riotinto.com/documents/ReportsPublications/Rio_Tinto_Limited_Constitution.pdf), accessed 24 February 2011.

<sup>18</sup> Rio Tinto, "Articles of Association of Rio Tinto plc" *Rio Tinto website*, [http://www.riotinto.com/documents/Investors/Articles\\_of\\_Association\\_for\\_Rio\\_Tinto\\_plc.pdf](http://www.riotinto.com/documents/Investors/Articles_of_Association_for_Rio_Tinto_plc.pdf), accessed 24 February 2011.

<sup>19</sup> *Ibid.* pp 91-93.

both cases, the Annual General Meeting (AGM) is a key communication forum, with specific rules for information exchange between Group managers and members. The purpose of the AGM is to discuss and if necessary, to vote on, matters of business specified in the Notice provided to members in advance. An AGM is typically held in London around April and in Melbourne around May, and in recent years electronic communications technology including video-conference links and simultaneous webcasts have been used to allow participation by a greater number of members and stakeholders across the globe without the need to travel.

Presentations at the AGM are made by key managers and executive personnel, and discussion and if necessary voting generally covers such matters as financial performance during the previous year; the forthcoming economic outlook; and matters of company strategy and management.<sup>20</sup> Selected documents pertaining to the AGM are subsequently made publicly available online through the Group website.

Beyond the Constitution and the Articles of Association, Rio Tinto has also produced a suite of shorter policy and procedure-specific corporate documents and guidelines, which lay out separate rules of management for certain issues. Many of these are also available publicly on the website.<sup>21</sup>

### **Implications of Organisational Structure**

The reason it is useful to note these otherwise mundane procedural facts is the importance that organisational structure may have for policy and practice on matters such as CSR. Literature from management describes this with reference to two

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<sup>20</sup> See, for example, transcripts of speeches by the Chairman and the Chief Executive made at the 2010 AGM, and posted online at [http://www.riotinto.com/documents/Media-Speeches/2010AGM\\_transcript.pdf](http://www.riotinto.com/documents/Media-Speeches/2010AGM_transcript.pdf), Accessed 24 February 2011.

<sup>21</sup> Rio Tinto website, "Policies, standards and guidance", [http://www.riotinto.com/shareholders/3608\\_policies.asp](http://www.riotinto.com/shareholders/3608_policies.asp), accessed 24 February 2011.

particular issues: the crucial role of top managers in decision-making, and the way the corporation is structured to inform and guide decision-making and implementation processes.

The role of top managers is clear in the sense that these are the figures with ultimate authority over investment and policy choices. Thus, CSR programmes tend to develop where there is interest and support from managers: “The start of an increased CSR effort often is triggered by a change in awareness by top management of developments in the environment and the impact on the organisation.”<sup>22</sup> Moreover, top managers rarely if ever work in isolation from one another. Rather, decision-making occurs in a team environment, in which the ideas and preferences of individuals become part of a larger strategic conversation. So, for CSR programmes to develop within a firm, the relevant ideas need to capture the ‘culture’ of the board room, as well as the interest of individual board members.<sup>23</sup>

Given the importance of boards and top management teams, it is then easy to see why the organisational structures that support and inform decision-makers become important. In particular, the committees that typically sit immediately below the boards of directors in organisational hierarchies have a key role in informing and guiding decision-making, as they have the most ready and frequent access to those at the top. Indeed, individual directors often sit on committees in addition to their other responsibilities. Where those committees take an interest in CSR issues, there is a stronger likelihood that such issues will also arise in the directorial discussions. Luoma and Goodstein’s meta-study of stakeholder representation on corporate boards

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<sup>22</sup> Werre, M. (2003) ‘Implementing Corporate Responsibility: The Chiquita Case’, *Journal of Business Ethics* (44) p. 249.

<sup>23</sup> *Ibid.*, p. 250.

makes this point clearly, noting how particular characteristics of organisational structure can have specific effects on managers' choices.<sup>24</sup>

In Rio Tinto, then, there is a complex global organisational structure with specific processes for channelling information to the top decision makers from different levels of the company. At the broadest level, the *Constitution* and the *Articles of Association* provide a formal mechanism for shareholders to supply a range of information to, and seek information from, management. At higher levels, the various committees and the advisory fora channel more detailed and more strategic information on certain issues. Of most interest here is the *Committee on Social and Environmental Accountability*, the existence of which provides a strong indicator that these matters are of interest to top management figures, and that they are taken into account in strategic conversations. It is such conversations, shaped by information flow within the organisational structure, that have supported development of Rio Tinto's own approach to CSR.

In line with the project's broader structure and method, it is worth noting that this all has implications for the theoretical aspect of the research question, about the diffusion of norms through the international system. One of the matters highlighted in existing scholarship as requiring further examination is the question of how norms and ideas move through organisations, and how they manifest and influence in governance and decision-making processes. Being aware of the management structures at Rio Tinto is important for thinking about how ideas and values might become incorporated into, and influential on, decision-making processes and ultimately policies and practices throughout the global network of operations. This

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<sup>24</sup> Luoma, P. and Goodstein, J. (1999) 'Stakeholders and Corporate Boards: Institutional influences on board composition and structure', *Academy of Management Journal* (42:5) pp 553-563.

idea will be developed in later sections and chapters; but it is useful to note it here in reiterating the link between the empirical and theoretical aspects of the question.

### **Sustainable Development: Rio Tinto's approach to CSR**

Rio Tinto has a relatively highly developed approach to the types of social legitimacy policies and activities described in the previous chapters. Emerging in the early 1990s<sup>25</sup> and now managed under the heading of 'Sustainable Development', the Group's approach focuses explicitly on stakeholder engagement as a guiding rationale for decision-making and programme development in this field. Aligning with arguments about CSR rationales canvassed in the previous chapters, it is pertinent to note that the 2009 edition of the Annual Report *Sustainable Development Review* section opens with a clear reference to the links between stakeholder expectations and social legitimacy:

"Our focus on sustainable development provides the framework in which our business operates. It allows us to maintain a highly regarded reputation that ensures ongoing access to people, capital and mineral resources. This in turn helps us to deliver better return for our shareholders, manage risk effectively, reduce environmental impacts, cut operating costs, attract and retain high calibre employees and provide more business development opportunities."<sup>26</sup>

Given this focus on civil engagement, it is unsurprising that as well as the actual development and implementation of activities designed to meet the expectations of various stakeholders, *communication* is an integral part of the Group's social license

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<sup>25</sup> Toyne, P. (2006) "CSR case studies: Rio Tinto PLC", *Article 13 and CBI, Case Study Series*, March, Confederation of British Industries website, <http://www.cbi.org.uk/ndbs/content.nsf/802737aed3e3420580256706005390ae/5a892ef3e4b658818025728b003b2ab4?OpenDocument>, accessed 27 January 2011.

<sup>26</sup> Rio Tinto (2009) "Sustainable Development Review" *Annual Report*, available online at [http://www.riotinto.com/annualreport2009/pdf/rio\\_tinto\\_full\\_annualreport2009.pdf](http://www.riotinto.com/annualreport2009/pdf/rio_tinto_full_annualreport2009.pdf), accessed 23 January 2011, p. 24.

approach: “We take a highly professional approach to Public Affairs. We recognise that the quality of our relationships with political, industry and civil society stakeholders plays a crucial role in protecting and enhancing both Rio Tinto’s short and long term value and reputation.”<sup>27</sup> As such, this emphasis has resulted in a useful volume of text-based information, which will be examined in detail in the next chapter. The following comments seek only to provide an overview of the nature and operation of the Group’s social license activities, and to point up some issues suggesting the need for particular analytical attention.

### Terminology

One issue worthy of note in this context is the Group’s choice of terminology in this area. As the previous chapter noted, there is considerable variation in the terminology currently used by different actors to describe corporate social legitimacy activity. The term ‘corporate social responsibility’ has enjoyed longer and more consistent popularity in both policy and practice than other similar terms, and remains commonly used in analytical and academic practice (thereby contributing to the appropriateness, among other factors, of its use in this project). Indeed, Rio Tinto corporate literature sometimes uses the term, although there now is more commonly emphasis on the terminology of ‘sustainability’ and ‘sustainable development’ to describe its activity in those areas recognised as relevant to CSR discourse and practice.<sup>28</sup>

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<sup>27</sup> Rio Tinto (2005) *Our Key Relationships: A guide for Group businesses*, available online at [http://www.riotinto.com/documents/ReportsPublications/corpPub\\_CorpBrochure\\_OurKeyRelationships.pdf](http://www.riotinto.com/documents/ReportsPublications/corpPub_CorpBrochure_OurKeyRelationships.pdf), accessed 1 February 2011, p. 1

<sup>28</sup> Note that in a speech to Chatham House on 16 October 2002, the then Executive Chairman of Rio Tinto Sir Robert Wilson used the terms CSR and sustainability interchangeably to describe his corporation’s activities and thinking in this area. See the Rio Tinto website, [http://www.riotinto.com/documents/Media-Speeches/RPW\\_CSR\\_-\\_Chatham\\_House\\_161001.pdf](http://www.riotinto.com/documents/Media-Speeches/RPW_CSR_-_Chatham_House_161001.pdf), accessed 18 June 2012.

Clarifying precisely what is meant under that heading is not easy. Rio Tinto does not provide, at the Group level, an explicit definition or articulation of how ‘sustainable development’ (understood as the Group’s CSR) is conceived. Rather, a series of more general statements, and accompanying policies and standards, provide a disaggregated set of indications, combining to form a loosely coherent, practice-based realisation. The most formal Group-level articulation, found in the brief and rather opaque ‘Sustainable Development Policy’,<sup>29</sup> underlines this fragmented approach, explaining that

“Rio Tinto businesses, projects, operations and products should contribute constructively to the global transition to sustainable development...By focussing on people, the environment, resource stewardship and management systems, we can better manage risk, create business opportunities, reduce costs, attract the best employees, gain access to new markets and resources and deliver a better product to our customers...Wherever possible, we prevent, or otherwise minimise, mitigate and remediate, harmful effects of the Group’s operations on the environment.”<sup>30</sup>

The Sustainable Development Review sections of the Annual Report provide a pictorial representation of the same fragmented, multi-component understanding of what ‘sustainable development’ means to Rio Tinto. This defines the central concept with reference to four main sub-areas of activity (environmental stewardship, economic prosperity, social wellbeing and governance systems), each of which is further broken down into three or four more specific sub-areas, such as community engagement and regional development, biodiversity, supply chain, and human rights. Within the body of the Sustainable Development Review section, each of these sub-

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<sup>29</sup> Rio Tinto website, “Sustainable Development Policy”, *Policies, Standards and Guidance*, [http://www.riotinto.com/documents/ReportsPublications/Sustainable\\_development\\_policy.pdf](http://www.riotinto.com/documents/ReportsPublications/Sustainable_development_policy.pdf), accessed 1 February 2011.

<sup>30</sup> Ibid.

areas are treated in turn as reporting variables, with performance standards and records attached to each.

Apparently more precise definitions are provided through some of the Group's country-specific websites. For example, Rio Tinto India states that "Sustainable development is commonly defined as 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'"<sup>31</sup> Further specification about precisely what this means is not, however, available.

Despite the lack of a single, precise articulation of what 'Sustainable Development' means to Rio Tinto, the choice of terminology used and the information included nevertheless provide useful indications of the Group's approach to CSR. First, it is clear that Rio Tinto's approach is practice-based, focusing on the things that the corporation and its employees actually *do on the ground* in the course of mining and extractive operations. Second, it is primarily focused on the three common CSR topic areas of environment, economics and society. Third, sustainable development action in these three areas is driven by the need to maintain legitimacy at least as long the lifespan of any particular mine site (approximately 30-50 years).

It is also worthwhile mentioning that the lack of a clear definition may in itself be important in understanding the Group's approach, particular in the international context. That is, a level of opacity may constitute a deliberate attempt to leave flexibility for different understandings of CSR and social legitimacy type activity to be implemented in different cultural contexts, while still being reportable under the

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<sup>31</sup> Rio Tinto, "What is Sustainable Development?" *Rio Tinto India* website, [http://www.riotintoindia.com/sustainable\\_development.html](http://www.riotintoindia.com/sustainable_development.html), accessed 2 February 2011.

general 'sustainable development' heading. More will be said on this point below; it suffices for now merely to point up this possibility.

Perhaps the key point to note here is that Rio Tinto's approach to sustainability appears to support the fundamental proposition in literature and in this project that CSR is closely intertwined with beliefs about the existence of norms and values, and their importance in shaping international corporate and social actions. Normative judgements are both implicit and explicit in the company's statements; for example, positive value is attached to protecting the natural environment, and to enhancing 'social wellbeing'. Norms do matter; and for Rio Tinto, CSR is a way to address them. Establishing this point sets a foundation stone for building the rest of the project, and it is worthwhile to be state it early and clearly.

### **Which Stakeholders?**

As noted above, having skimmed over an explanation of what 'sustainable development' means, the Group is more explicit in explaining that the purpose of such activities is stakeholder oriented. (Again, this makes sense in terms of normative focus; if a purpose of CSR is to acknowledge and respond to normative positions, communication with those who may hold the normative positions is important.) This is most evident in the corporate document *Our Key Relationships*, a guide for businesses within the group in their interactions with different stakeholders.

Particularly noteworthy here is the acknowledgement that Rio Tinto is selective about which stakeholder interests and expectations are prioritised, stating that "We receive and reject numerous approaches from many organisations because they do not

coincide with our objectives and we constantly review and prioritise our existing relationships.”<sup>32</sup>

Those stakeholders accorded high priority are categorised under four headings: industry associations and representative bodies, corporate social responsibility-related memberships, corporate partnerships, and government affairs. It is not surprising that, to the extent that the Group’s statements on ‘sustainable development’ highlight concern with social, environmental and economic matters as mentioned above, most of the individual stakeholders listed can be seen as representative of one or the other set of concerns. For example, environmental concerns are evident in relationships with the Royal Botanic Gardens in the UK and the Australian chapter of the World Wide Fund for Nature; social concerns are evident in relationships with Transparency International and the Deakin University Corporate Citizenship Unit (Australia); and economic concerns are evident in relationships with the World Economic Forum and the International Chamber of Commerce.<sup>33</sup>

### **What activities?**

The precise nature of these stakeholder relationships is best understood with reference to the particular projects, activities and partnerships in which the Group engages. Closely aligned with the social legitimacy dimensions of the CSR phenomenon, these are in many cases locally-based, with reference to particular communities in which Rio Tinto operates. Consequently, there is wide diversity in the activities undertaken.

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<sup>32</sup> Rio Tinto (2005) *Our Key Relationships: A guide for Group businesses*, op. Cit. p. 2

<sup>33</sup> Ibid.

For example, in the Group's Australian sustainable development activities there is a clear emphasis on links with indigenous culture and community. The *Rio Tinto Aboriginal Fund* has financed the founding and operation of community-based education programmes such as *Indij Readers* (producing literacy materials specially designed for Indigenous children and encouraging children to write and illustrate stories about their own lives) and the *Opening the Doors Foundation* (providing support and encouragement for Indigenous secondary school students, particularly in rural areas, to stay in school and achieve academically).

Other activities show different emphases, such as women's empowerment, or environmental issues. For example, at Rio Tinto's operations in Simandou, Guinea, programmes aiming to improve the status of women in local communities have been implemented. These include literacy support designed to improve income generation opportunities and support for girls to complete secondary education.<sup>34</sup> At the Diavik diamond mine in north western Canada, the Group has implemented a programme engaging traditional Indigenous knowledge of the environment to monitor the health of fish stocks in the nearby lake, the data from which is then used to protect and manage fish stocks in line with the requirements of Diavik community's 'Fishing Authorizations'.<sup>35</sup> Numerous other examples suggest similar programmes and activities, with other foci and emphases.

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<sup>34</sup> Rio Tinto, *Rio Tinto Simandou – Sustainable Development* website, [http://www.riotintosimandou.com/ENG/our\\_approach/375\\_sustainable\\_development.asp](http://www.riotintosimandou.com/ENG/our_approach/375_sustainable_development.asp), accessed 1 February 2011.

<sup>35</sup> Rio Tinto, *Environmental Monitoring with the Community* sustainable development case study, [http://www.riotinto.com/documents/ReportsPublications/Environmental\\_monitoring.pdf](http://www.riotinto.com/documents/ReportsPublications/Environmental_monitoring.pdf) accessed 1 February 2011.

As well as being linked to local community contexts, it is again clearly possible to discern in this menu of activities broad adherence to the three common CSR areas of environment, society and economics.

### **Recognition, Reporting and Transparency**

In line with the emphasis throughout the sustainable development programme on stakeholder engagement and management, it is not surprising that Rio Tinto dedicates considerable resources to manifesting and publicising the links between these activities and its public CSR reporting obligations. These include reporting commitments under the *Global Reporting Initiative*, the *United Nations Global Compact* and the *International Council of Mining and Metals* (of which Rio Tinto is a founding member), as well as a range of other reporting and publicity activities.

In relation to the Global Compact (UNGC), for example, Rio Tinto is required, like all other UNGC members, to submit an annual 'Communication on Progress', which describes the corporation's actions in implementing the Ten Principles of the Compact. This is made publicly available both on the Rio Tinto website and on the Global Compact website.<sup>36</sup> The Group also makes available reporting information of its progress implementing requirements of, among others, the Global Reporting Initiative, and the International Council on Mining and Minerals, through links on its website.<sup>37</sup> Further, a range of performance data linked to the key sustainable development areas of environmental, social, economic and governance are available on the website, along with a collection of targeted short publications on individual sustainable development projects and cases. Finally, dedicated sections of the Annual

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<sup>36</sup> United Nations Global Compact, *Participants and Stakeholders*, <http://www.unglobalcompact.org/participant/8013-Rio-Tinto-plc>, accessed 2 February 2011.

<sup>37</sup> See Rio Tinto website, [http://www.riotinto.com/ourapproach/17194\\_our\\_performance.asp](http://www.riotinto.com/ourapproach/17194_our_performance.asp), accessed 2 February 2011.

Report, distributed at a minimum to all shareholders and made generally available on the website, contributes to spreading the sustainability message.<sup>38</sup> In common with comparable corporations, Rio Tinto also has a dedicated media unit, with officers devoted to publicity and press management.<sup>39</sup>

### **Stakeholder Responses: Bouquets and Brickbats**

As has already been suggested in this project, the utility of these efforts in terms of securing good reputation and successfully managing stakeholder expectations is not easy to measure. However, there are clearly examples of Rio Tinto garnering positive publicity through its sustainable development activities.

For example, in 2010 Rio Tinto appeared for the first time (rated 70<sup>th</sup>) on the Barron's list of the World's Most Respected Companies.<sup>40</sup> This US-based survey seeks the views of professional financiers on which 100 companies may be rated the world's best in terms of total stock market capitalisation, including consideration of good governance, ethical business practice, and good treatment of shareholders, customers and employees. Similarly, there is the *Carbon Disclosure Leadership Index* (an initiative of the independent, not-for-profit Carbon Disclosure Project), which scores Global 500 and FTSE 350 companies on the active management of their environmental impacts; Rio Tinto has featured on that Index for six consecutive years,

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<sup>38</sup> See Rio Tinto website, [www.riotinto.com](http://www.riotinto.com).

<sup>39</sup> See Rio Tinto website, *Contacts*, [http://www.riotinto.com/media/18435\\_contacts.asp](http://www.riotinto.com/media/18435_contacts.asp), accessed 2 February 2011.

<sup>40</sup> See Rio Tinto, *Surveys and Awards* website, [http://www.riotinto.com/ourapproach/17212\\_surveys\\_awards.asp](http://www.riotinto.com/ourapproach/17212_surveys_awards.asp), accessed 1 February 2011; and Barron's Online, *World's Most Respected Companies* website, <http://online.barrons.com/article/SB126601896024845345.html>, accessed 1 February 2011.

and in 2009 was ranked second highest in the Materials sector with a score of 87 out of 100.<sup>41</sup>

Not all stakeholders or observers are equally enamoured of Rio Tinto's sustainable development agenda however. Complaints and criticism are regularly voiced by various actors, whose concerns typically relate to perceived failures by the Group to meet its own sustainable development commitments, particularly in relation to environmental protection and social or community wellbeing, but also in relation to governance and management integrity.

For example, relevant to Rio Tinto's claims to prioritise community values and needs, members of the London Mining Network<sup>42</sup> attacked the Group for its funding association with a smaller Colombian mining concern, La Muriel, which failed to engage with, and address the concerns of, local Indigenous communities in the development of a exploration project in north western Colombia.<sup>43</sup> Relevant to the Group's claims on environmental protection, independent corporate accountability organisation CorpWatch<sup>44</sup> launched a scathing attack on the Group's failure not only to ensure waste from its gold mine at Kelian, Indonesia, did not pollute the local river,

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<sup>41</sup>See *Carbon Disclosure Project* website, <https://www.cdproject.net/en-US/Pages/HomePage.aspx>, accessed 1 February 2011.

<sup>42</sup> The London Mining Network is "...an alliance of human rights, development and environmental groups." It pledges to expose the key role of companies listed on the London Stock Exchange, London-based funders and the British Government in the promotion of unacceptable mining projects. See <http://londonminingnetwork.org/about/>, accessed 2 February 2011.

<sup>43</sup> See London Mining Network, "Rio Tinto Plays Musical Chairs at Mande Norte", *London Mining Network* website, <http://londonminingnetwork.org/2011/01/rio-tinto-plays-musical-chairs-at-mande-norte/>, accessed 2 February 2011.

<sup>44</sup> CorpWatch is a non-profit investigative research and journalism organisation, dedicated to exposing corporate malfeasance and to advocating for multinational corporate accountability and transparency. See <http://www.corpwatch.org/section.php?id=169>, accessed 2 February 2011.

but to report honestly the transgression under its international transparency commitments.<sup>45</sup>

Non-government organisations are particularly active in delivering such criticisms, often through their own websites and internet-based dissemination networks.

Traditional media outlets such as the printed press or broadcasting corporations may also voice criticisms relevant to the Group's sustainable development claims, however. For example, UK newspaper *The Guardian* reported on the 2009 Group Annual General Meeting, choosing to highlight apparent failures in the Group's management and governance processes.<sup>46</sup> Similarly, the Australian Broadcasting Corporation drew attention in 2010 to claims Rio Tinto had illegally dumped aluminium oxide waste from one of its operations in Northern Australia into the ocean.<sup>47</sup>

### **In summary: Sustainable Development as Rio Tinto's approach to CSR**

The comments above have not sought to provide a deep study of Rio Tinto's approach to CSR. Rather, they represent an initial description of the key character and function of the Group's social legitimacy activities, including pointers for areas and issues that relate most pertinently to ideas from the research on CSR already surveyed, and which may merit most focus in the following case study investigations.

In particular, it is noted that in line with indications from the literature, norms do matter for international economic activities; value judgements about what things are

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<sup>45</sup> Kennedy, D. (13 July 2001) "Rio Tinto: Global Compact Violator" *CorpWatch* website, <http://www.corpwatch.org/article.php?id=622>, accessed 2 February 2011.

<sup>46</sup> Webb, T. (15 April 2009) "Rio Tinto investors vent fury at \$20bn Chinalco stake", *The Guardian* website, <http://www.guardian.co.uk/business/2009/apr/15/rio-tinto-agm-anger> accessed 2 February 2011.

<sup>47</sup> Razak, I. (23 April 2010) "Rio Tinto Alcan faces \$1m fine over pollution claim" *Australian Broadcasting Corporation* website, <http://www.abc.net.au/news/stories/2010/04/23/2881519.htm>, accessed 2 February 2011.

good to do and be are evident in both broad and specific terms across the policy and programme spectrum. Second, it is noted that (again in line with literature), Rio Tinto focuses its social legitimacy policies and practices clearly in the three common CSR areas of social, environmental and economic development. Further, the corporation is explicit in the stakeholder management function of its legitimacy activities, and the link this has with long term maintenance of social license. Fourth, the Group's reluctance to articulate and apply at a global level a coherent and detailed definition of what is meant by 'sustainable development' aligns with comments in the literature about the ongoing terminological struggles in applying and analysing social legitimacy activities, particularly, it can be suggested, in the culturally and contextually varied international sphere.

Taking these initial indications into account, the next important requirement in orienting the case study within the research parameters, is to consider how the social legitimacy activities of this multinational mining corporation, Rio Tinto, might link with the particular issues for consideration noted at the end of the previous chapter. By doing so, a clear guide for both the logistical and conceptual aspects of the field work will be established.

### **Which stakeholders, what expectations, where from?**

As the previous chapter explained, this project accepts arguments from International Relations that actors in the anarchical global space gain legitimacy through a contractual relationship between the holders and the recipients of power, and moreover, that this relationship can be normatively based. According to this line of thinking, multinational corporations' CSR is an instrument for obtaining legitimacy by meeting stakeholder expectations. The difficulty for scholars in understanding this

phenomenon fully lies in identifying which stakeholders matter, what their expectations are, and where those expectations come from. Importantly, it is only by understanding these things that further insights about the movement of norms through the international system can be uncovered. Keeping in mind the information about Rio Tinto's CSR approach described above, several suggestions can be made for the kinds of ideas that would be useful to examine in the course of the field work.

### **Which Stakeholders matter, and why?**

Identifying which stakeholders matter to Rio Tinto logically begins with the Group's own statements on this issue. As noted above, the corporate document *Our Key Stakeholders* identifies a number of industry, social and government stakeholders whose expectations are deemed worthy of consideration in corporate communications and liaison. Explicit identification in this way suggests that under Freeman et al.'s model, these stakeholders may qualify as 'first tier'

Complementing and extending this list, insights from stakeholder theory as explained in chapter two suggest that the following stakeholders will be important for Rio Tinto:

**Shareholders:** Shareholders are important because they provide finance without which the corporation would be unable to undertake its activities. Shares in Rio Tinto Group are sold on the London Stock Exchange (Rio Tinto plc), and the Australian Stock Exchange (Rio Tinto Ltd). Rio Tinto plc shares can also be sold indirectly on the New York Stock Exchange as American Depository Receipts (ADRs).

The Group's public reports divide shareholders into 'substantial' and 'ordinary' shareholders, with those classed as 'substantial' being those with respectively three

percent (Rio Tinto plc) and five percent (Rio Tinto Ltd) minimum of voting rights.<sup>48</sup>

Shareholders can be both corporate entities and individual or non-corporate entities.

It is not surprising, given the amounts of capital required, that the shareholders with the largest holdings in both the Group's companies are corporate; in the case of Rio Tinto plc, the single largest shareholder is Barclay's plc; and in the case of Rio Tinto Ltd, it is Shining Prospect Pty Ltd.<sup>49</sup> In terms of ordinary shareholders, the Group reports on the size of individual holdings broken down into ascending size categories between one and 2,500,000 and over; here, it is not surprising that in both Group companies, the number of investors decreases relative to the size of the holdings, so that the vast majority of shareholders own between one and 1,000 shares.<sup>50</sup>

It is interesting to note that, in response to Australia Stock Exchange Listing Rules, Rio Tinto Ltd is required to disclose its twenty largest registered shareholders.<sup>51</sup>

Interestingly, they are all corporate entities, and together they own almost 74 percent of Rio Tinto Ltd shares. A similar requirement is not made for the London Stock Exchange, but given that the five largest investors in Rio Tinto plc are also corporate entities, and that they alone control almost 30 percent of the total shares available, it is reasonable to assume that plc's investor profile may be similar.

In terms of understanding shareholder expectations, and developing ideas around which sets of shareholders the Group may be most attentive to, such distinctions are important. Corporate shareholders, particularly other large multinational companies, are likely to have qualitatively different legitimacy expectations compared with

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<sup>48</sup> Rio Tinto "Rio Tinto Share Ownership", *Shareholder Information*, [http://www.riotinto.com/annualreport2007/shareholderinformation/share\\_ownership/index.html](http://www.riotinto.com/annualreport2007/shareholderinformation/share_ownership/index.html), accessed 9 February 2011.

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*

individuals or small locally-oriented corporate entities. This point will be taken up in more detail below, in the section examining what the content of stakeholder expectations may be.

**Employees:** Employees are important as the instruments by which the Group directly undertakes its operations and activities. The most up to date figures currently available (2009) show that Rio Tinto has approximately 102,000 employees spread across its various operations.<sup>52</sup> This number includes the employees of subsidiary companies, and a proportionate share of employees in consolidated companies and equity accounted units. The vast majority of employees are located at the main operations sites in Australia and New Zealand, and in North America, although there are also significant numbers in Africa, Europe, South America and Indonesia.

Rio Tinto engages employees in a range of graduate domains, including engineers, managers, personnel and finance officers, geologists and geoscientists, and environmental scientists. Excluding the chief executive, 20 percent of the executive committee are women, although overall women remain under-represented in Rio Tinto's management and operational activities.<sup>53</sup> The Group also follows a set of local employment commitments, aiming to ensure jobs are provided for members of the local communities in which they operate.

Just as different types of shareholders are likely to have different legitimacy expectations, so too could different types of employees, particularly given the wide range of geographic and social contexts in which they are engaged. For example,

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<sup>52</sup> Rio Tinto, "Note 36 – Average Number of Employees", *Financial Statements*, <http://www.riotinto.com/annualreport2007/2007financialstatements/notes/note36/index.html>, accessed 9 February 2011.

<sup>53</sup> Rio Tinto (2009) "Sustainable Development Review" *Annual Report*, op.Cit., p. 28.

these may range from concern with provision of family-friendly work arrangements, including childcare and flexible work hours; to concerns with the Group's environmental practices; to concerns with the Group's inclusion of workers with disabilities.

*Consumers, Customers and Suppliers:* Rio Tinto's diversified product range means there are also numerous consumers, customers and suppliers who may have expectations that must be met to ensure legitimacy. For example, the Group may be subject through its diamond mining operations to the expectations of jewellery makers and consumers; and it may be subject through its iron ore and aluminium operations to the expectations of suppliers and users of construction materials.

Determining which consumers and suppliers matter most in particular operations contexts may be difficult, however, and particularly internationally. As Millington points out, managing CSR across the global supply chain is hard, first because operations in different countries are subject to different formal and informal regulatory regimes, and second because of the conceptual and geographic distance that may exist between the raw material producer, and the eventual consumer or customer.<sup>54</sup> The significance of this type of stakeholder interest is likely to be mediated by particular industry characteristics, and to reflect "...the visibility of the firm to stakeholder groups, which depends on both the size of the firm and the social and environmental footprint of the industry in which it operates."<sup>55</sup> It may be, for example, that the eventual purchaser, somewhere in Asia or Europe, of a diamond ring made with a stone extracted from Rio Tinto's Argyle Diamond Mine in Western Australia makes little conceptual connection between the item of jewellery being

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<sup>54</sup> Millington, A. (2008) 'Responsibility in the supply chain', in Crane, A. et al., op. Cit, pp 368-370.

<sup>55</sup> Ibid., p. 371.

acquired and the CSR activities of the corporation which originally extracted the raw gem from the ground.

Examining the extent to which Rio Tinto may or may not take account of consumer, customer and supplier legitimacy expectations, and the contexts in which this can occur, is worthy of further consideration within the case study investigations.

***Governments:*** The governments of all the countries in which Rio Tinto operates are stakeholders by virtue of their power to legislate and enforce regulatory standards for many aspects of the Group's activities, as well as to extract taxes. Further, while adherence to laws provides a primary form of legitimacy, it is also possible that different sets of values and expectations about the social responsibilities of multinational corporations may be inherent within the strict letter of the law, and that the Group will seek to satisfy these expectations in addition to meeting legal requirements.

The national governments of the approximately 40 countries in which Rio Tinto has either its own operations or related interests are key stakeholders whose expectations must be met if the Group is to receive both legal and social legitimacy. The requirements of these governments may vary substantially, however. For example, the Indian Government has recently introduced new provisions in mining legislation establishing itself as the unequivocal owner of all natural resources, and clarifying the role and responsibilities of foreign extractive companies in relation to the health, safety and wellbeing of mine employees, and in relation to taxation

requirements.<sup>56</sup> In Australia's federal legislative system, on the other hand, mining regulation exists mainly in the laws of the eight states and territories, with national-level regulation pertaining only to certain issues like some environmental standards, and some types of taxation.<sup>57</sup>

While legislation is a primary indicator of government legitimacy expectations, it is also possible that other more informal expectations exist, such as government preferences for mining corporation involvement in particular policy or social fora. Unravelling how these expectations are made manifest and how Rio Tinto responds to them is a further objective of the case study.

#### *Media Organisations and Non-Government Organisations:* Media and Non-

Government Organisations typically engage in a symbiotic relationship in expressing expectations about appropriate standards of corporate behaviour, with NGOs using media organisations to spread messages about CSR values to the broader public, and media relying on NGOs for newsworthy CSR stories. The public communications focus means both are important to corporations who seek to promote and protect a good CSR reputation.

Many NGOs engaged in advocacy about Rio Tinto's CSR activities focus on two of the core CSR issue areas, of environmental responsibility and social responsibility. For

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<sup>56</sup> See, for example, <http://economictimes.indiatimes.com/news/economy/policy/Mining-bill-to-establish-govt-as-natural-owner/articleshow/6009694.cms>; and [http://www.steelguru.com/raw\\_material\\_news/Amendments\\_to\\_mining\\_bill\\_in\\_India/183894.html](http://www.steelguru.com/raw_material_news/Amendments_to_mining_bill_in_India/183894.html)

<sup>57</sup> Of relevance to this question has been the lively debate in recent years in Australia about the federal Government's attempts to introduce a so-called 'mining super-tax'; a procedure described by economic commentator Alan Kohler as "...an unmitigated debacle...", and having an inconclusive legislative end. See Kohler, A. (2011) 'Mining tax outcomes: Everyone's a loser', *The Drum* website, 23 November, <http://www.abc.net.au/news/2011-11-23/kohler-mining-tax-everyone-a-loser/3688070>, accessed 18 March 2013; and also ABC News report, "Mining tax closer after royalties deal", 24 March 2011, ABC news website, <http://www.abc.net.au/news/stories/2011/03/24/3172694.htm>, accessed April 5 2011.

example, international environmental advocacy organisation Friends of the Earth protested publicly outside the Australian Rio Tinto AGM held in Melbourne in 2010 against the failure of Rio Tinto subsidiary Energy Resources Australia to avoid leaking radioactive water into the World Heritage-listed waters of Kakadu National Park.<sup>58</sup>

Rio Tinto clearly recognises the importance of managing legitimacy expectations of NGO and media expectations, as is evidenced through its dedicated press and media web pages,<sup>59</sup> which also provide a valuable source of information about how the corporation perceives and prioritises those expectations; a matter to be examined closely during the case work.

*Competitor Firms:* The existence, character and importance of competitor firms' legitimacy expectations is in some senses more difficult to ascertain than those of more direct stakeholders; in particular, practices of commercial confidentiality make it difficult to judge what corporations' views in this regard may be, a matter which will be examined in more detail below.

Here, it can be noted that Rio Tinto's main competitor firms are the other major multinational mining and extractive industry corporations, whose operations and ambitions may overlap either in terms of geographic proximity (where corporations compete for the rights to mine particular mineral deposits) or in terms of customer and consumer markets.

As mentioned in the previous chapter, Rio Tinto is one of the world's ten largest mining companies, with others including world leader BHP Billiton, Xstrata and Anglo

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<sup>58</sup> Independent Media Centre Australia (2010) "Anti-Nuclear protest at Rio Tinto AGM in Melbourne – 26 May" <http://indymedia.org.au/2010/05/26/anti-nuclear-protest-at-rio-tinto-agm-in-melbourne-26-may>, accessed 15 February 2011.

<sup>59</sup> See Rio Tinto website, *Media* [http://www.riotinto.com/index\\_media.asp](http://www.riotinto.com/index_media.asp).

American. The diversified nature of the Group's operations means competitor firms may also be found in sector-specific operations. For example, Rio Tinto's diamond mining operations may compete with industry specialists such as De Beers Group and Firestone Diamond Mining.<sup>60</sup>

It is important to note that relationships between Rio Tinto and other competitor firms may not always be antagonistic or hostile; rather, interactions tend to be more nuanced, flexible and context specific. The relationship between Rio Tinto and BHP Billiton provides an interesting case, with interactions fluctuating in recent years between hostility in relation to an attempted take-over of Rio Tinto Ltd by BHP Billiton,<sup>61</sup> and cooperation in relation to the sharing of certain infrastructural assets.<sup>62</sup> As such, the ways in which Rio Tinto may perceive and respond to the legitimacy expectations of competitor firms must be considered not only from strictly competitive, but also from potentially collaborative angles.

### **What are the expectations of stakeholders?**

The above section has drawn on insights from stakeholder theory to describe *who* Rio Tinto's key stakeholders can be expected to be, and why their expectations about behaviour delivering legitimacy may be viewed as important by the company. The following notes take up the slightly more complex tasks of explaining *what* Rio Tinto's stakeholders' expectations may be. Again, thinking about this in advance of the field work provides a useful basis for organising and analysing field work activity. It also

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<sup>60</sup> See De Beers Group website, <http://www.debeersgroup.com/>, and Firestone Diamonds plc website, <http://www.firestonediamonds.com/>.

<sup>61</sup> See, for example, Thirsk, A. (6 February 2008) "BHP Launches Rio Takeover Bid" *ABC news*, <http://www.abc.net.au/news/stories/2008/02/06/2155485.htm>.

<sup>62</sup> See Rio Tinto Press Release, "Rio Tinto and BHP announce West Australian Iron Ore Production Joint Venture", 5 June 2009, available online at [http://www.riotinto.com/documents/Media/PR729g\\_Rio\\_Tinto\\_and\\_BHP\\_Billiton\\_announce\\_West\\_Australian\\_Iron\\_Ore\\_Production\\_Joint\\_Venture.pdf](http://www.riotinto.com/documents/Media/PR729g_Rio_Tinto_and_BHP_Billiton_announce_West_Australian_Iron_Ore_Production_Joint_Venture.pdf), accessed 27 January 2011.

helps to keep in mind the underlying question about the diffusion of norms; to understand how norms grow and are transferred, it is important to be able to identify clearly what the relevant norms actually are.

In contrast to the Group's pronouncements on the identity of key stakeholders, there is no such explicit information available about what stakeholders' expectations are, or how the Group perceives them. However, noting the corporation's explicit focus on stakeholder communication as part of the sustainable development strategy, and assuming that the Group is unlikely to waste time and resources providing information that it perceives is not required by its stakeholders, it is reasonable to anticipate that ideas about what relevant expectations are can be developed by examining the material the Group does make available.

Key documents here are the *Annual Report*, as well as press releases, corporate management documents, and fact sheets. These documents will be examined in close detail in the course of the case work, but for indicative purposes here it is appropriate to outline the main parameters of expectations ascertained in this way. Specifically, it is apparent that the Group perceives stakeholder expectations to cluster around four key issues: financial viability, corporate governance, environment, and human rights.

First, the Group clearly perceives financial viability as relevant to stakeholder interests and expectations. Real-time stock prices are listed prominently on the Group's internet home page and other major pages within the site, and highlighted links to more detailed financial performance results are readily available. In the Annual Report, Group financial performance is explained with both textual and tabulated information in the early parts of the Report (immediately before the

section on sustainable development), and is prominently referenced in contributions from key managers and executives.<sup>63</sup> Share price also appears as a frequent topic in press releases and additional reporting documents.

Second, it is equally clear that governance standards and business integrity are perceived to be of interest to stakeholders. Business conduct is the first substantive issue dealt with in the sustainable development section of the Annual Report,<sup>64</sup> and includes information about the Group's efforts to meet human rights and transparency requirements in its daily operations, as well as its efforts as an active member of global governance bodies and initiatives such as the International Council on Mining and Metals, and the Global Reporting Initiative.

Third, defensible environmental standards and climate change mitigation appear to be important areas of stakeholder concern, with 'Key Priorities' listed in the sustainable development part of the Annual Report including improving energy efficiency and meeting greenhouse emissions regulations, as well as exploring new carbon, water and biodiversity management opportunities.<sup>65</sup> Separate sections of the same part of the Report are devoted to particular environmental issues including greenhouse gas emissions, energy use, water, land, and biodiversity management.<sup>66</sup> Further, fact sheets and press releases supplied publicly through the Group website frequently highlight similar types of environmental issues.<sup>67</sup>

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<sup>63</sup> Rio Tinto, *Annual Report 2009*, op. Cit.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid. p25

<sup>66</sup> Ibid. pp 27-30

<sup>67</sup> See, for example, Rio Tinto, *Corporate Fact Sheets*, various, Rio Tinto website, [http://www.riotinto.com/media/599\\_corporate\\_factsheets.asp](http://www.riotinto.com/media/599_corporate_factsheets.asp), accessed 28 January 2011.

Fourth, human rights issues appear prominently in the Group's stakeholder information, with explicit linkages to human rights concepts as they are expressed in the United Nations Universal Declaration of Human Rights (UDHR).<sup>68</sup> Notably, the Group pays particular attention to two specific human rights matters: employee rights, safety and welfare, and local community engagement and wellbeing.<sup>69</sup> Particular attention is also given to indigenous rights, with the Group stating that "Rio Tinto operates in a manner consistent with the UN Declaration on Indigenous Peoples and sovereign obligations. We respect the land connection of indigenous communities and work with them on their land in a spirit of reciprocity, transparency and recognition of their culture."<sup>70</sup> What this means in an operational sense is reported with reference to particular projects and regulatory provisions, both in corporate documents and press releases and fact sheets.<sup>71</sup>

While these comments suggest the main parameters of the legitimacy expectations that Rio Tinto's stakeholders can be expected to hold, they do not seek to provide a comprehensive explanation of this issue. In line the literature analysing these matters, it is yet unclear which sets of expectations may be held by which stakeholder or stakeholders and in which circumstances. Illuminating this problem is part of the substantive case work, and will be taken up in the next chapters.

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<sup>68</sup> Rio Tinto, *Annual Report 2009*, op. Cit. p. 26; United Nations, *Universal Declaration of Human Rights*, available online at the UN website, <http://www.un.org/en/documents/udhr/>, accessed 27 January 2011.

<sup>69</sup> Rio Tinto, *Annual Report 2009*, op. Cit., p. 26; see also *Corporate Fact Sheets*, op. Cit.

<sup>70</sup> Rio Tinto, *Ibid.*, p. 26

<sup>71</sup> Rio Tinto website, *Library*, [http://www.riotinto.com/aboutus/19602\\_library.asp](http://www.riotinto.com/aboutus/19602_library.asp),

### Where do expectations come from?

The third issue to be considered in preparing for the field work is perhaps the most complex problem, that of the origins and drivers of expectations (or in other words, of the norms the corporation acknowledges and to which it responds).

As chapter two noted, there could be a range of factors motivating particular sets of legitimacy expectations, including education, personal and family background, religious belief, socio-cultural background, and legal mandate.

For example, it may be that Rio Tinto's focus on indigenous education and leadership programmes and projects, as outlined above, relates directly to the autochthonous expectations of indigenous community members at the sites of Group extractive operations. In this case, the origins of the expectations would lie in the traditions, customs, narratives and histories of specific indigenous communities. Given the explicit linkages made with articulations of indigenous rights expressed in international, universal terms by the United Nations, however, it may also be that the particular version of expectations to which the Group responds has in fact been introduced to communities by external sources. For example, it could be that state actors involved internationally in UN activities also set domestic laws and regulations pertaining to indigenous rights, and fund domestic education programmes designed to support the rights agenda being articulated at the UN. These state-constructed ideas and articulations are then spread to local communities through state-sponsored awareness programmes, by civil society indigenous rights advocates, by state-sanctioned media organisations and outlets, and even by religious missionaries. Once established and articulated within communities, these ideas form expectations in community members that are directed back towards mining corporations like Rio

Tinto. In such a case, determining where the expectations have originally come from, and related to this, which sets of stakeholders may be interested in particular CSR programmes, appears more complex and more interesting than initial speculation suggests.

Similarly, while it may be that the Group's focus on environmental standards relates immediately to the concerns of non-government environmental advocacy groups and to government environmental regulations, it is also worthwhile considering from whence advocacy groups and government regulators may in their turn have conceived such expectations. It may be, for example, that scientific research bodies concerned with particular aspects of climate change convey information and research findings to media organisations, where they are endowed through the individual argumentative predilections of journalists or media managers with particular normative overtones that are then diffused more widely to media consumers. In this case, too, determining the ultimate origin of CSR norms and expectations, and the range of stakeholders involved, may merit deeper consideration.

Such examples may appear logically feasible, but as yet they remain conjectures only. Investigating these questions further forms a core concern of the project's case work, in its ambition to contribute to academic and pragmatic understandings of how CSR legitimacy and its underlying norms and expectations function within the anarchical international system.

## **The case study method**

Having set out the core features both of Rio Tinto as a corporation, and its approach to CSR (sustainability), it remains here to offer concise explanations of the *method*

used for undertaking the project, and particularly the field work described in the next two chapters, and in chapter seven. In the interests of clarity and brevity, full details of this are provided at Appendix A;<sup>72</sup> the following comments seek simply to provide basic orientation and rationale.

The first pertinent point is to clarify why a case study method, distinct from all the other methods available to social science researchers, is appropriate. As Yin explains in his dedicated work, a 'case study' in social science research can be understood as follows:

“A case study is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. [It] copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from the prior development of theoretical propositions to guide data collection and analysis.”<sup>73</sup>

As such, a case study is an all-encompassing method, covering not only the logics of design but also issues of data collection and analysis. With reference to the type of question a case study is therefore best suited to answer, Yin goes on to explain that a case study will be most suitable for 'how' and 'why' questions, investigating contemporary phenomena, where relevant behaviours can be observed but not manipulated.<sup>74</sup> So, the empirical question at hand (how does international CSR work?) does clearly lend itself to the case study approach. Additionally, it is helpful to

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<sup>72</sup> See Appendix A, p. 284.

<sup>73</sup> Yin, R. K. (2009) *Case Study Research: Design and Methods* (California: SAGE Publications Inc.) p. 18

<sup>74</sup> *Ibid.*, p. 11

note that much other work in this field also consists of case studies,<sup>75</sup> suggesting that the current study is in good and appropriate company.

Further, case studies are flexible in that there are different possible variations within the approach, particularly in relation to the number of cases to be studied, and types of findings that different case configurations may deliver. Hancke explains that the number of cases required for analysis depends on the dimensions of the relevant universe, stating that

“If the outcome you are interested in can be meaningfully understood along one dimension, then two cases are both necessary and sufficient for your analysis. If, however, your argument involves more than one dimension, and you can capture each of these in dichotomous terms, you are looking at a minimum of four cases to answer the question you are asking.”<sup>76</sup>

In other words, the number of cases under consideration must, like the method itself, be determined by the research question. For the purposes of this project, the case study involves one corporation, but two cases *within* that corporation; namely, CSR activities in Australia and in Zimbabwe.

Also, case studies are very flexible in allowing a variety of internal data collection and analysis methods. For example, interviews and observations may be accompanied by discourse analysis and process-tracing. As such, a common criticism of social scientific research, that it lacks rigour, can be addressed through triangulation of findings.

The second pertinent point is to explain why the choices of Rio Tinto as the corporate object, and Australia and Zimbabwe as the field work locations, are appropriate. Rio

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<sup>75</sup> See, for example, Hamann, R. and Kapelus, P. (2004) ‘Corporate Social Responsibility in Mining in Southern Africa: Fair accountability or just greenwash?’ *Development* (47:3); or Jenkins, H. and Obara, L. (2006) “Corporate social responsibility in the mining industry - the risk of community dependency”. Paper presented at The Corporate Responsibility Research Conference, Dublin, September 4-5, 2006.

<sup>76</sup> Op. Cit., p. 49

Tinto was chosen for three main reasons. First, its size, corporate structure and geographic reach mean it is truly a global company; with operations in so many diverse settings it lends itself well to the question of how CSR works in these circumstances. Second, its financial weight, as one of the world's largest multinational corporations, means that it may not be strictly necessary for the company to undertake CSR activities at all; power could be wielded by force alone. The fact that Rio Tinto does, in fact, implement a highly developed CSR programme is therefore interesting and worth examination. Finally, on a pragmatic level, personal contacts within the firm meant access for research purposes could be gained.

The main reason for choosing Australia and Zimbabwe as the field work locations are that together, they offer a useful combination of both similarity and difference; which is important in a comparative study. In both countries, Rio Tinto has a long established presence, and well developed sustainability programmes implemented under the same global policy platform. Each country context, however, provides important differences, including of political structure, economy, and social development. This is critical in supporting the project's objective of identifying the interactions of different stakeholders, with the same corporation, in different circumstances. Further details, again, are at Appendix A.

Finally, concerns about lack of rigour in case studies can also be addressed through cross-validation activities; that is, applying the findings of the core case study to different case situations to find out whether those findings remain valid, or whether they are compromised under different contextual pressures. This process of 'generalisation' is explained fully in chapter seven, but in short, in this project the findings of the Rio Tinto case are cross-validated by applying them to two other

comparison cases. These are provided by two other multinational corporations with highly developed international CSR approaches and policies; pharmaceutical giant *GlaxoSmithKline* (GSK) and global banking behemoth *Hong Kong Shanghai Banking Corporation* (HSBC). Further, given the apparent importance of the country context, the GSK case is examined (like the Rio Tinto case) in the two core countries of Australia and Zimbabwe. HSBC, however, is examined in two different, but not entirely dissimilar, country contexts – the United Kingdom and the Philippines. This variation takes the analysis a step higher by introducing a specific focus on the context, as well as the corporation.

Naturally it would be possible to apply the Rio Tinto findings to a vast range of other corporate and country contexts, depending on the emphasis of the study. For example, it would be interesting to conduct an ‘intra-industry’ study, comparing the Rio Tinto findings against other major multinational mining corporations. In any discrete project choices are necessary, however, and in this case the choices of GSK and HSBC, and the UK and the Philippines, have been made with reference to the question (highlighted previously) of geographic dependency in determining the CSR programmes and policies of mining corporations. Hence, the aim here is to see how the Rio Tinto findings stack up in cases where the nature of the industry requires only some element of geographic dependency (GSK, for example in relation to tropical medicines) and no meaningful geographic dependency (HSBC, the activities of which are truly global).

### **In summary**

This chapter has sought to link the project’s case study corporation, Rio Tinto, and its social legitimacy activities explicitly with the project’s research question and the main

issues to be considered during the field work. Specifically, links have been drawn between the case study and the conceptual suggestion that stakeholders such as shareholders, governments, and media and non-government organisations will be of key interest to the Group in its sustainable development activities; that the expectations of stakeholders will relate to a set of key issues, namely financial viability, corporate governance, environmental standards, and human rights; and finally that the relevant norms and expectations may ultimately originate in diverse social and organisational phenomena such as the United Nations, scientific or religious bodies, and be spread through the international system via a complex series of stakeholder relations, actions and reactions.

This now opens the way for the empirical sections of the project, which involve field work on the case study corporation in two locations: Australia and Zimbabwe. The next chapter begins this process by focusing on Australia.

## **Chapter 4: Rio Tinto in Australia**

The previous chapter provided an overview of the Rio Tinto Group, describing the corporation's approach to CSR, introducing the case study method, and suggesting ideas about what the empirical case investigations could be expected to illuminate about the project's central questions. This chapter takes up the empirical theme fully, to discuss the experiences and findings of the first field work session, and to present an initial analysis of those findings.

The first part of the chapter describes the context in which the fieldwork took place, and provides an overview of the field work activities and the information obtained for analysis. The second part presents the outcomes of that analysis, which will then open the way for the next chapter to supply information from the second fieldwork session, enabling the comparative approach that founds the conclusions drawn in the last part of the dissertation.

### **Australia: A contextual overview**

To prepare the ground for field activity and analysis, it is important first to establish a sound understanding of the field environment. This helps direct initial ideas about which issues and circumstances may be worth particular attention during the field work, and can also lay down a base level of information which can then be useful in critically analysing later case study materials. In this case, background research about contemporary Australia yielded an interesting picture of a politically, socially, economically and environmentally distinct country.

Australia rarely features prominently in the international media; a matter not necessarily to be regretted, implying as it does a measure of stability and prosperity:

*“Happy the country that never makes the front pages of foreign newspapers. Australia is one such. Only a dozen economies are bigger, and only six nations are richer...Australia is rich, tranquil and mostly overlooked...”<sup>1</sup>*

Yet this lack of exposure does not correlate with a lack of complexity or unique and interesting features that yield valuable conceptual insights. Australia does rank highly in many international measures of living standards and economic welfare. For example, in the 2011 edition of the United Nations’ *Human Development Index*, Australia was ranked second, surpassed only by Norway across the measures of life expectancy, years of schooling, and gross national income.<sup>2</sup> In the Organization for Economic Cooperation and Development’s (OECD) *Programme for International Student Assessment* (PISA), Australian students were ranked 9<sup>th</sup>, 15<sup>th</sup> and 10<sup>th</sup> respectively across the three categories of reading, mathematics and science.<sup>3</sup> The Australian dollar is amongst the most traded currencies,<sup>4</sup> real GDP growth is between three and four percent,<sup>5</sup> unemployment is low,<sup>6</sup> health indicators are strong,<sup>7</sup> and surveys of life satisfaction typically show high rates of contentment.<sup>8</sup>

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<sup>11</sup> The Economist, “No Worries?” Special edition feature on Australia, (399:8735), May 28-June 3 2011, p. 3.

<sup>2</sup> United Nations (2010) *Human Development Index and its Components*, United Nations Development Program, [http://hdr.undp.org/en/media/HDR\\_2010\\_EN\\_Table1\\_reprint.pdf](http://hdr.undp.org/en/media/HDR_2010_EN_Table1_reprint.pdf), accessed 28 July 2011.

<sup>3</sup> Organization for Economic Cooperation and Development (2009) *Programme for International Student Assessment*, 2009 Survey Results, (<http://ourtimes.wordpress.com/2008/04/10/oeecd-education-rankings/#science>.) accessed 28 July 2011.

<sup>4</sup> Forex Trading Guide, ‘The seven most traded currencies in Forex’, Forex Trading website, <http://forextradingguide.org/The-Seven-Most-Traded-Currencies-in-FOREX.php>, accessed 19 June 2012.

<sup>5</sup> For example, Reserve Bank of Australia (2010) *Economic Outlook*, <http://www.rba.gov.au/publications/smp/2010/nov/pdf/eco-outlook.pdf>, accessed 3 August 2011.

<sup>6</sup> Australian Bureau of Statistics, ‘Labour Force, Australia – August 2011’, Issue 6202.0, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>, accessed 9 September 2011.

Nevertheless, examination of public discourse and political and policy decisions indicate that a number of tensions and concerns shape the way social, economic and political life in Australia are managed. These have important implications for businesses, including multinational mining corporations, that may seek to operate in Australia, and awareness of these forms the critical analytical context in which to examine the Rio Tinto case. These key issues, described briefly in turn below, are the 'patchwork economy' problem; the divide between urban, regional, rural and remote communities; Indigenous Australia; and environmental tensions, including carbon and climate change.

The 'patchwork economy' problem has been a prominent refrain in public discourse of recent years, occurring in numerous official speeches and Government papers, as well as in media reports and commentary.<sup>9</sup> It refers to the idea of nationally uneven economic activity, in which

“...some parts of the country boom while others go backwards, where some regions cry out for skilled labour while in others, Australians live aimless lives without skills, work or hope.”<sup>10</sup>

Most specifically, the 'patchwork economy' problem is associated with the mining industry, the importance of which is outlined in more detail below. It is postulated that those sectors of the economy directly linked to the flourishing resources market

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<sup>7</sup> Australian Institute of Health and Welfare, *Health Indicators*, <http://www.aihw.gov.au/health-indicators/>, accessed 9 September 2011.

<sup>8</sup> Australian Bureau of Statistics, 'Life Satisfaction and Measures of Progress' *Year Book Australia 2007*, Issue 1301.0, [http://www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aeca25706c00834efa/0d4cb6f07133ea5dc\\_a2572360002faa3!OpenDocument](http://www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aeca25706c00834efa/0d4cb6f07133ea5dc_a2572360002faa3!OpenDocument), accessed 9 September 2011.

<sup>9</sup> See, for example, Julia Gillard, 'Reform is not easy, but it works', *Speech to the Queensland Media Club*, 12 October 2010; Julia Gillard, 'Moving forward to a stronger and fairer economy', *Address to the National Press Club*, 14 July 2011; Dennis Shanahan, 'Back to work junking the two-speed economy', *The Australian*, 4 February 2011, <http://www.theaustralian.com.au/news/opinion/back-to-work-junking-two-speed-economy/story-e6frg6zo-1225999763767>, accessed 19 June 2012; and Australian Government Budget Papers, various 2011, available from [www.budget.gov.au/2011-12](http://www.budget.gov.au/2011-12).

<sup>10</sup> Julia Gillard, 12 October 2010, *ibid.*

will thrive, while those not linked will stagnate or deteriorate. In the longer term, this could lead to a 'Dutch Disease' situation, in which the economic catalyst provided by mining eventually ceases, but other sectors such as manufacturing and services are then found to be so impoverished as to be unable to recover and take up the slack.<sup>11</sup>

Some economists, including within the Government, have disputed the 'patchwork' interpretation of Australia's current economic situation. In particular, as early as 2008, Treasury research argued that while there has indeed been a divergence of output and employment growth between those Australian states involved in mining and those which are not, the phenomenon is, firstly, not a new one; secondly, due more to faster population growth than to mining activity *per se*; and thirdly, that the benefits of mining-related growth are in fact being spread more widely than the 'patchwork economy' argument assumes.<sup>12</sup> Nevertheless, the frequency with which reference to this problem is made in political speeches and in popular commentary suggests that it is perceived to be a very real problem, and one which Government must take into account in developing economic policy and mandating the operation of both national and multinational mining corporations. It must also be considered by mining corporations seeking to legitimise their presence and activities in the eyes both of those who are directly linked to the resources sector, and those who may feel removed or isolated from the economic benefit mining generates.

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<sup>11</sup> This view has on occasion been rejected by economists, who argue that the drivers supporting mining in Australia are primarily from emerging Asian economies which are likely to continue to enjoy vigorous economic growth for some time. See David Gruen, 'The Resources Boom and Structural Change in the Australian Economy', *Address to the Committee for Economic Development of Australia*, 24 February 2011.

<sup>12</sup> Phil Garton, 'The resources boom and the two-speed economy', *Economic Roundup*, Issue 3, 2008, [www.treasury.gov.au/documents/1421](http://www.treasury.gov.au/documents/1421), accessed 1 August 2011.

Another issue, somewhat related to the ‘patchwork economy’ problem, is more general and longer term concern about divisions and inequalities between urban, regional, and remote parts of Australia. Covering 7,682,300 square kilometres, Australia is the world’s sixth largest country, and very unevenly populated; over two-thirds of the 22 million head of population live in major cities, but those who live in regional and remote areas may be many hours’ drive from the nearest urban centre.<sup>13</sup> This creates difficulties for providing health and education services to people in remote locations, as well as for generating sustainable employment and livelihood options for those in small and remote communities.

*“Australia is a diverse country. Over 8 million people live outside our major capital cities. Some regional areas are struggling with pressure on their existing infrastructure, while others are having difficulty attracting workers with the right skills.”<sup>14</sup>*

The extent to which concerns about regional development permeate political thinking is highlighted in the 2011-2012 Federal Budget, which included a series of initiatives worth AU\$4.3 billion to invest in regional hospitals, health care, universities and roads.<sup>15</sup> Of particular relevance to this project is the fact that mining, by its nature, tends to be centred in and around rural and remote communities. Consequently, mining corporations may become the largest employers and, indirectly, service providers for isolated communities. The imperatives that this creates in terms of the legitimacy of miners in the eyes of the communities in which they operate are clear; Rio Tinto’s corporate documents note that

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<sup>13</sup> Australian Bureau of Statistics, ‘Australian Social Trends 2008’, 4102.0, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4102.0Chapter3002008>, accessed 4 August 2011.

<sup>14</sup> Commonwealth of Australia, *Budget Overview*, 10 May 2011, [www.budget.gov.au](http://www.budget.gov.au), p.21, accessed 1 August 2011.

<sup>15</sup> Commonwealth of Australia, *Budget Overview*, 10 May 2011, [www.budget.gov.au](http://www.budget.gov.au), accessed 1 August 2011.

*“There are strong business drivers for our social and community investment programmes. We want to reduce cost and achieve competitive advantage, through self-regulation and enhanced community engagement. We have learnt that social investments must be managed carefully and responsibly.”<sup>16</sup>*

Considering regional and remote communities points towards a third key issue, that of Indigenous Australia. The history of relations between Indigenous and white Australians is long and vexed,<sup>17</sup> and remains today one of the more contentious political and social issues, with numerous policy implications. While Indigenous Australians constitute only 2.5 percent of the total population,<sup>18</sup> they reside disproportionately in a few areas, often rural and remote, and in the same states and regions in which much mining activity takes place – Queensland, Western Australia and the Northern Territory.<sup>19</sup> Further, Indigenous peoples’ knowledge of and connection to the land is culturally and socially vital, and in some cases land is considered sacred.<sup>20</sup> Disturbing and exploiting it through mining can therefore be very sensitive, even beyond questions of ownership and royalties. Mining corporations are acutely aware of the need to respond to Indigenous Australians’ expectations about their activities and contributions to communities; a fact evidenced by the explicit policies and statements not only of Rio Tinto, but of other large mining concerns in Australia such as BHP Billiton, Fortescue Metals and Xstrata.

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<sup>16</sup> Rio Tinto, (2008) *Social Investment: Working with Australian communities* (Melbourne: Rio Tinto) p. 2.

<sup>17</sup> For a landmark account, see Geoffrey Blainey (1976) *Triumph of the Nomads: A history of Aboriginal Australia*, (New York: Overlook Press).

<sup>18</sup> Australian Bureau of Statistics, ‘Population Distribution, Aboriginal and Torres Strait Islander Australians, 2006’ Issue 4705.0, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4705.0>, accessed 4 August 2011.

<sup>19</sup> *Ibid.*

<sup>20</sup> For example, Uluru (formerly Ayers Rock), one of Australia’s most iconic natural features, is a sacred site under the guardianship of the Anangu people, and is considered to be evidence of superhuman activities during the Dreamtime (the period of creation).

Notably, relations between miners and Indigenous Australians are shaped within a very specific legal framework, pertaining primarily to land rights, and by extension to ownership of minerals underneath that land. The basis of land rights issues originates with the '*Terra Nullius*' assumption adopted by the early settlers in the late 18<sup>th</sup> century, which claimed that the Australian continent was 'empty' and uninhabited at the time of first permanent white settlement in 1788. While efforts to have Indigenous rights to land legally recognised were made in the Northern Territory in the 1970s, and in Western Australia and Victoria in the 1980s, it was not until the landmark 'Mabo' ruling of the High Court in 1992, in the case of *Mabo v. Queensland* that the existence of 'native title' to land was recognised as part of Australian common law.<sup>21</sup> As Coral Dow noted in her short review of the first ten years since the Mabo ruling, this legislation set the parameters for a whole range of other policies and regulations to govern how both public and private actors such as mining corporations ought to interact with Indigenous people on land recognised as owned by them, and how questions of royalties and economic benefit ought to be managed.<sup>22</sup> Rio Tinto is clearly aware of the importance of sensitivity towards this issue, a matter to be discussed further below.

Finally, the fourth key issue that substantially shapes the political, economic and social context of mining activity in Australia is conservation and the health of the natural environment. As an ancient island continent, Australia is home to an important array of unique flora and fauna, and houses varied and delicate natural

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<sup>21</sup> Pelczynski, S. 'The High Court Recognition of Native Title – The Mabo Judgement and its implications' *Action for Aboriginal Rights*, <http://home.vicnet.net.au/~aar/aarmabo.htm>, accessed 5 August 2011.

<sup>22</sup> Coral Dow, 'Mabo: Ten years on', *Parliamentary E-Brief*, Parliament of Australia, 23 May 2002, <http://www.aph.gov.au/library/intguide/sp/mabo.htm>, accessed 4 August 2011.

ecosystems.<sup>23</sup> It is also the driest inhabited continent on earth, with about one third of the landmass producing no run-off at all. Rainfall and stream-flow are the most variable in the world, and taken together this makes the Australian environment highly susceptible to the effects of industrial and domestic pollution, including from mining.

A particular problem concerns use and conservation of the Murray-Darling Basin, the catchment area of the Murray and Darling Rivers and their tributaries that stretches from north Queensland through New South Wales and Victoria to the coast in South Australia. Supporting production of over one third of Australia's food supply, and generating almost 40 percent of national income derived from agriculture, it is a vital economic resource as well as providing water for over two million people in nearby communities. It is also, however, environmentally important and sensitive, with extensive areas of hydrologically and biologically vital wetlands. Lack of rain, combined with exploitative irrigation practices, has in recent years severely strained the natural functioning of the entire river system, with implications for all river users, including miners.<sup>24</sup>

Another pressing environmental issue of immediate concern to mining corporations involves the production and release into the atmosphere of carbon (CO<sub>2</sub> gasses). Australia generates only 1.5 percent of global carbon emissions, but on a per capita basis it is one of the largest polluters, with the greatest proportion of emissions

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<sup>23</sup> There are 17 Australian properties on the World Heritage List, including the iconic Great Barrier Reef and Kakadu National Park. See [http://www.dfat.gov.au/facts/env\\_glance.html](http://www.dfat.gov.au/facts/env_glance.html), accessed 5 August 2011.

<sup>24</sup> Australian Government, *About the Basin*, Murray-Darling Basin Authority website, [http://www.mdba.gov.au/water/about\\_basin](http://www.mdba.gov.au/water/about_basin), accessed 5 August 2011.

coming from energy generation and use; primarily coal.<sup>25</sup> The implications of this for climate change are well documented and the Australian Government is anxious to demonstrate commitment to emissions reductions programmes and policies. One of the most contentious of these is a scheme for pricing, and thereby effectively taxing, carbon emissions. Having a difficult birth, the scheme announced in July 2011<sup>26</sup> struggled against fierce opposition from mining corporations, and spent a long time locked in a Senate Inquiry process.<sup>27</sup>

These issues outlined above constitute four of the major political and economic concerns currently confronting both public and private sector actors in Australia. Dealing with them requires consideration of the myriad levers and drivers that affect progress on addressing the issues, and which shape channels of influence and legitimate participation. Key among these channels are legal frameworks and regulations; press and the popular media; direct lobbying of policy and decision-makers, both public and private; and organisations' and corporations' own direct actions. Field work activities showed that Rio Tinto makes astute and deliberate use of all these channels in seeking to legitimise its activities and presence in the Australian mining industry. The following sections discuss in more detail how this occurs.

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<sup>25</sup> Australian Government, 'Reducing Australia's Emissions', Department of Climate Change and Energy Efficiency website, <http://www.climatechange.gov.au/en/government/reduce.aspx>, accessed 5 August 2011; and Carbon Neutral, 'Australia's Greenhouse Gas Emissions', Carbon Neutral website, <http://www.carbonneutral.com.au/climate-change/australian-emissions.html>, accessed 5 August 2011.

<sup>26</sup> Julia Gillard, Wayne Swan and Greg Combet, 'Transcript of Joint Press Conference', 10 July 2011, Canberra, Prime Minister of Australia's website, <http://www.pm.gov.au/press-office/transcript-joint-press-conference-canberra-10>, accessed 5 August 2011.

<sup>27</sup> Australian Government, 'Inquiry into Carbon Tax Pricing Mechanism', Select Committee on the Scrutiny of New Taxes, Parliament of Australia, [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate\\_Committees?url=scrutinynewtaxes\\_ctte/completed\\_inquiries/2010-13/carbontax/index.htm](http://www.aph.gov.au/Parliamentary_Business/Committees/Senate_Committees?url=scrutinynewtaxes_ctte/completed_inquiries/2010-13/carbontax/index.htm), accessed 5 August 2011 and (updated) 12 March 2013..

## Mining – Bedrock of the Australian Economy

To understand fully the context in which Rio Tinto seeks to legitimise its presence in Australia it is useful to clearly note the unusual place mining corporations and activities currently occupy in the economy, politics and indeed society. In short, mining is vital to Australia’s wellbeing, both at home and abroad:

*“The strong outlook for the Australian economy is underpinned by the largest mining investment boom in its history.”<sup>28</sup>*

The industry includes extraction and processing of a vast range of mineral resources, including aluminium, coal, copper, diamonds, gold, lead, petroleum, liquid natural gas (LNG), phosphate, silver, tin, uranium and zinc.<sup>29</sup> As *The Economist* noted in a recent special report, “Scratch around and you can find valuable stuff all over Australia.”<sup>30</sup>

With 2,490 firms employing over 130,000 people, and with an annual industry growth rate of nine percent,<sup>31</sup> mining is a major economic and social phenomenon. In overall terms, the industry generates about eight per cent of national gross domestic product (GDP),<sup>32</sup> and notably, it is the largest export industry with 68 percent of its total value exported. This means that the key drivers for the mining industry are external, and include rates of economic growth in major metals consumer economies, particularly India and China; commodities prices world-wide; and the value of the Australian dollar against other major currencies. A strong outlook on all these factors, possibly

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<sup>28</sup> Australia Government, *Budget Overview*, 10 May 2011, Australian Government Budget website, [www.budget.gov.au/](http://www.budget.gov.au/), p. 5.

<sup>29</sup> For a full list of the major mineral commodities, see Australian Bureau of Agricultural and Resource Economics (2012) ‘Australian Mineral Statistics 2010’, March quarter, (Canberra: Commonwealth of Australia).

<sup>30</sup> *The Economist*, ‘No Worries?’ op. Cit, p. 6.

<sup>31</sup> Butler, E. (2011) ‘Digging Deep: The Australian mining division remains the nation’s most important exporter’; *IBISWorld Industry Report B, Mining*, May 2011, [www.ibisworld.com.au](http://www.ibisworld.com.au), p. 4.

<sup>32</sup> *Ibid.*

with the exception of an expected slight softening of the dollar, means that revenue and profit projections over the next decade are forecast to be extremely positive.<sup>33</sup>

Policy makers are keenly aware of the industry's importance for general economic wellbeing, particularly when contrasting Australia's position with outlooks for other economic sectors and for national economies in other countries, such as those in the Eurozone and in the United States.<sup>34</sup> As the Monetary Policy Meeting of the Reserve Bank of Australia noted in July 2011,

*"...the continuing strong economic performance of Asian economies meant that the medium-term outlook for the Australian economy remained strong. The price of Australia's main commodities exports were at elevated levels, and very strong growth in investment, led by the resources sector, was still expected over the next couple of years."*<sup>35</sup>

It is clear that mining and the resources industry is vital for Australia's interests, and that Rio Tinto, as a major minerals company, therefore wields both economic and political influence, as the following comments elucidate.

## Australia and Rio Tinto

### Historic Links, Contemporary Influence

The previous chapter noted Rio Tinto's historic links with Australia, and the merger in the 1960s between the UK-based Rio Tinto Company and Australia's Consolidated Zinc Corporation. Today, it remains a dual listed company with Australian headquarters in Melbourne; an important site for the field work activities recounted and analysed below. Rio Tinto is currently one of the largest mining companies

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<sup>33</sup> Ibid.

<sup>34</sup> See for example, Reserve Bank of Australia (2011) *Minutes of the Monetary Policy Meeting of the Reserve Bank Board*, Sydney, 5 July 2011. [www.rba.gov.au/](http://www.rba.gov.au/).

<sup>35</sup> Reserve Bank of Australia, *ibid.*

operating in Australia, along with BHP Billiton Limited, Xstrata Holdings Propriety Limited, Woodside Petroleum Limited and ExxonMobil Australia Propriety Limited.<sup>36</sup>

Rio Tinto's focus in Australia is primarily on minerals extraction, and it has only limited interests in processing. Of its 24 operations sites across the continent, the majority are located in Queensland (nine), New South Wales (six) and Western Australia (six).<sup>37</sup> These operations include the world's largest supplier of coloured diamonds, drawn from the Argyle Diamond Mine in the Kimberley region of Western Australia; Energy Resources Australia, which is one of the world's largest uranium suppliers; Dampier Salt, the world's largest salt exporter; and massive iron ore operations spread across numerous sites in the north of Western Australia, including Hammersley Iron and the Robe River operations. In 2010 Rio Tinto Limited declared revenue of AU\$57.9 billion, and together with a workforce of over 21,000, is clearly a major player in the Australian economy and politics, particularly in those states where most of its operations are located.<sup>38</sup>

While policy makers and regulators are keenly aware of the influence that Rio Tinto Limited can leverage through its size and financial power, it is also important to note that the company itself is likewise dependent on a positive political and regulatory climate in order to grow and make profitable its business. The Group therefore dedicates specific staff and resources to government relations activities in each of the

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<sup>36</sup> Butler, E. Op. Cit, pp 21-27.

<sup>37</sup> Rio Tinto, 'Our Products', [http://www.riotinto.com/index\\_ourproducts.asp#/aluminium](http://www.riotinto.com/index_ourproducts.asp#/aluminium), accessed 8 August 2011.

<sup>38</sup> Butler, E. Op. Cit. p. 23.

major production regions, including Australia, but also in the UK and Europe, and in the US and Canada.<sup>39</sup> As the corporation itself notes,

*“...the quality of relationships with national and international governments, industry and civil society plays a crucial role in protecting and enhancing Rio Tinto’s value and reputation.”<sup>40</sup>*

The mining industry is heavily regulated, including in Australia, and the task of the government relations networks is therefore to “...represent Rio Tinto’s views to government and others on public policy, legislation and relevant issues.”<sup>41</sup>

In managing its Australian operations, Rio Tinto Limited has several key issues to consider, specific to the country’s natural, social and political context. Each of these issues has the potential to substantively affect mining operations, and addressing this risk is focus of the Group’s Australian sustainability activities.

### **Key Issue One: Environment**

As noted, Australia’s natural environment is unique and sensitive, particularly in rural and remote areas that remain relatively untouched by the destructive and polluting effects of urban settlement. It is also, as has been mentioned above, highly volatile, and extreme weather events such as drought, flooding, and fierce storms are not uncommon.

The way that environmental events can affect miners was demonstrated starkly during an episode of severe flooding in Queensland in early 2011. A geographic area larger than France and Germany combined was inundated, with significant damage to

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<sup>39</sup> Rio Tinto (2005) *Our Key Relationships*, op. Cit. p. 7.

<sup>40</sup> Rio Tinto, ‘Government and Corporate Relations’

[http://www.riotinto.com/ourapproach/752\\_governmental\\_political.asp](http://www.riotinto.com/ourapproach/752_governmental_political.asp), accessed 8 August 2011.

<sup>41</sup> Ibid.

infrastructure, destruction of agricultural crops and loss of life.<sup>42</sup> With nine mining operations in Queensland, including the major coal sites of Hail Creek, Clermont and Blair Athol, Rio Tinto's activities were substantially affected. This included mine closures, problems transporting minerals to ports for onwards shipping, and disruption to the local workforce. Notably, the flooding was so severe that *force majeure* was declared, a legal status allowing Rio Tinto (like other similarly affected mining corporations) to miss contracted deliveries to clients without incurring penalties, recognising reasons beyond the corporation's control. While mine production was able to be restored within a relatively short period of time, the longer term financial effects only became apparent on later assessment of quarterly production totals, which were 40 million tonnes (for the Queensland coal industry as a whole) below the projected figure.<sup>43</sup> Rio Tinto individually reported a six percent loss in coking coal production due to the floods.<sup>44</sup>

Indicating yet more strongly how severe environmental conditions in Australia may be, just a few weeks later Rio Tinto was again forced to close Queensland coal mines due to a tropical cyclone.<sup>45</sup> Cyclone Yasi made landfall in the north of the state on February 3, causing mines including the large Hail Creek operation to be closed, as well as the closure of rail supply links between mines and shipping ports, and coal freighters to cease loading and seek deep water to wait out the storm. The eventual

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<sup>42</sup> See the Courier Mail, 'The Floods: Vital statistics', 12 January 2011, <http://www.couriermail.com.au/ipad/the-floods-vital-statistics/story-fn6ck45n-1225986354253>, accessed 8 August 2011; and also Ibis World Special Report, 'Queensland Floods: The economic impact', <http://www.ibisworld.com.au/common/pdf/QLD%20floods%20special%20report.pdf>, accessed 8 August 2011.

<sup>43</sup> Latimer, C. (2011) 'QLD Flood Damage Confirmed', *Mining Australia*, 22 July, [www.miningaustralia.com.au/news/](http://www.miningaustralia.com.au/news/), accessed 8 August 2011.

<sup>44</sup> Mining MX, 'Flood crisis knocks BHP Billiton' Reuters, 20 January 2011, <http://www.miningmx.com/news/markets/Flood-crisis-knocks-BHP-Billiton%20.htm>, accessed 9 August 2011.

<sup>45</sup> Keenan, R. (2011) 'Coal, Zinc mines close, ships flee as Cyclone Yasi nears Australian coast', Bloomberg press online, 2 February, [www.bloomberg.com/news/](http://www.bloomberg.com/news/), accessed 8 August 2011.

damages caused by Yasi were less than expected for miners, but taken together with losses from the flooding were none the less notable.

### **Key Issue Two: Indigenous Australia**

A second pertinent issue for Rio Tinto to consider in managing its operations in Australia concerns the country's Indigenous peoples. As noted above, ownership of land and the rights of aboriginal peoples to use and benefit from their traditional lands is a complex and legally-framed matter. Beyond this, however, are more practical issues of employment and skills in communities co-located with, or near to, mine sites.

Of the approximately half a million Indigenous residents recorded in the Australian census, the largest populations are in the key mining state of Queensland (146,600), and in New South Wales (148,200). Large populations also reside in the other major mining state of Western Australia and in the Northern Territory.<sup>46</sup> Notably, many Indigenous people live outside metropolitan and even regional urban centres. For example, over half (54 percent) of Indigenous Australians living in Queensland are in either outer regional, remote or very remote areas. In Western Australia this figure is 56 percent, while in the Northern Territory, all (100 percent) of Indigenous people live in outer regional, remote or very remote locations.<sup>47</sup>

In a matter in some ways related to patterns of physical remoteness, indicators of health and education of Indigenous Australians compare very poorly with those for non-Indigenous Australians. Despite a range of programmes and policies aimed at

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<sup>46</sup> Australian Bureau of Statistics (2007) 'Population Distribution: Aboriginal and Torres Strait Islander Australians, 2006', ABS issue 4705.0, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/4705.0>, accessed 9 August 2011. Notably, almost one in three people in the Northern Territory are of Aboriginal origin.

<sup>47</sup> Australian Bureau of Statistics, *ibid.*

improving conditions in both areas, Indigenous Australians remain the least-healthy sub-population in Australia, with relatively high occurrences of a range of problems from cancer to skin diseases and infections.<sup>48</sup> Similarly, while some indicators of education attainment for Indigenous children and young people have improved in recent years, there remains a substantial gap between Indigenous and non-Indigenous Australians on important issues such as completion of the final year of schooling (47 percent compared with 79 percent in 2010).

Given that the majority of Rio Tinto's Australian mining operations are also located in outer regional or remote areas, the implications of this for engaging with local communities, and for sourcing local workers, are clear. Mining corporations must have good information about, and effective relations with, local aboriginal communities if their activities are to be regarded as legitimate in the eyes of those communities. In so far as it is more cost-effective and more community-friendly to source workers from local settlements rather than relocate workers from other distant areas, Rio Tinto has strong incentives to consider the health, needs, skill levels and demands of Indigenous communities local to mine sites.

### **Key Issue Three: Legal and Regulatory Framework**

Beyond considerations of environment and Indigenous Australians, at a fundamental level miners such as Rio Tinto are subject to the legal and regulatory framework which shapes formal operation of the industry in this country. This framework is relatively complex<sup>49</sup> in Australia due not only to the diversity and extent of mining operations, but more specifically to the federal political structure. This means that

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<sup>48</sup>Thomson, N. et al. (2011) 'Summary of Australian Indigenous Health', Australian Indigenous Health Infonet website, <http://www.healthinfonet.ecu.edu.au/health-facts/summary>, accessed 9 August 2011.

<sup>49</sup> Butler, E. Op.Cit.

mining activities are subject to the legislation and regulations of each state or territory jurisdiction in which the activity is taking place; so for example there are different legal procedures to which Rio Tinto must adhere in relation to its Queensland mines compared with those in New South Wales or Western Australia.

To add further complexity, however, there are certain other issues of relevance to mining, such as foreign trade, corporations, native title and taxation, over which the Commonwealth (national) Parliament has jurisdiction. Notably, Section 51 of the Australian Constitution (specifying which matters may be adjudicated by which jurisdiction) states that where there is a conflict of laws between the Commonwealth and States or Territories, the Commonwealth law will prevail. This adds another vital layer to the hierarchy of stakeholders which Rio Tinto needs to consider, particularly on matters of core business such as taxation.

Taxation is currently a particularly pertinent issue in the Australian mining industry, with regard to three key pieces of legislation: the Minerals Resource Rent Tax, the Petroleum Resources Rent Tax, and the Tax on Carbon.<sup>50</sup>

Regulatory obligations are also leveraged on the mining industry beyond compliance with Commonwealth and State or Territory law. For example, the Listing Rules for mining companies wishing to be listed on the Australian Securities Exchange (ASX) require that companies report with reference to the Joint Ore Reserves Committee (JORC) Code. This Code, which was developed by the industry in the 1970s and 1980s

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<sup>50</sup> See Parliament of Australia, *Senate Select Committee on Scrutiny of New Taxes*, [http://www.aph.gov.au/Senate/committee/scrutinynewtaxes\\_ctte/index.htm](http://www.aph.gov.au/Senate/committee/scrutinynewtaxes_ctte/index.htm).

and adopted by the ASX, stipulates the specific matters of finance and management conditions that companies must report to the public, investors and shareholders.<sup>51</sup>

## **In Summary**

Taken together, these comments aim to describe in broad terms the political, social and economic context in which Rio Tinto operates in Australia. As this preliminary research reveals, there appear to be important considerations pertaining to the natural environment, to Indigenous Australia, and to the national legal and regulatory framework. Understanding this context in detail directly supports the research question; to investigate how corporations with a single global sustainability policy can make that work in different circumstances, the circumstances themselves must be understood as deeply as possible. Providing such an understanding has been the purpose of this chapter so far.

This now sets the scene for the second part of the chapter, which describes the field work activities, and the method by which materials and information are to be analysed, and reports on the findings of this tranche of investigation and analysis.

## **Field Activities in Australia**

The objective of the field activities was to seek observable indications to help answer the research question. Field activities in Australia aimed to generate a body of indications from one cultural context, which would then be viewed alongside indications from field activities in a second, different, cultural context; thereby providing a comparative perspective.

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<sup>51</sup> See Australian Securities Exchange, *Listed Companies Information*, 'ASX Listing Rules', <http://www.asx.com.au/professionals/listed-companies-information.htm>, accessed 5 August 2011.

Research activity in Australia was conducted between Tuesday 14 May and Thursday 16 May 2011 inclusive, as well as between Monday 23 May and Friday 3 June 2011 inclusive. The locations visited for field research were in Melbourne, Brisbane, Sydney and Tasmania. The field work activities included visits to Rio Tinto Ltd corporate sites in Melbourne and Brisbane where interviews with senior Rio officers with expertise and special responsibility for sustainability were undertaken; visits to a Rio Tinto-supported community site in Tasmania where Rio officers with more 'hands-on' experience of sustainability were interviewed, and aspects of the site observed; telephone interviews with members of the Australian Parliament (two current Senators with responsibilities for mining and mineral-related issues; one Government Senator and one Opposition Senator); and a telephone interview with the Director of an Indigenous theatre company receiving direct support from Rio Tinto as part of the corporation's Aboriginal Fund – a part of the larger sustainability programme. A full record of the field work in Australia is included at Appendix B.

As well as delivering specific findings, discussed in the following sections, the field work experience provided an opportunity to develop a general impression of the country context, helping to put flesh on the bones of the background research, and to guide thinking about those factors which might be pertinent to the project.

It was clear, for example, that mining plays a large and explicit part not only in the national economy, but in national life more generally. It was not unusual to hear of people (particularly young people) who have 'gone off to the mines' to work for a time; not only in the more manual aspects of the industry, but as highly qualified geologists, engineers and administrators. There was a strong sense that this is both a good thing for a young person to do, a valuable way to contribute to the national

economy; and possibly also a lucrative thing to do, a way to make a lot of money quickly before returning to urban areas to start families and embark on more conventional life-styles.

The sense of mining as prominent in public life was also reflected in general attitudes to the large mining companies. Many casual conversations with those not involved in the industry demonstrated first, a good general knowledge of the industry in terms of the identity of the main corporate actors, and the main areas of activity ('Well they've got all that iron ore up in WA, haven't they? The place is red with the stuff' was a typical type of comment); and second, a noticeable awareness of the role of mining in generating jobs and income.

There was a further sense that this industry fits very comfortably with what may be a type of 'national psyche', in which Australians recognise and are proud of the wild rural origins of their modern society, and in which even those in the metropolitan centres feel a 'connection' with the land. This connection may be as modest as caring for a suburban garden, (which few lack in marked comparison with the crowded and sought-after allotments of Europe;) but there was a sense of a more general and deeper awareness of the natural world, perhaps linked to universal exposure to the country's erratic weather systems. In this way, the idea of a key economic industry being linked closely to the natural world and the physical land, seemed to be a good fit with people's feelings about the importance of that land itself.

What these impressions began to indicate and substantiate is that there is a *normative foundation* within Australian society that interacts with the functioning of the industry; there are values, ideas and principles that people hold about the

industry and its activities, which would contribute to shaping the expectations of this society about what is appropriate and legitimate for mining companies such as Rio Tinto. Grasping this, it becomes possible to think about the ways in which these ideas or norms originate, evolve, manifest, and move between industry actors, and political and civil actors; in other words, to think about what studying this situation may be able to uncover about the movement of norms through the national and international system, and thus what the answer to this project's core question may be. More will be said on this below and in later chapters.

In terms of the method used for analysing the field materials, a series of different qualitative options were considered, including surveying, interviewing individuals and interviewing groups, participant observation, and working with existing texts.<sup>52</sup> The nature of the research question, as well as the practical circumstances of the research process and environment, determined the most appropriate method.

Investigation of the field research materials was conducted following a hermeneutic method.<sup>53</sup> In this project, doing so involved the following steps. Research materials were first categorised according to whether they were corporate documents, notes of interviews, site observations notes, press articles, media advertisements, or another type of document. Essential outcomes of this categorisation process are reflected in the section on materials collected, above.

Each group of materials was then examined in detail, one document at a time, to identify and record the information and ideas contained therein. Documents

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<sup>52</sup> See, for example, O'Leary, Z. (2010) *The Essential Guide to doing your Research Project* (London: SAGE Publications Ltd) 180-223; or Hancke, B. (2009) *Intelligent Research Design* (Oxford: Oxford University Press)

pp 93-105 for discussions of different investigative methods.

<sup>53</sup> See Appendix B for details of the hermeneutic method.

originating with Rio Tinto were examined first, as it was expected that these could supply the most direct and detailed insights into the central research question.

Documents originating outside Rio Tinto, with a broader range of content and greater potential to provide contrasting or critical insights against the corporate materials, were examined subsequently. All groups of materials were then considered in concert, to identify themes commonly present.

A full description and rationale for the research and analysis methods are also included at Appendix B.

### **How does Rio Tinto 'do' sustainability in Australia?**

At this stage of the analysis, four major themes appeared frequently and consistently across all categories of materials. These were an emphasis on *partnerships*, a *'bottom-up' approach*, *leadership*, and *targets and measures*. The fact that these themes were present in all categories, and in some types of documents were noted on most pages, suggests that they indicate central characteristics of Rio Tinto's approach to implementing the Group's sustainability policy in Australia, and that these themes are worthwhile considering in more detail.

Specifically, to follow through on the critical stages of the method, these themes were viewed first, in the context of the individual documents in which they appear; and second, in *contrast* to other documents and groups of materials, to see where divergences or complementary insights can be obtained. In seeking this latter view, the broader landscape of academic literature about corporate sustainability, canvassed in earlier chapters of this dissertation, also provided additional important angles from which to consider the themes.

This critical stage of the analysis exposed two notable thematic omissions, that is, the conspicuous absence in materials or some groups of materials of themes which preliminary research, and other literature or documents suggest ought to be present. First, there was a lack of attention, particularly in materials originating with Rio Tinto, to *government and legislative issues*; and second, there was a lack of attention across all groups of materials to *international sustainability institutions* and arrangements.

Noting then, that analysis of the materials collected from field activities in Australia indicated the presence of six key themes (four by presence, two by notable absence) in Rio Tinto's approach to sustainability in that country, the following comments describe the findings from this field work episode in detail.

### *Partnerships*

An emphasis on 'partnerships' was the single most prominent and obvious theme to emerge from analysis of the Australian field work materials produced by Rio Tinto.

This was clear both in the number of times the term or a synonymous expression such as 'working together with communities/our partners' appeared in documents, and in the broader descriptions of activities and project approaches.

A most pertinent example is provided by the recently released *Reconciliation Action Plan*. 'Partnership' is the emblematic concept of the introductory paragraphs, which state:

*"In a major public address in 1995, Rio Tinto's then chief executive officer Leon Davis stated that he wished to see our operations developed in active partnership with Aboriginal people."<sup>54</sup>*

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<sup>54</sup> Rio Tinto (2011) *Reconciliation Action Plan* (Melbourne: Rio Tinto) p. 2.

The message then goes on to speak of “...innovative ways of sharing with and compensating Indigenous Australians,” developing policy “...after consultation with Indigenous leaders,” and Rio Tinto being “...cognisant that it is not [a journey] that we can continue to do alone.”<sup>55</sup> The partnership theme is explicitly emphasised throughout the remainder of the document, with a vision statement on the importance of “...working in partnership with Indigenous communities to ensure they share in the economic benefits...”, and descriptions of how this manifests in specific policy documents, formalised agreements, community capacity-building activities; and funding support for Indigenous programmes.<sup>56</sup>

Other Rio Tinto documents and materials emphasised partnerships and community collaboration just as heavily. *Rio Tinto and Biodiversity* talks of having “...invested the past four years in engaging with the conservation and science community...(and) collaborating with others both internally and externally.”<sup>57</sup> The third of three ‘key elements’ of Rio Tinto’s water strategy is “Engaging with others on sustainable water management”,<sup>58</sup> various institutional and project-based manifestations of which are described in the strategy document.<sup>59</sup> An entire section of the *Rio Tinto Alcan Bell Bay Sustainable Development Report 2010* is devoted to ‘Valuing our Communities’ and describes in detail a range of local community partnership programmes and activities.

Interviews with Rio Tinto staff also involved frequent mention of partnership or collaborative approaches. Kristina Ringwood, (Principal Adviser Sustainable

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<sup>55</sup> Ibid, pp. 2-3.

<sup>56</sup> Ibid.

<sup>57</sup> Rio Tinto (2008) *Rio Tinto and Biodiversity*, (Melbourne: Rio Tinto Ltd) p. 1.

<sup>58</sup> Rio Tinto (2008) *Rio Tinto and Water* (Melbourne: Rio Tinto Ltd) p. 5

<sup>59</sup> See, for example, descriptions of collaborative work with Traditional Owners of the land around the Argyle Diamond mine in Western Australia, Ibid p. 21; and reports of intellectual and research collaborations with experts and academics, ibid. p. 19.

Development: Water) noted training partnerships developed with academic institutions, while Stuart Anstee (Principal Adviser Sustainable Development: Biodiversity) described with calculated candour the intensive collaborative process behind development of the biodiversity standards, and the many project and research partnerships that are now in operation. For example, he explained how, having established a cross-sector group to develop a biodiversity strategy, and having launched the strategy publicly, the question of measuring success emerged, and Rio Tinto “...blatantly stole and plagiarised from the conservation community;”<sup>60</sup> in this context, perhaps the most intensive form of collaboration possible.

Similarly, Simon Nish (Principal Adviser Sustainable Development: Indigenous) emphasised the central partnership orientation of community and Indigenous-based activities and developments, describing in particular the ‘away days’ in which members of Aboriginal communities and Rio officers meet away from the mine site in order to “...get to know what’s important to each other...”;<sup>61</sup> and Julie-Anne Braithewaite (Principal Adviser Sustainable Development: Systems and Reporting), Kim Millar and Kathryn Pugh (Community Relations Specialists) all provided insights from their direct experiences working in partnership arrangements with local community groups in Queensland and Tasmania.<sup>62</sup>

Importantly, outside the immediate Rio Tinto perspective, interviews with Government representatives and representatives of community partner organisations also clearly noted the centrality of ‘partnership’ approaches in dealing with Rio

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<sup>60</sup> Interview with Stuart Anstee, Principal Adviser, Rio Tinto, 27 May 2011, Melbourne.

<sup>61</sup> Interview with Simon Nish, Principal Adviser, Rio Tinto, 27 May 2011, Melbourne.

<sup>62</sup> See notes of interviews with Rio Tinto staff, various.

Tinto.<sup>63</sup> Senator Glenn Sterle, for example, spoke positively of the community partnership approach being implemented by Rio Tinto at the Argyle Diamond mines (which are located within his own electorate), noting that “They (Rio Tinto) are fair dinkum up there”.

There are several possible reasons for the heavy emphasis on partnerships. First, it represents continuity with, and realisation of, the key Group document on sustainability, *The Way We Work*. As the previous chapter noted, this document constitutes the single most coherent reference point for sustainability practices and policies across Rio Tinto’s global operations, and emphasises the importance of partnership:

*“We set out to build enduring relationships with our neighbours that demonstrate mutual respect, active partnership and long term commitment.”<sup>64</sup>*

This ‘trickle-down’ interpretation is supported by comments from Rio Tinto staff, who noted that *The Way We Work* document functions to set a consistent top-level standard, to which all subsequent and lower-level policies and statements conform.<sup>65</sup>

Such an interpretation is, however, clearly incomplete, indicating as it does something about Rio Tinto’s administrative procedures, but little about the Group’s more substantive motives for adopting such an emphasis on partnerships in the Australian context. Rather, some more nuanced explanations are also reasonable to suggest.

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<sup>63</sup> Interview by telephone on 29 May 2011 with Senator Glenn Sterle, Australian Labor Party Senator for Western Australia.

<sup>64</sup> Rio Tinto (2009) *The Way We Work*, Op. Cit., p 14.

<sup>65</sup> For example, interview with Julie-Anne Braithewaite, Rio Tinto, Principal Adviser Sustainable Development: Systems and Reporting, 30 May 2011.

First, as noted above, in Australia a legislative framework specifies key parameters for interaction between Indigenous peoples and those such as Rio Tinto wishing to use land which may be subject to traditional ownership rights; it is expected that this will affect in some ways the operation of relevant sustainability practices. There are indications across several types of field work materials that this is indeed the case. For example, the catalysing effects of the 1992 *Mabo v. Queensland* decision were raised in interview with Simon Nish (Principal Adviser Sustainable Development: Indigenous) in discussion of Rio Tinto's communities work.<sup>66</sup> The recently released *Reconciliation Action Plan* further states that "...the rights (of Indigenous Australians) enshrined in native title and land rights legislation are of paramount importance..."<sup>67</sup> These indications are supported outside Rio Tinto also; *The Australian* newspaper reported a new native title legal determination (relating to the Uunguu Indigenous Protected Area in Western Australia) allowing Aborigines the right to exclude or allow any group or individual, including miners, within the bounds of the protected area.<sup>68</sup> Taken together, such comments and reports suggest that the legislative framework governing miners' relations with Indigenous communities encourages collaborative, cooperative working arrangements; and furthermore opens the way for sanctions such as exclusion from mineral-rich land for those who fail to adhere to cooperative processes. It is thus very likely that this would be a factor explaining Rio Tinto's strong emphasis on partnerships in realising sustainability in the Australian context.

Second, the breadth and complexity of technical and scientific knowledge necessary for Rio Tinto's diverse operations suggests that the Group's own employees may

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<sup>66</sup> Interview on 27 May 2011, Melbourne, Australia.

<sup>67</sup> Rio Tinto, *Reconciliation Action Plan*, Op. Cit., p. 4.

<sup>68</sup> Taylor, P. 'Locals reserve right to hunt and preserve', *The Australian*, 28 May 2011.

simply not have sufficient skills to accommodate all the business' requirements.

Consequently, partnerships and collaborations with academics and technical specialists with knowledge of niche issues represent an efficient way to garner such knowledge without having to formally employ, with associated costs, new Group officers. The extensive network of specialist partnerships with conservation and scientific organisations which Rio Tinto has cultivated in developing the highly specialised biodiversity standard and associated projects lends weight to this explanation.

Taking this same explanation from a different angle also allows a more cynical perspective, one which suggests that by engaging in explicit and publicly promoted partnerships with external experts, in the event of a project failure of some kind, for example, a conservation project which does not succeed in conserving the natural resource or species at which it is directed, it is possible for Rio Tinto to 'spread blame', or at least to share responsibility with another party for some of the failure or damage caused. In this way, a partnership approach minimises the amount of reputational damages.

Third, the emphasis on partnerships indicated in field work materials collected in Australia resonates with the suggestions in broader literature on the legitimacy function of corporate sustainability activities. By engaging through active partnership, and listening or appearing to listen to and to respect the wishes and expectations of local communities, Rio Tinto has an ideal mechanism through which to realise a contractually-based model of legitimacy, in which the power of the corporation to affect local situations is transformed into authority by the acceptance and mutual engagement of those who are ultimately subject to that power.

### *A 'bottom-up' approach*

This last explanation for the dominance of the partnership concept segues into discussion of the second major theme to emerge from analysis of the Australian field work materials, that of a 'bottom-up' approach. This refers to the idea of sustainability activities taking their main impetus and direction from situations and occurrences extant in and specific to local communities and locations, and these then being translated into formal programmes that are approved and implemented by higher levels in the Rio Tinto organisational hierarchy. Like the emphasis on partnerships, a 'bottom-up' approach was indicated across the range of field work materials, not only in one document or type of document; thus suggesting it constitutes a reasonable inclusion in the analysis.

The 'bottom-up' approach was particularly evident in relation to environmental issues. As earlier sections of the chapter noted, Australia's climate conditions can be harsh and unpredictable, with natural disasters such as floods and droughts affecting many aspects of mining operations. Such disasters have acted as catalysts for local sustainability projects, which have been developed and implemented directly in response to ground-level conditions. For example, *Rio Tinto and Water* explains that severe droughts experienced in Queensland in 2003 provided the impetus for two important environmental sustainability measures. First, the initiation of Queensland's largest water recycling plant at the Gladstone-based Queensland Alumina Limited, which it is claimed "...utilises 95 per cent of Gladstone's treated sewage effluent within the refinery process, instead of fresh water."<sup>69</sup> Second, the drought prompted Rio Tinto to modify the design of a new refinery's water cooling system to make it

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<sup>69</sup> Rio Tinto, *Rio Tinto and Water*, op. Cit, p. 16.

easier to use sea water rather than fresh during the cooling process, thus conserving precious clean water supplies.<sup>70</sup>

Similarly, Kim Millar and Kathryn Pugh<sup>71</sup> explained that concerns about air pollution caused by an unrelated business (fibre board production) in Georgetown, Tasmania, proved a catalyst for Rio Tinto and a group of other local businesses to initiate and fund an air quality monitoring facility.<sup>72</sup>

An emphasis on 'bottom-up' approaches was evident in more systemic business operations, aside from special local circumstances. Specifically, several interviewees explained the importance of beginning with a community assessment at the start of any new Rio Tinto business enterprise. This involves first assessing various aspects of the community in terms of health, education, income levels, and governance systems to establish a basic understanding of the community's most pressing needs and issues; and second to consult with community leaders and members to refine and more deeply understand the local area needs and expectations. Rio Tinto then aims to shape its community engagement and sustainability activities to meet these expectations; a clear example of 'bottom-up' processes.

### *Leadership*

The third main theme evident in materials from the Australian field work was an emphasis on leadership, referring both to the idea of Rio Tinto as a sustainability leader within the mining industry, and to the idea of individual charismatic leadership within the Group itself.

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<sup>70</sup> Ibid.

<sup>71</sup> Community Relations Specialists, Rio Tinto Bell Bay, interviewed 15 June 2011, Tasmania.

<sup>72</sup> Ibid., interview on 15 June 2011.

In relation to Rio Tinto's leadership within the industry, for example, it was claimed that Rio Tinto had a pioneering role in the establishment of the entirely novel biodiversity standard. When the standard was launched at the World Conservation Forum in Bangkok in 2004, "...Rio Tinto was one of the very few industry actors present."<sup>73</sup> Rio Tinto's role as a pioneer of positive engagement with Indigenous Australians was also emphasised, not only in interviews<sup>74</sup> but also in published documents, with the *Reconciliation Action Plan* stating that Rio Tinto's moves to establish ways to share economic benefits of mining with Indigenous landowners "...were 'landmark' for the industry..."<sup>75</sup>

In relation to the idea of individual charismatic leadership within the Group, mention was made in several interviews, as well as in corporate literature,<sup>76</sup> of the critical and innovative influences of certain key Group Chiefs Executive, namely Sir Robert Wilson, and Leon Davis.<sup>77</sup>

From this it is evident, though perhaps unsurprising, that references to Rio Tinto's sustainability leadership occur almost exclusively in material produced by the Group. In contrast to the two themes above of partnership and a 'bottom-up' approach, which appeared both in documents originating with Rio Tinto and in documents from outside the Group, external documents such as news articles, as well as government or policy documents, make little mention of individual leaders.

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<sup>73</sup> Interview with Stuart Anstee, Principal Adviser, Rio Tinto, 27 May 2011.

<sup>74</sup> Interview with Simon Nish, Principal Adviser, Rio Tinto, 27 May 2011.

<sup>75</sup> Rio Tinto, *Reconciliation Action Plan*, op. Cit. p. 2.

<sup>76</sup> Ibid.

<sup>77</sup> For example, Leon Davis' contribution to proactive engagement with Indigenous Australians was mentioned by Simon Nish (interview on 27 May 2011), while Kristina Ringwood noted the leadership of Sir Robert Wilson, and also then Chief Executive Tom Albanese (interview on 26 May 2011).

There could be a number of reasons for this. In relation to Rio Tinto's claimed industry leadership role, it would be unlikely that competitor firms would celebrate or pay homage to Rio Tinto, implying as this would their own relative inferiority and competitive disadvantage. It is also not particularly likely that more distant academic or media commentators would make much of the 'leadership' of one particular corporation, for fear of appearing partial and uncritical. In relation to the leadership of charismatic individuals, the same two issues hold, as well as the possibility that those outside the firm are less aware of the internal workings of the executive and the company administration, and hence are not fully informed of the contribution to sustainability policy and practice of particular individuals.

Overall, the appearance of this theme in the field work materials from Australia points to a desire on Rio Tinto's part to portray itself as a sustainability leader, with far less certainty as to what extent this may or may not be the case. Identifying the theme may therefore be most useful as an indication of how Rio Tinto wishes to shape its image, and the influence and legitimacy which an image of leadership could help to facilitate.

### *Targets and measures*

The fourth and last major theme emerging from the materials and documents collected in Australia relates to an emphasis on explicit sustainability targets and measures. This includes such things as the formal biodiversity standards, which have been widely adopted in the industry beyond Rio Tinto, and on which companies publicly report at regular intervals, as well as more locally-oriented audits, reports, reviews and assessments. All of these locally-oriented assessments are constructed

within the larger corporate hierarchy, with the details of each being fed upwards to higher levels of administration.

For example, *Rio Tinto and Water* explains how operations are audited against the water standard, describing a multi-step process in which formal audits of operations at the local level are conducted every two years. These fit within an overall plan describing objectives of water management at the operation level, which is updated every four years. This in turn fits within formal efficiency targets for reduction in water usage, which are set to cover five year periods.<sup>78</sup>

Similarly, Guidance Notes for the *Reconciliation Action Plan* include numerous references to the importance of monitoring against targets and assessing and reviewing against measurement indicators. For example, it is noted that all Rio Tinto-managed activities are required to review regularly their planning, systems, resources and activities to ensure compliance with the Communities Standards. Notably, this applies explicitly to acquired businesses also, which are given a period of 18 months grace from the date of acquisition to comply with the standard.<sup>79</sup> All businesses are further required to undertake annual local reporting on social, environmental, sustainable development and other relevant information, “...in a language and format that makes for clear communication to affected communities, including marginalised groups.”<sup>80</sup>

A focus on reporting against targets and measures to local communities affected by Rio Tinto operations, including non-Indigenous communities, is very clear in the annual sustainable development report for the Rio Tinto Alcan operation at Bell Bay

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<sup>78</sup> Rio Tinto *Rio Tinto and Water*, Op. Cit., p. 9.

<sup>79</sup> Rio Tinto, *Reconciliation Action Plan*, ‘Guidance Notes’, op. Cit., p. 3.

<sup>80</sup> Ibid, p. 10.

in Tasmania. The 2010 report, for example, reports site performance for the year against targets concerned with employee injury,<sup>81</sup> safety,<sup>82</sup> compliance with environmental permits, greenhouse gas emissions, total energy use and energy efficiency, and fresh water usage.<sup>83</sup>

Chapters two and three of this dissertation have drawn on broader literature on CSR and corporate sustainability to suggest explanations for this emphasis on targets and measurements. Specifically, targets and measures enhance the corporation's ability to clearly convey information about its performance to stakeholders, and where this information can be represented as positive, the firm's reputational status is enhanced. Where stakeholders are local communities, and targets and measurement variables have been established with some input from community members or representatives, the utility of these reports in showing the corporation's efforts in meeting community expectations is clear. This explanation is strengthened in particular by examples, such as those above, of Rio Tinto focusing on conveying information to communities in a language and format that will be clear to all concerned.

In summary, the four themes discussed so far, as well as providing specific information about how Rio Tinto 'does' sustainability in Australia, also build on the general field impressions about the importance of norms and ideas that were noted earlier. Here, the four themes support the idea that norms matter for Rio Tinto's legitimacy, and that those norms are specifically about (appearing to be) *listening without preconception to the wants and needs of communities* (partnerships and the

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<sup>81</sup> Rio Tinto Alcan (2012) *Bell Bay 2012 Sustainable Development Report* (George Town: Rio Tinto Aluminium Limited) p. 10.

<sup>82</sup> *Ibid.*, p. 12.

<sup>83</sup> *Ibid.*, p. 16.

'bottom-up' approach); (promoting and apparently) *proactive use of corporate power towards acceptable ends* (leadership); and *transparency and accountability outside the firm* (measures and targets). How these norms originate and operate deserves further attention, and more will be said on this later in the chapter.

### ***Government relations and stakeholders***

Having examined these four major themes, all of which were explicitly present in the materials collected from the Australian field work experience, it is now important to turn to those two themes which were notable by their absence; first, an apparent lack of concern with government stakeholders and relationships; and second an apparent lack of concern, at least at local and community levels, with international sustainability institutions. As noted in earlier sections of this chapter, the apparent omission of these themes is notable with reference to the broader literature on corporate sustainability in MNCs, as well as literature on stakeholder theory, both of which suggest that governments and subject-specific international institutions ought to act as a motivator or catalyst for firms' sustainability projects. Given this, it is interesting and useful to consider how and perhaps why it may be that Rio Tinto appears not to attach much importance to these matters in Australia.

In relation first to government relations and stakeholders, the judgement that these do not appear as explicit concerns in the field work documents is based first on the lack of mention of such issues in the collected materials. For example, while many documents make frequent and explicit reference to the importance of partnerships with community and expert stakeholders (as noted above), there are far fewer references to partnership with government. Where mention is made of public sector collaboration or concern, it is relatively brief. For example, only a single paragraph in

the *Rio Tinto and Water* document is focused on engagement with government and industry, noting that Rio Tinto supports the Australian *National Water Initiative*, and that it works together with the Australian Government to contribute information for research on water efficiency issues.<sup>84</sup> In contrast to the more frequent and more detailed descriptions of interaction and partnership with other types of stakeholders, and considering the Government's legislative powers, this apparent lack of explicit attention is interesting.

Second, the judgement is based on comments from Rio Tinto officers during interviews which suggested that engagement with government is actually more difficult than with other stakeholders; a factor which may contribute to a reduced focus in the field work materials. Typically, relations with government were only discussed after prompting and questioning on this issue, and different interviewees mentioned the idea of 'legislative lag', in which government decision-making is late and reactive in reflecting sustainability actions by corporations. Stuart Anstee and Simon Nish both suggested that a major challenge for the future was to secure greater government engagement.<sup>85</sup>

In terms of the possible reasons for this apparent lack of concern with government stakeholders, three main possibilities seem reasonable to suggest. First, that Rio Tinto is sensitive to possible reputational effects of being seen to be too close to government, which is (in the public eye) expected to maintain an impartial adjudicatory role; while real relations may be close, this is not promoted publicly, as it suits both government and the Group to appear to be independent of each other. The likelihood of this being the case is supported by the fact (mentioned in the previous

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<sup>84</sup> Rio Tinto, *Rio Tinto and Water*, op. Cit.

<sup>85</sup> Interviews on 27 May 2011.

chapter) that Rio Tinto in Australia has a dedicated policy advisory group that focuses particularly on government relations; it may well be that government relations are maintained through such groups, and there is no perceived necessity of broadcasting the actions or outcomes of discussion.

Second, and related, it may be that government stakeholders are in fact primarily supportive of Rio Tinto's activities, and as such it is not necessary to devote time and energy to promoting appropriate messages through sustainability activities and reports. Instead, and in line with literature suggesting that the primary role of sustainability is to build reputational capital with groups subject, and possibly hostile to, company activities, Rio Tinto focuses on sustainability actions directed at groups in whose eyes the corporation's legitimacy is most insecure.

This possibility appears to be supported by many of the media articles collected during the field work period, which reported on a wide range of issues simultaneously affecting both Rio Tinto and state or federal government bodies. In some cases, indeed, reports shaped to be critical of the miner's activities appear to implicate government in a kind of complicity, suggesting that both the public and private sectors are working in agreement, even where the matter at hand may have attracted some negative public attention. For example, *The Weekend Australian* newspaper reported on conflict between landholders and mining companies seeking to sink gas wells on private land, suggesting that governments anxious for mining royalties were supportive of the industry; to the detriment of their public service responsibilities.

*"Governments – state and federal – have operated under a covert two-speed morality for years and have two separate laws in place. The first insists that the landholder promote the sustainable*

*use of natural resources, while the other allows CSG (coal seam gas) and coal companies to damage and obliterate natural resources without proper governance or penalty.”<sup>86</sup>*

Third, it may also be the case that, while government’s main power to affect Rio Tinto’s operations lies in its legislative capacities, these capacities may not represent a very significant challenge to Rio Tinto, on account of the complexity and long lead-times of the legislative process. Within Australia’s democratic system of government, new legislative proposals are subject to extensive consultation and public debate processes, and for Bills to become law, they must pass an exhaustive and adversarial parliamentary process involving both the lower and upper houses of Parliament, and often various Parliamentary inquiries along the way. In such a system, Rio Tinto has opportunities at many stages of the legislative process to lobby publicly and privately.

This third possibility is given strength once again by materials collected during the field work. For example, it was very interesting to note an apparent disconnect between the (passionate) views of a Government Senator with close constituency interests in Rio Tinto and the mining industry more broadly, and the same Senator’s sense of the Government’s ability to achieve some related policy ends. For example, Senator Glenn Sterle spoke vehemently of the need for policies to strengthen non-mining related industries in his home state of Western Australia, but noted that the federal political structure can be very unhelpful in achieving these political and social ends.<sup>87</sup> This is particularly interesting given that Senator Sterle belongs to the majority Government Labor party, and moreover chairs or holds membership on a

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<sup>86</sup> Brown, H. ‘Greens and farmers fight mining land grab’, *The Weekend Australia*, 28-29 May 2011, (Inquirer) p. 4.

<sup>87</sup> Interview with Senator Glenn Sterle, Australian Labor Party Senator for Western Australia, 29 May 2011.

number of Senate and Joint Parliamentary Committees; even those close to the heart of Government have clearly limited influence on certain issues.

### *International sustainability institutions*

Finally, just as materials from Australia suggested an apparent lack of concern with government stakeholders, they also suggested an apparent lack of concern, particularly at local and community levels, with international sustainability institutions.

Statements referring to international institutions concerned with the same issues as sustainability policies, including normative institutions such as human rights conventions, are infrequent and generally brief in Australian materials generated both from within Rio Tinto and outside the corporation. For example, the Guidance Notes for the *Reconciliation Action Plan* note simply that

*“All businesses will operate in accordance with the UN Declaration of the Rights of Indigenous Peoples (UNDIP) in those jurisdictions that have signed the Declaration, and elsewhere in accordance with the Declaration’s principles.”<sup>88</sup>*

Further details on what this means, precisely, and explicit comments on how Rio Tinto’s activities fulfil this pledge, are not included. Other documents treat international institutions concerned with sustainability topics such as environmental conservation in a similarly perfunctory way.

Beyond this apparent lack of attention to international institutions in published materials, interviews with officers of Rio Tinto suggested an even clearer picture of the situation. Discussion about international covenants and laws did not arise organically within the conversation, but rather as a result of questioning; this in itself

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<sup>88</sup> Rio Tinto, *Reconciliation Action Plan*, Guidance Notes, op. Cit., p. 8.

indicating that it is not a first-order concern. Where international matters were discussed, interviewees indicated that Rio Tinto's engagement approach is highly selective, with the Group aligning only with those institutions it perceives may have the most influence or utility for its own priorities and operations. For example, Kristina Ringwood noted that Rio Tinto is careful to be strategic in engaging in the crowded international sustainability space; while an overall watching brief is maintained, there are different levels of engagement depending on corporate priorities.<sup>89</sup> Similarly, Julie-Anne Braithewaite noted that at a local level, international sustainability institutions and standards have no real meaning or relevance. Further, in fulfilling international reporting requirements, there is usually an element of 'retro-fitting', meaning that action decisions are made according to issues on the ground, and later fed upwards into reporting parameters; rather than decisions and programmes being shaped by priorities and requirements of reporting.<sup>90</sup>

It is very important here to note that officers also acknowledged that there may be a catalysing role for international institutions in bringing certain issues to the attention of Rio Tinto executives, who may then in some cases support related policy or programme activity further down in the organisation. For example, Stuart Anstee<sup>91</sup> noted that the *Brundtland Reports* had contributed to Rio Tinto's decision to act on biodiversity issues. However, there was relatively little attention given to this idea in field work materials, and it was not generally raised except by prompting in interviews, where it tended to be mentioned hypothetically and as one of a number of possible catalysing factors in policy development.

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<sup>89</sup> Interview with Kristina Ringwood, 26 May 2011.

<sup>90</sup> Interview with Julie-Anne Braithewaite, 30 May 2011.

<sup>91</sup> Interview with Stuart Anstee, 27 May 2011.

These points provide a useful cue to pick up on the project's concern with *how* norms and ideas flow through the international system. Specifically, it appears that there is a pronounced 'upwards' movement, with ideas being generated within the corporation and within its local communities, which are then fed into, and approved and developed by, higher levels of the Rio Tinto hierarchy, and thence are reported further upwards to international institutions. The issue of selectivity is key here; if sustainability norms were to be 'cascading' downwards from the international to the national to the local level, as popular models of norm diffusion would suggest, it would seem that Rio Tinto would first take more account of international institutions in general, and second, would have less scope to choose with which institutions to be involved, or to 'retro-fit' its reporting material. This is an important issue for the project, and will be taken up in greater detail in later sections and chapters.

### **In summary**

As the previous sections have explained, analysis of the field work materials collected during the Australian experience indicate that Rio Tinto's sustainability activities in that country are primarily concerned with four key issues; partnerships, a 'bottom-up' approach, leadership, and measurements and targets. Further, analysis of the materials, and consideration of these against country background information and wider literature on sustainability, suggested that two further issues which could reasonably have been expected to be included (relations with government, and international institutions) were in fact not obviously present; which offered an interesting opportunity to seek critical insights with reference to the research question. It now remains here to offer some concluding comments about what this field research has presented in terms of insights and arguments that attempt to

answer the empirical part of the research question, of how a MNC can sensibly apply a global policy to a culturally, economically and politically distinct situation; and what this in turn might suggest about the diffusion of norms through the international system.

### **Concluding comments: Indications from Australia**

Rio Tinto's global operations obtain their central sustainability orientation from the core document, *The Way We Work*. The ideas set out here are articulated as broad principles, and space is explicitly left for considerable local latitude in how the principles are applied. Herein lies a key indication for the research question, which is to suggest that at the top level, policies on sustainability are deliberately vague and flexible; by limiting declarations to principles and value-positions, coherence is possible between the top level policy and a wide variety of local actions. In this sense, cultural, social, political and physical differences can be formally accommodated within the global framework.

Whether this can also be said in terms of real, informal practice, is much more difficult to assess. However, the emphasis on targets and measures in Rio Tinto's Australian operations provides a clue to understanding this problem, which is to conclude that from Rio Tinto's point of view, there is in fact no problem as long as it is possible to *report* a coherent linkage between policy and some element of local level practice.

Further, the emphasis evident in materials collected and analysed during this field work episode pointing to a 'bottom-up' approach suggests that there is also very

considerable scope within Rio Tinto's administrative structure for local level situations and catalysts to shape or influence the content of the higher level policies.

In terms of what this may suggest for the project's underlying concern with the diffusion of norms, ideas and values through the international system, this field work would seem first to confirm that norms and principles do matter for Rio Tinto's legitimacy, and second to indicate that the popular 'cascading' models of norm diffusion may be inadequate. While there is some suggestion that high level, international ideas and norms do feed into Rio Tinto's top level policy-making, and may from there be 'cascaded' down through different levels of regional, national and local hierarchies, there are firm indications that a more nuanced, cyclical understanding, in which ideas and norms also feed upwards, spreading from one cultural or political context to others via central mandate, may be more useful.

These ideas are best explored in comparative perspective, considering Rio Tinto's actions and policies across more than one national context. Having described here information and ideas generated from Australia, the next chapter can now address this comparative perspective, by examining Rio Tinto's sustainability operations in a very different country: Zimbabwe.

## Chapter 5: Rio Tinto in Zimbabwe

*“Being a business, we clearly have to be profitable but, like other Rio Tinto businesses, it is equally important for us to have an ongoing, positive impact on the people we work with and interact with, our community and our environment.”*

*Niels Kristensen, former Managing Director, Murowa Diamonds, 2007<sup>1</sup>*

The second chapter of this dissertation noted the difficulty of studying CSR in international contexts, where ideas and expectations about what constitutes appropriate corporate behaviour may differ between nations and cultures. The challenge that this presents for multinational corporations that seek to apply a single global CSR policy across such diverse circumstances is clear, and forms the investigative core of the current project.

This chapter thus provides a critical comparative element. Having explored Rio Tinto’s CSR operations in Australia, and identified several key findings, it is now useful to examine how the Group approaches CSR in Zimbabwe; to see whether it is possible for a policy that works in developed, wealthy Australia also to work in a newly-independent, volatile African state; and if so, to understand how.

To support the comparative aspect, the format of this chapter is similar to that of the previous one. The first part provides a country overview, and recounts the field activities, including recording and describing the materials that were gathered and

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<sup>1</sup> Kristensen, N. (2007) “Welcome to the Murowa Diamonds Sustainability Report”, *More than Diamonds: Sustainability Report 2007*, (Harare: Rio Tinto) p. 2.

how they were analysed. The second part presents the outcomes of the analysis, identifying key issues and matters for in-depth consideration. This then opens the way for the final two chapters, which provide the analytical heart of the project. First, a comprehensive examination of the project findings with reference to the key theoretical questions about norm diffusion, and the functioning of ideas and values within the international system; and second, a cross-consideration of the Rio Tinto findings with reference to selected similar and different multinational corporations, to see whether the findings may be applicable beyond the specific corporate case study.

### **Zimbabwe: A contextual overview**

If Australia's lack of profile in international media is due to its stability, prosperity, and the peaceful contentment of its citizenry, then it is little surprise that Zimbabwe's much more notorious global reputation can be explained with reference to instability, corruption, poverty, and the volatile and complex currents of its social and political life. As the Congressional Research Service noted in 2008, the widely-reported violence that accompanied national elections that year occurred against a backdrop of deepening economic crisis: inflation was estimated at over 165 000 percent, unemployment at over 80 percent, adult HIV infection at 20 percent, and the proportion of the population expected to require food aid at more than a third.<sup>2</sup> Zimbabwe has often been in the news in recent years; but generally not for good or positive reasons.

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<sup>2</sup> Ploch, L. (2008) *CSR Report for Congress – Zimbabwe: 2008 Elections and Implications for US Policy*, Congressional Research Service, Foreign Affairs, Defense and Trade Division, Department of State, available at <http://fpc.state.gov/documents/organization/106142.pdf>, accessed 10 January 2012.

Understanding this situation and how it has arisen is important for contextualising the field analysis in this chapter. It is thus worthwhile devoting some attention to the key issues of history, politics, and economics, and the way these affect the current situation; a task the following comments address.

### **Rhodesia, Zimbabwe and the colonial legacy**

Zimbabwe has only been in existence as a modern state since 1980, when formal independence from both British and white Rhodesian authorities was achieved. The preceding period of foreign settlement and colonisation, despite having lasted only 90 years, was tumultuous and often painful, with simple narratives positing oppressed black Africans against domineering white masters masking a complex interplay between different African tribes, chiefs and ethnic groups; British colonial traders and officers; bellicose Rhodesian authorities; and Christian missionaries concerned for the plight of the poor and disadvantaged.

Comprehensive histories of the colonial era, the period of Rhodesian rule between 1965 and 1980, and the period since independence have been provided elsewhere,<sup>3</sup> and it is not the purpose of the current project to recount those in detail. It is useful, however, to note several key issues that arose during or as a result of these contested times, and that continue to shape the modern state in which corporations like Rio Tinto operate.

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<sup>3</sup> See, for example, Copson, R. W. (Ed.) (2006) *Zimbabwe: Background and Issues*, (New York: Nova Science Publishers Inc.); Raftopoulos, B. And Mlambo, A. (Eds) (2009) *Becoming Zimbabwe: A history from the pre-colonial to 2009*, (Harare: Weaver Press); Bourne, R. (2011) *Catastrophe: What went wrong in Zimbabwe?*, (London: Zed Books); and Meldrum, A. (2004) *Where we have hope: A memoir of Zimbabwe*, (London: John Murray Publishers).

One issue, identified by Bourne as a legacy of the colonial era, is a culture of violence.<sup>4</sup> Although noting that a history of social and political violence existed before white settlement, Bourne argues that this was continued and developed after 1890, made more damaging and more extreme by the introduction of modern technologies.

“Whereas African disputes had been settled by *assegais* and *knobkerries*, the Europeans introduced the latest and most destructive equipment in modern warfare – heavy guns, machine guns and rifles. Death and threats of violence became an underlying discourse between Europeans and Africans, overlaying the periodic violence in relations between African groups.”<sup>5</sup>

The precise extent to which violence in contemporary Zimbabwe can be attributed to the colonial legacy is difficult if not impossible to determine; but it is not difficult to argue that there has indeed been a high level of violence,<sup>6</sup> and that this continues to be a pressing concern, particularly where political and electoral matters are concerned. Indeed, the possibility of violence related to the next round of national elections, scheduled for mid-2013, proved a real concern for project interviewees, as well as being noted in recent media and academic literature.<sup>7</sup>

Notably, the specific idea of a ‘culture’ of violence, in the sense that violence is regarded as a legitimate tool of power and may be expected in the ebb and flow of political and social life, arose clearly in reports of a discussion between President

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<sup>4</sup> Bourne, R., *ibid.*, p. 22.

<sup>5</sup> *Ibid.*

<sup>6</sup> For example, the Congressional Research Service reported that in the month leading up to the 2008 elections, there were 1775 reported incidents of political violence, with the government routinely deploying riot police to break up demonstrations, rallies and meetings. On election day, reports of politically-motivated violence rose to 20 year highs, with the Movement for Democratic Change (MDC) claiming at least 40 of its supporters were killed. Ploch, L. (2008) *op. Cit.*, p. 3, 8.

<sup>7</sup> Journalist Mr Farai Mutsaka, for example, noted in interview that “There is always the threat of political instability, and mention of elections sends people into panic mode. Some who fled during the last elections have returned, but many other did not...” Interview with Mr Farai Mutsaka, Harare, 16 December 2011. See also recent report in the Guardian newspaper on violence and crack-downs on NGOs ahead of the election: IRIN news, “Zimbabwe police ban radios ahead of July elections”, The Guardian, 27 February 2013, <http://www.guardian.co.uk/global-development/2013/feb/27/zimbabwe-police-ban-radios-elections>, accessed 14 March 2013.

Robert Mugabe and then Secretary-General of the Commonwealth Don McKinnon prior to the parliamentary elections of June 2000. McKinnon told assembled press that “President Mugabe told me that he would like to see the violence decrease. He assured me that violence will be kept to an acceptable level for the rest of the campaign”.<sup>8</sup> Wherever the line between an ‘acceptable’ and an ‘unacceptable’ level of violence may be, the assertion that an acceptable level is possible does suggest an attitude in which violence is normalised and indeed a ‘culture’. Such a culture must be of concern to corporations seeking to do business in Zimbabwe, for whom stability and peace are as critical to good production outcomes as the proper functioning of machinery and the expertise of workers.

Another legacy identified by Bourne is a culture of political impunity. He notes this factor particularly in relation to impunity of white conquerors, and specifically of Cecil Rhodes himself, in the early days of the new Rhodesian state, noting that

“Although they complained about the Chartered Company’s expensive imports, the white settlers in the 1890s generally regarded Rhodes (and his colleagues)...as demigods and heroes. Only a handful of missionaries and others could see that their cruelty was an affront to Christianity and peacemaking. Cultures of violence and impunity were built into the DNA of the state created by Cecil John Rhodes.”<sup>9</sup>

It can be argued that such a culture has persisted into contemporary political life; current media about Zimbabwe often includes references to gross corruption and nepotism among the ruling elite, with very little indication of effective retribution by either legal or other means. For example, shortly after the field visit, *The Zimbabwean*

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<sup>8</sup> Meldrum, A. op. Cit., p. 156.

<sup>9</sup> Bourne, R. Op. Cit., p. 23.

published a story on corrupt management practices at state organisation the Zimbabwe Broadcasting Corporation (ZBC), noting that

*“Nothing has ever been done to address reports of corruption at ZBC, with the Chief Executive Happyson Muchechetere having rather chosen to press lawsuit charges against The Standard. Last year that newspaper carried a story detailing the huge salaries awarded to management while ordinary workers, including reporters fetched for as little as US\$350 per month.”<sup>10</sup>*

The business environment created by such a culture is another factor that corporations such as Rio Tinto, who seek to operate at a profit but also within the law, must grapple with.

A third legacy of the colonial era is the breakdown of traditional tribal and social structures,<sup>11</sup> and with it the fundamental reorganisation of land ownership and management. In the early years of white settlement, land ownership became, as it did in so many other British colonies,<sup>12</sup> a matter of power, status and reward. Paying scant regard to existing African land ownership, by 1899 15.7 million acres had been given to Europeans, often with little regard for the inheritors’ skill or interest in managing that land. William Milton, a more conscientious imperial administrator, wrote to his wife in 1896 that

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<sup>10</sup> Media Institute of Southern Africa, “Corruption and decay at ZBC”, *The Zimbabwean*, 22 January 2012, available at <http://www.thezimbabwean.co.uk/news/36945/corruption-and-decay-at-zbc-.html>, accessed 24 January 2012.

<sup>11</sup> This breakdown is described poignantly, albeit in the South African context, by Alan Paton in his celebrated novel *Cry, the Beloved Country*. Here, the protagonist Kumalo considers the collapse of the tribe in an internal monologue: “He had admitted it to himself. The tribe was broken, and would be mended no more. He bowed his head. It was as though a man borne upward into the air felt suddenly that the wings of miracle dropped away from him, so that he looked down upon the earth, sick with fear and apprehension. The tribe was broken, and would be mended no more. The tribe that had nurtured him, and his father’s father, was broken. For the men were away, and the young men and the girls were away, and the maize hardly reached to the height of a man.” (p. 79). It is not difficult to imagine such a feeling being equally applicable in the Zimbabwean context. Paton, A. (1948) *Cry, the Beloved Country*, (London: Vintage Books).

<sup>12</sup> See, for example, Forbes and Spearritt’s discussion of land allocation and speculation in colonial Australia, “Rum Corps to white shoe brigade”, *Griffith Review*, Edition 2: Dreams of Land, Griffith University, 2005, available at <http://griffithreview.com/edition-2-dreams-of-land/rum-corps-to-white-shoe-brigade>, accessed 24 January 2012.

“Lady Dudley’s son, a youngster of the la di da class, has just been sent up here, probably with an expression of Jameson’s wish that half a county may be given to him.”<sup>13</sup>

This pattern of white dominance in land and farming matters continued through the remainder of the colonial era, and on into the early years of independence; Copson reports that by the early 1990s, white-owned commercial farms occupied approximately 70 percent of the country’s most fertile land, while around 8 million African peasants were left to work the poorer, drier areas of the remaining Communal Lands.<sup>14</sup> This imbalance was recognised as a problem, and throughout the 1990s attempts were made to legally purchase white-owned land for resettlement by African farmers, but such efforts were insufficient to the problem, and in 1997 a violent crisis erupted in which land was forcibly seized from white farmers and occupied by blacks, often those with claims to being veterans of the independence war.<sup>15</sup> The land issue continues to fester, and finds resonance in a pressing contemporary issue, namely the Indigenisation Policy (described below).

### **Dictator, or hero of independence?: Mugabe and ZANU-PF**

The land seizures, and the violence that accompanied them, were one of several watershed events marking the international reputation of Zimbabwe’s notorious President, Robert Mugabe, and his party, the Zimbabwe African National Union-

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<sup>13</sup> Bourne, R. Op. Cit., p. 19.

<sup>14</sup> Copson, R. Op. Cit., p. 7. Notably, this figure is disputed in an account of white farmers’ experiences of the land invasions in Douglas Rogers’ memoir of life in Zimbabwe, *The Last Resort*. Rodgers reports conversations with Zimbabwean farmers, furnished with official documents (which ones is not disclosed) in which the 70 percent figure is claimed to be a manipulation by the Mugabe government: “Everyone has their truth in Zimbabwe, but Hammy was correct. The Mugabe government’s figures (claiming 70 percent white land ownership) were routinely quoted by the world’s media, and they gave the impression that in a country as fertile as Zimbabwe, a mere forty-five hundred white farmers controlled seventy percent of its land mass. Who wouldn’t be outraged by that? But the seventy percent figures repeated ad nauseam applied in fact to only one region: the fertile Mashonaland tobacco farming belt around Harare.” Rogers, D. (2009) *The Last Resort: A memoir of Zimbabwe* (New York: Harmony Books) p. 151.

<sup>15</sup> See Copson, R. Ibid., p. 9.

Patriotic Front (ZANU-PF). A leader of the guerrilla war during the 1970s, Mugabe took power in 1980 and has held onto it ever since; his influence continues to shape every aspect of life in Zimbabwe.

Initially feted as a model for post-Independence African statesmen,<sup>16</sup> Mugabe's first public pronouncements as leader suggested a fair, just, peaceful future was emerging; he spoke against racial oppression, and about moving forward collectively rather than dwelling on old hurts. In his first address to the nation as Prime Minister-Elect, for example, Mugabe declared that

*"I urge you, whether you are black or white, to join me in a new pledge to forget our grim past, forgive others and forget, join hands in a new amity, and together, as Zimbabweans, trample upon racialism, tribalism and regionalism, and work hard to reconstruct and rehabilitate our society as we reinvigorate our economic machinery."*<sup>17</sup>

The early years of independence also saw tangible progress in living standards, most notably in areas such as health and education.<sup>18</sup> Expectations were high and positive, with many Zimbabweans confident and trusting of their new leader.

The first serious sign of trouble is generally acknowledged to be the inter-ethnic violence between the governing Shona majority, and prospective challengers in the Ndebele minority; in what became known as the Matabeleland massacre.<sup>19</sup> However, despite the severity of the violence, international reactions at the time were muted,

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<sup>16</sup> Early in his presidency, Mugabe was nominated for the Nobel Peace Prize, and as Meldrum noted, "He did not win the award, but his nomination shows how, at that moment, he was the world's darling, the hero who brought peace and reconciliation to the nation that a year ago was one of the world's festering sores." Meldrum, A. op. Cit. p. 35.

<sup>17</sup> Robert Mugabe, "Address to the Nation by the Prime Minister Elect" 4 March 1980 (Salisbury, Zimbabwe: Ministry for Information, Immigration and Tourism), available at <http://adamwelz.wordpress.com/2009/06/04/robert-mugabes-first-speech-in-the-parliament-of-zimbabwe-4-march-1980/>, accessed 24 January 2012.

<sup>18</sup> Bourne, R. Op. Cit., pp 112-113; Copson, op. Cit., p. 5.

<sup>19</sup> See Raftopoulos, B. and Mlambo, A., op. Cit., pp 184-185.

and it was not until the brutal crackdown by ZANU-PF forces after the unexpected failure of Mugabe's attempt to push through a new Constitution in 2000, that his reputation began to be globally tarnished.<sup>20</sup> The violence that has since accompanied political elections, events such as the land seizures crisis, and the inflammatory speeches made by Mugabe himself, have since turned the tide of public opinion, such that US President Obama recently described him as 'a dictator on the wrong side of history',<sup>21</sup> while Zimbabweans who remember the bright early years are scarcely able to understand the state's decline.<sup>22</sup>

Despite the difficulties associated with his premiership and his advancing age (in 2013 he is 89 years old) Mugabe continues to be a major force in Zimbabwean politics, and in December 2011 was endorsed by the ZANU-PF as its Presidential candidate to contest national elections to be held in July 2013.<sup>23</sup> He makes frequent public appearances and plays a prominent role in policy and pragmatic aspects of political and economic life. For businesses seeking to operate in Zimbabwe, finding a way to deal with Mugabe and the ZANU-PF machine is an obligatory part of a successful enterprise; not least for mining companies, who control large amounts of potential revenue that is attractive to those in power.

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<sup>20</sup> Meldrum, A., op. Cit.

<sup>21</sup> See Reuters (2009) 'Obama honors Mugabe foes for defying a 'dictator'' *Reuters* website, <http://www.reuters.com/article/2009/11/24/us-obama-zimbabwe-award-idUSTRE5AN03820091124>, accessed 24 January 2012; and Smith, D. (2010) 'Barack Obama 'heartbroken' over turmoil in Zimbabwe, *The Guardian* website, <http://www.guardian.co.uk/world/2010/aug/04/barack-obama-robert-mugabe-zimbabwe>, accessed 24 January 2012.

<sup>22</sup> Stephen Chan, in his notable collection of annotated conversations with MDC leader Morgan Tsvangirai, describes the now Prime Minister of Zimbabwe expressing his bewildered disappointment in 2004: "The sense of reconciliation, and of even-handedness, seemed a long way away now. Today all the Mugabe speeches seem to be of the 'we shall put you to eternal sleep' variety. Tsvangirai saw me musing and picked up on my thought. 'Where did he go wrong?' he asked. 'You know, I once idolised that man, and when, where did it all go wrong?'" Chan, S. (2005) *Citizen of Zimbabwe: Conversations with Morgan Tsvangirai* (Harare: Weaver Press) p. 91.

<sup>23</sup> See, for example, Majola, G., "Mugabe's endorsement angers Afriforum", *CAJNewsagency*, 13 December 2011, available at <http://www.cajnewsagency.com/index.php/news/50-africa/284-mugabes-endorsement-angers-afriforum>, accessed 24 January 2012.

## One hundred trillion dollar bank notes: Zimbabwe's economic crisis

Arguably, one reason why those in authority are so interested in sources of revenue such as mining is linked to the possibilities for personal gain inherent in a political and economic system where corruption is rife. A more acceptable justification for Government interest in mining and other industrial revenue, however, is the fact that the Zimbabwean economy is desperately fragile, having only recently attained some level of stability after years of record inflation, unemployment and poverty.<sup>24</sup>

In the early years of independence, the Zimbabwean economy prospered, with the new Government making use of sound existing industrial infrastructure, as well as abundant mineral resources and a strong agricultural sector.<sup>25</sup> Trouble began to emerge, however, when foreign demand for minerals decreased in the early 1980s, and drought cut agricultural production. In the 1990s, the situation became still worse, with a combination of deteriorating infrastructure, the chaotic land reform programme, recurrent judicial interference in the economy, and poor Government management on issues such as unrealistic price controls leading to a drop in investor confidence and spiralling inflation.<sup>26</sup> An economic crisis emerged, and reached its apex in 2008, with equivalent daily inflation soaring to 98 percent,<sup>27</sup> and food riots being experienced in many areas.

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<sup>24</sup> See Cutler, D., "Timeline: Zimbabwe's economic crisis" for a concise enumeration of the major points of crisis in Zimbabwe's economic and political deterioration. Reuters, 14 February 2008, available at <http://uk.reuters.com/article/2008/02/14/uk-zimbabwe-inflation-crisis-idUKL1478001320080214>, accessed 24 January 2012.

<sup>25</sup> Copson, R., op. Cit., p. 38.

<sup>26</sup> Ibid.

<sup>27</sup> Hanke, S. H. (2012) 'R.I.P Zimbabwe Dollar', *Zimbabwe*, The Cato Institute, <http://www.cato.org/zimbabwe>, accessed 13 January 2012. There are some discrepancies in reports of the highest levels inflation achieved in this period. For example, the Central Statistical Office put the figure at 230 million percent in July 2008 (Kwidini, T. (2009) 'Dollarisation of economy hitting poor hard', IPS website, January 24, <http://ipsnews.net/news.asp?idnews=45534>, accessed 13 January 2012). These variations may be due to a variety of factors, including lack of reliable data, the speed at

In 2009, the economy was stabilised through the introduction of ‘dollarisation’, a system under which it became legal for the US dollar and the South African rand to be tendered as currency in Zimbabwe.<sup>28</sup> The Zimbabwe dollar has been effectively removed from circulation, although there have recently been some calls to bring it back, now that the economy has attained a level of normal functioning. It is unclear how serious such calls may be, however; many commentators suggest that the underlying political and economic situation is not yet strong enough to warrant such a change,<sup>29</sup> and it is likely the ‘dollarisation’ regime will continue for some time. Given the critical importance of a stable economic and monetary environment for investor confidence and profitable business operation, these matters have been of vital concern to corporations including Rio Tinto, and continue to be high priorities.

### **The Mining Industry in Zimbabwe**

Having outlined some key parameters and issues for understanding the contemporary political, economic and social situation, it is now important to turn in more detail to the mining industry, as the particular sector in which this project’s case study is located. Again, it is helpful to offer a few comments contextualising the industrial situation in which the field work took place; the following notes fill this purpose.

Endowed with rich mineral wealth, Zimbabwe has a long history of mining activity, on both small and large scales. Moreover, it is a history that has frequently crossed over with, and influenced, major political and social events. Gold mining was carried out by

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which inflation rose, and different measurement methods. Suffice to say, however, that by any yardstick inflation in Zimbabwe was at record and unsustainable highs.

<sup>28</sup> Ibid.

<sup>29</sup> See Hawkins, T., “Zimbabwe gets ready for ‘indigenisation’ ” for a cutting critique of Zimbabwe’s economic situation. *Financial Times*, 19 September 2011, available at <http://blogs.ft.com/beyond-brics/2011>, accessed 31 October 2011. Also, see Morgan Tsvangirai’s address to the Zimbabwe Mining Indaba, noting his expectation that the multi-currency regime will remain in place for the foreseeable future. Tsvangirai, M. ‘Address to Zimbabwe Mining Indaba’, op. Cit.

the native Shona people for a thousand years before white settlement, generating the wealth and power that supported development of a series of states around the Great Zimbabwe area, and enabling trade with counterparts as far away as China.<sup>30</sup> More recently, the desire to secure Zimbabwe's mineral resources was a major motivation for early British settlers; Cecil Rhodes' first activities in Southern Africa focused on the booming diamond mines around the Kimberley area, and his motives for obtaining, with some trickery, claims to settle and develop other areas of the land that now constitute Zimbabwe were similarly oriented to gaining mineral wealth.<sup>31</sup>

In the twentieth century, mining contributed around 20 percent of Gross Domestic Product (GDP) to Zimbabwe's economy in the years leading up to the Second World War, although this decreased to only seven to nine percent in the decades before the 1965 Unilateral Declaration of Independence, before increasing again thereafter, albeit with some dips caused by the global economic recession in the 1980s.<sup>32</sup>

Currently, the mining industry in Zimbabwe is a substantial economic contributor. Miners deliver 40 percent of the country's foreign exchange earnings, and provide employment for more than 55,000 people.<sup>33</sup> Despite this, however, mining only constitutes about 4 percent of Zimbabwe's GDP, an imbalance with serious contemporary implications.<sup>34</sup> The major minerals and mineral-related exports are

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<sup>30</sup> Stoneman, C, and Cliffe, L. (1989) *Zimbabwe: Politics, Economics and Society* (London: Pinter Publishers Limited) p. 143.

<sup>31</sup> Bourne, R. Op. Cit., pp 8-12.

<sup>32</sup> Stoneman, C. And Cliffe, L. Op. Cit., pp 143-144.

<sup>33</sup> Government of Zimbabwe, 'Investing in Zimbabwe', Ministry of Finance website, [www.zimtreasury.org/investment-item.cfm?News=78](http://www.zimtreasury.org/investment-item.cfm?News=78), accessed 5 October 2011.

<sup>34</sup> Government of Zimbabwe, 'Mining taxation laws need urgent amendment', Ministry of Mines and Mining Development website, [www.mines.gov.zw](http://www.mines.gov.zw), accessed 12 November 2011.

gold, ferrochrome alloys, asbestos, nickel and platinum, although black granite, graphite, lithium, emeralds and diamonds are also important.<sup>35</sup>

Given its economic importance, it is unsurprising that mining is also of considerable political interest, and a scan of recent press, government and corporate literature identifies several key issues that form the parameters of current debate and argument about the industry and its management. These are the much contested 'Indigenisation' policy and process; Zimbabwe's involvement in the international diamond certification scheme, the '*Kimberley Process*', and the ongoing tensions and sometimes violence that exist where attempts are made to utilise land simultaneously for different and incompatible purposes, namely mining and farming. All three of these key issues are of keen interest to Rio Tinto, and to the other Zimbabwean and foreign mining corporations that control the approximately 1,000 properties classified as operating mines in Zimbabwe; the following comments elucidate each issue briefly in this context.

### **Indigenisation**

The 'Indigenisation process' has become shorthand for the development and implementation of the *Indigenisation and Economic Empowerment Act*, signed in 2008 but only put into practice in 2011. In essence the Act calls for majority ownership of all businesses and corporations operating in Zimbabwe to be vested with Indigenous Zimbabweans. Specifically, the Act dictates that all foreign-owned companies with an annual turn-over of US\$500,000 or more must turn over 51 percent of their shares to Indigenous Zimbabweans within a five year period. As the definition of 'Indigenous Zimbabwean' is someone who has suffered under colonial-

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<sup>35</sup> Government of Zimbabwe, 'Investing in Zimbabwe', op. Cit.; and Stoneman, C. And Cliffe, L., op. Cit., pp 144-146.

era racial discrimination, and their children born after 1980, this effectively restricts Indigenous status to black people.<sup>36</sup> While not limited to mining corporations, the law clearly has major implications for the mining industry, where mines are currently mostly foreign-owned.

The Government's justification for this policy rests on claims that the mineral wealth of Zimbabwe ought to be directed to the benefit of Zimbabweans themselves, and to the improvement of living standards and the repayment of national debt. Explaining the policy to the *Zimbabwean Mining Indaba* in 2009, Prime Minister Morgan Tsvangirai noted that

“...in a nation so fundamentally rich, we must ask ourselves if our nation and our peoples are benefitting fully from the presence of these minerals and, if not, what environment is required that will see optimum benefits to the State, the people and the investors?...My Government is committed to work with the existing sector and new investors, to develop lasting solutions which will allow our mining and minerals to propel the economy to levels well beyond its former glory.”<sup>37</sup>

Countering this positive rhetoric, implementation of the policy in reality is presenting a number of challenges. Firstly, there are grave and well-founded concerns that the prospect of being restricted to minority ownership of mining concerns in Zimbabwe will act as a brake on foreign investment, with potentially catastrophic implications for the recovery of an economy already in such a fragile condition.<sup>38</sup> Secondly, there is evidence that disagreement about how to implement the policy, and within what

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<sup>36</sup> Hawkins, T., “Zimbabwe gets ready for ‘indigenisation’”, *Financial Times*, 19 September 2011, <http://blogs.ft.com/beyond-brics/2011>, accessed 31 October 2011.

<sup>37</sup> Morgan Tsvangirai, Address to Zimbabwe Mining Indaba, 17 September 2009, Harare, [www.zimbabweprimeminister.org/index.php?view=article](http://www.zimbabweprimeminister.org/index.php?view=article), accessed 2 November 2011.

<sup>38</sup> See for example Hawkins, T., op. Cit.; Mutsaka, F., “Zimbabwe Mines Minister: No intention of cancelling licenses”, *Wall Street Journal*, 14 September 2011, <http://online.wsj.com/article/>, accessed 5 October 2011; and Bell, A. “Zimbabwe: Mines Minister moves to reassure foreign mines”, *AllAfrica-All the Time* website, <http://allafrica.com/stories/printable/201109160176.html>, accessed 5 October 2011.

timeframes, has caused rifts between the various factions and parties within the already tense Government of National Unity, with Morgan Tsvangirai's Movement for Democratic Change (MDC) at odds with Robert Mugabe's ZANU-PF.<sup>39</sup> Thirdly, there are concerns that the benefits to be derived from a redirection of mining profits from foreign companies to domestic owners will not accrue to the Zimbabwean people at large, but rather to a privileged few at the top of government and business who are already in possession of substantial fortunes of dubious origin.<sup>40</sup>

The Indigenisation process remains a topic of hot debate and contention, and is a major current concern for Rio Tinto in relation to the Murowa Diamond operation. As such, it forms a key parameter for analysing the project's field materials, as later sections will show.

### **Kimberley Process**

A second issue of concern to Rio Tinto in Zimbabwe is the process of certifying diamonds for legal trade on the international market; namely, the *Kimberley Process* (KP). The KP is an international governmental scheme designed to regulate the global trade in diamonds, and to prevent trade in 'blood diamonds'.<sup>41</sup> In practice, this means that all member governments are required to certify the origin of every shipment of rough diamonds, and to put in place effective internal controls and domestic legislation to prevent conflict stones from entering the supply chain. Member

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<sup>39</sup> Creamer (Pty Ltd) Media Reporter, "Miners initiate 'talks' amid Zimbabwe indigenisation fallout", *Mining Weekly*, 23 August 2011, [www.miningweekly.com/](http://www.miningweekly.com/), accessed 31 October 2011.

<sup>40</sup> See, for example, Mutasa, T. "Marange Diamonds: Mugabe has the last laugh" 16 September 2011, *ZimOnline* news website, [www.zimonline.co.za](http://www.zimonline.co.za), accessed 5 October 2011.

<sup>41</sup> Such diamonds, also referred to as 'conflict diamonds', are rough stones that are used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments Kimberley Process Certification Scheme, Section 1, "Definitions", 0004\_KPCS\_Document\_en.pdf, [www.kimberleyprocess.com](http://www.kimberleyprocess.com), p. 3.

countries may only trade diamonds with other member countries, to incentivise participation and strengthen the efficacy of the scheme.<sup>42</sup>

The KP emerged as a result of pressure from non-government organisations (NGOs) and in particular the group *Global Witness*, which had launched a campaign to expose the role of diamonds in funding conflict, as part of broader research into the link between natural resources and conflict.<sup>43</sup>

Launched in 2003 after endorsement by both the United Nations General Assembly and the United Nations Security Council, the KP has achieved successes, including helping some countries worst hit by diamond-fuelled wars to increase their revenues from sale of clean stones. However, it has also recorded a number of failures, including in relation to Zimbabwe. Despite the fact that Zimbabwe is a member of the KP, reports have continued of serious violence and human rights abuses at some Zimbabwean fields, and specifically at the two large fields of Chiadzwa and Marange.

*“Whenever an official from the Kimberley Process visits the diamond fields there is an upsurge in violence, whereby the soldiers victimise ordinary citizens who they accuse of illegal panning... Women have been gang-raped by soldiers and police and these substantiated allegations are very unacceptable and show that Zimbabwe is not complying with the minimum standards of the Kimberley Process.”<sup>44</sup>*

Together with reports of violence, and extensive illegal smuggling of stones from Chiadzwa and Marange out of Zimbabwe, there are also suggestions that the Minister for Mines and Mining Development, ZANU-PF’s Obert Mpofu, is abusing his control of

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<sup>42</sup> Global Witness, “The Kimberley Process”, *Global Witness* website, [www.globalwitness.org](http://www.globalwitness.org), accessed 25 November 2011.

<sup>43</sup> Global Witness, *ibid.*

<sup>44</sup> Human rights campaigner Farai Maguwu, quote in Melik, J. “Diamonds: Does the Kimberley Process Work?” *BBC Business News*, [www.bbc.co.uk/news/10307046?print=true](http://www.bbc.co.uk/news/10307046?print=true), accessed 31 October 2011.

mining licenses to profit both himself and the ZANU-PF.<sup>45</sup> The inability of the Kimberley Process scheme to deal effectively with these problems has contributed to the entire system being called into question.<sup>46</sup>

For Rio Tinto, the implications of KP failures in Zimbabwe are environmental rather than direct. All Rio Tinto diamonds globally are produced and traded in adherence with the KP, including those from the Murowa mine. However, the environment of violence, illegality and corruption which is reflected in specific KP failures also presents challenges to Rio Tinto in remaining competitive with other Zimbabwean mines, with negotiating the complex government and regulatory environment, and with ensuring reputational integrity is not damaged by the production of diamonds in Zimbabwe, where other mines are known to flaunt the KP system.

### **Mining/Farming Interface**

A third issue that is of concern to Rio Tinto in its Zimbabwean mining operations concerns the interface between multiple users of the same area of land. This is mainly relevant with reference to agriculture, where farmers may seek to work land on which miners also wish to prospect or dig, and can involve disputes about ownership of rights to work and live on the land in certain ways and in certain areas.

It appears that there are three main causes for problems of this type. First, consequences of the chaotic and contested implementation of the land reform policy continue to manifest in overcrowding and unregulated settlement of some areas, where numerous families may attempt to subsist without formal entitlement on land that is also attractive for mineral prospecting. Second, there is evidence of

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<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

considerable illegal prospecting and mining, so that sometimes disputes arise between farmers and miners where official intervention is not possible or encouraged because of the clandestine nature of the activity. Third, there is imperfect technical knowledge of the real distribution and value of Zimbabwe's mineral deposits; comprehensive geological surveys have not been kept up to date by the Government, and consequently it may be difficult to make informed licensing decisions where prospective miners make claims about the potential mineral value of a piece of land.<sup>47</sup>

Attempts have been made to deal with such problems in legislation. The Mines and Minerals Act contains specific provisions for managing the interface between farmers and miners, with provisions covering various aspects of the mining process from advising a farmer of an intention to prospect, to the distances which must be maintained between any prospecting or mining activity and existing farming activity. For example, the Act stipulates that a prospecting license holder must advise a farmer of intent to prospect on his/her farm, noting that

“It is probably better that the miner delivers the letter in person so that he/she can introduce oneself to the farmer and establish good relations with him. Good farmer/miner relations cannot be overemphasized. Once the prospective miner has delivered or posted the notification, the miner is entitled to prospect on the property for a period of 120 days.”<sup>48</sup>

Even for Rio Tinto, whose license to prospect and mine in the Murowa mine lease area is assured, dealing with local farmers and local communities is a vital issue, as

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<sup>47</sup> This lack of surveying information is acknowledged by the Chamber of Mines Zimbabwe, although it has been optimistically presented as denoting “...vast opportunities for new mining ventures.” Business Reporter, “Zimbabwe's Minerals Underexplored: Expert” *Herald Business*, 6 December 2011, p. B3.

<sup>48</sup> Government of Zimbabwe, *Mines and Minerals Act*, “Notice of intention to prospect (Section 38)” p. 3, available at [www.mines.gov.zw](http://www.mines.gov.zw), accessed 11 November 2011.

tensions over shared use of land and shared use of common resources such as water can present major production and management problems. It is therefore not surprising that considerable effort is devoted to the fostering and management of positive relations with local communities, as the field research described below demonstrates.

### **Rio Tinto in Zimbabwe**

Rio Tinto's involvement in Zimbabwe stretches back to 1956, when mining operations there were incorporated as Rio Tinto Southern Rhodesia. Originally concerned with nickel extraction, it was the first mine established by Rio Tinto plc outside Europe. Acquisitions and expansions through the 1960s, 70s and 80s led to diversification of the mine portfolio to include gold, coal and emeralds as well as nickel.<sup>49</sup>

In 1992 a joint exploration venture between Rio Tinto Zimbabwe (the successor to Rio Tinto Southern Rhodesia) and Rio Tinto plc discovered three diamond kimberlite pipelines near the southern town of Zvishavane, and a small operation, the Murowa diamond mine, opened there in 2004. With consideration of the political and economic uncertainties then developing in Zimbabwe, Rio Tinto plc elected to divest itself of most of its assets in the country, restructuring its shareholdings in Murowa to maintain a 78 percent interest, and allowing Rio Tinto Zimbabwe (owning the remaining 22 percent of shares in Murowa, and majorities in the other mines) to

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<sup>49</sup> RioZim Ltd, "Company Profile" on *RioZim* website, <http://www.riozim.co.zw/downloads/CompanyProfile.pdf>, accessed 18 January 2012.

become an independent Zimbabwean controlled company, listed on the Zimbabwean Stock Exchange as RioZim Limited.<sup>50</sup>

As a result, the Murowa diamond mine remains a majority owned Rio Tinto business, but with 22 percent of its shares owned 'locally' by Zimbabweans; an important point with regard to the Indigenisation process mentioned above.

The mine is situated in an arid, remote region, 60 kilometres from the nearest town (Zvishavane). The area around the mine is relatively underdeveloped, and includes a number of small communities living traditional subsistence lifestyles.<sup>51</sup> Together with the mines at Diavik in Canada, and Argyle in Australia, it constitutes one of Rio Tinto's three diamond extraction sites, with stones taken (currently in excess of one million carats) from the site being sorted and sold onto the international market through the Rio Tinto diamond facility in Antwerp.<sup>52</sup>

### **Field Work Activities**

As in the Australian experience, the objective of the field work was to obtain primary information about Rio Tinto's sustainability activities in Zimbabwe, through interviews, site observations, and collection and analysis of documentation including corporate documents from Rio Tinto, government documents, and documents generated in the media or by other relevant and expert commentators. The information will be used to form a comparative analysis when viewed alongside the information gathered during the Australian field work, recorded and examined in the

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<sup>50</sup> Rio Tinto (2004) "Rio Tinto Zimbabwe Limited, *Media Release*, 14 May, available on the Rio Tinto website at [http://www.riotinto.com/media/18435\\_media\\_releases\\_3395.asp](http://www.riotinto.com/media/18435_media_releases_3395.asp), accessed 18 January 2012.

<sup>51</sup> Rio Tinto, *More than Diamonds: Sustainability Report 2007*, op. Cit., pp. 1-3.

<sup>52</sup> Rio Tinto, *Diamonds, Gold and Silver: Sustainable products mined with care*, available on the Rio Tinto website, [www.riotinto.com](http://www.riotinto.com), accessed 27 October 2011.

previous chapter. The importance of obtaining this comparative material is vital, as it is only through such a dual-analysis that the empirical element of the research question (how MNCs with a single global sustainability policy apply that in multiple and diverse contexts) can be answered.

Research activities in Zimbabwe were conducted over a two week period, between 12<sup>th</sup> and 21<sup>st</sup> December 2011. The locations visited included the capital city Harare; the Murowa diamond mine in the south of the country and surrounding areas; and the Mavuradonha wilderness (and mining) area in the north of the country. Transport between the locations was by road, enabling observation not only of urban and regional situations, but also of large stretches of rural and remote land on which much mining and other productive activity occurs.

As in Australia, the field experience in Zimbabwe provided an opportunity not only to gather specific information, but to develop through observation and casual interaction a broader sense of the country context in which Rio Tinto undertakes its business. Once again, there were indications that there are important norms and principles underlying social and political engagement, and which would influence expectations about good and bad corporate behaviour.

In line with the literature noted above, the field experience highlighted deep racial divisions, and an apparently correlating tendency towards violence. From the outset I was warned that, as a white woman, I ought not to go out alone on foot, except within a very limited area of downtown Harare; and even there only with care and in the middle of the day. On the one occasion when I did venture to this area, I was one of only two or three white people about; none of the others being women. That I was

not particularly welcome was evident in the open and hostile stares that accompanied me everywhere, and most obviously in a verbal attack delivered at close range from an older black woman in traditional dress. (Not being fluent in her language I unfortunately failed to understand the content of her diatribe; but the fact that it was a diatribe, and against me or my presence, seemed clear from her tone, expression and violent gesturing).

Another impression related directly to the mining industry, and its role in civic life. In contrast to the open and civically-engaged approach apparent in Australia, in Zimbabwe there was a strong sense that mining is a lucrative, secretive, and elitist activity, controlled by and benefiting a select few. This was evident both somewhat covertly in nightly conversations with expatriates and Zimbabwean business people over dinner, with *sotto voce* allusions to 'the big guys at the mines' who are 'close with the guys in the Government'; and more overtly in discussion with Rio Tinto mine workers, and observations of poor villagers standing nervously on the edge of the motorways attempting to sell illegally-panned minerals on the black market.

What these experiences and impressions suggest is that, as in the comparison case, there are *normative values* in Zimbabwean society involving ideas about social equality, economic benefit and justice, and corporate transparency; and that these could be anticipated to influence expectations in this society about what is appropriate and legitimate behaviour for mining companies such as Rio Tinto.

Studying these in Zimbabwe as well as Australia contributes another layer to understanding, in line with the project aim, of how norms move and develop within and across contexts and systems.

A full record of the field activities, and the information collected, is included at Appendix B.

### **Method for analysing field materials**

Again mirroring the Australian experience, a variety of different qualitative research methods were possible, including surveying, interviewing, focus groups, participant observation and working with existing texts. Given the centrality of the comparative aspect, however, it was appropriate to keep data collection and analysis methods as close to identical in the two case study locations as possible. Consequently, the field activities focused on interviews, site observations, and collecting and analysing existing texts.

The method for analysing the materials collected in Zimbabwe also mirrored that used for the Australian materials. That is, a broadly hermeneutic method<sup>53</sup> was used, whereby documents are first categorised by type, then individually analysed to identify common or important emerging themes, and finally analysed in concert as a single body, to see what insights and themes emerge across the body of evidence. Full details are provided at Appendix A.

The following comments now detail the outcomes of this analytic process.

### **How does Rio Tinto 'do' sustainability in Zimbabwe?**

The findings of this analysis suggested interesting points both of similarity and of difference compared with the findings from Australia. As before, several key themes were identified, recurring across different types of documents. Those according with evidence from Australia were an emphasis on partnerships; a focus on 'bottom-up'

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<sup>53</sup> For details, refer to the discussion on analytic method in Chapter four and Appendix A.

implementation and local ownership of projects; and an emphasis on measurement and reporting. Those not according were an explicit and wide-ranging emphasis on government involvement and liaison; a much stronger ‘top-down’ action, in which imperatives and ideas passed down from the company to local people and communities; and a more explicit referencing of international standards. Each of these points are briefly discussed below, before the final sections of this chapter consider both sets of field work findings together, identifying in a preliminary way the conclusions and implications for the project, which can then be cross-validated and examined in depth in the final two chapters.

### **A Focus on Partnerships**

Just as partnerships and collaborative work arrangements proved a major theme in Rio Tinto’s Australian work, so too did this appear in the Zimbabwean context. Corporate publications are replete with references to the importance of ‘partnership’ and ‘working together’, with numerous specific examples being mentioned. For instance, the 2009 edition of the sustainable development report explains how an infrastructure upgrade at Murowa primary school was “...sponsored by Murowa Diamonds in partnership with the Murowa community and...Lutheran Development Services.”<sup>54</sup> Similarly, the September 2010 edition of *Murowa Diamond Bulletin* notes how mine administrators decided to extend community work to Davira, on the other side of the nearby Runde River. This work, focusing on education and small and medium enterprise development, was done by “..working with the Ministries of Education, Sports Development and Health on a community basis.”<sup>55</sup>

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<sup>54</sup> Rio Tinto (2009) *Murowa: More than Diamonds* (Harare: Rio Tinto) p. 24.

<sup>55</sup> Rio Tinto (2012) *Murowa Diamond Bulletin*, September (Harare: Rio Tinto) p. 13.

Further, interviews at Murowa, and the site visit to the communities, also highlighted the importance of partnership, with one of the main project sites visited (classroom blocks being built for a local school) being run on a partnership basis with international assistance agency *World Vision*. Under this partnership, which is formalised by a Memorandum of Understanding between Murowa and World Vision, Murowa has agreed to build two classroom blocks, one of which is complete while the other was approximately half finished at the time of the visit.<sup>56</sup> World Vision has agreed to provide three similar classroom blocks, which were already complete at the time of the visit, although some interesting and potentially important differences in construction method were noted. Namely, the roofs of the World Vision blocks are constructed using asbestos, which has been associated with the lung disease asbestosis, and which Rio Tinto therefore does not use in its own building projects.

It is likely that the reasons for this emphasis on partnerships are similar to the reasons for the same finding in the Australian context. Namely, it represents realisation of the Rio Tinto global corporate sustainability policy, explained in *The Way We Work*. This document, and the policies and standards set out within it, are intended to be applied consistently across all Rio Tinto operations worldwide. Therefore, so far as this appears to be the case in both Australia and Zimbabwe, there is evidence that the policy is working as intended, and moreover, is working because the principles set out in *The Way We Work* are sufficiently high-level to be able to be interpreted and applied in diverse local circumstances.

As in Australia, however, there are probably also other reasons for the emphasis on partnerships, such as the need for external expertise, the need to follow relevant

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<sup>56</sup> Photographs of the classroom blocks, both finished and under construction, are provided at the Appendix, to better illustrate the nature of the project and its implementation.

legislative frameworks, or the chance to share responsibility for project outcomes with other partners (see previous chapter).

### A 'Bottom-Up' Approach

Just as the focus on partnerships in Rio Tinto's Zimbabwean sustainability work resonates with the Australian example, the field work also showed an emphasis in both locations on a 'bottom-up' approach, and attention to local ownership and community responsibility for projects. As noted previously, a 'bottom-up' approach refers to the idea of sustainability activities taking their main impetus and direction from situations and occurrences extant in and specific to local communities and locations, and these then being translated into formal programmes that are approved and implemented by higher levels in the Rio Tinto organisational hierarchy.

In Zimbabwe, this manifested particularly clearly during a site visit in the Masvingo area, to participate in a meeting with members of the Chivi ward 14 community. Here, the local representative committee met with the Murowa Community Advisor (Mr Daniel Mudondo) to discuss project progress, priorities and future plans. The committee had previously identified and agreed the need for electrification of the community; Murowa had then considered this project suggestion and, agreeing that it fits within the corporate community sustainability framework, agreed to help support it. In this sense, the village electrification project clearly demonstrated a 'bottom-up' approach, with priority management and decision-making being guided by the situation 'on the ground', and by the villagers' own ideas about what projects would be helpful.

Interviews with Murowa staff also made frequent reference to the importance of a 'bottom-up' approach, and to starting with community ideas and preferences. Mr

Mudondo stated that in community consultations, Murowa officers always allow the community to express their needs and wants *first*, with the mine staff then responding. It was regarded as very important never to prejudice the community's expression by stating a Murowa position first.

Further, corporate documents include many references to the importance of local ownership, which sits well along-side a 'bottom-up' project implementation approach, and to ensuring the community has a stake in the sustainability work. For example, the 2009 sustainable development report states that

"Overall, the success of the implementation of Murowa's 2009 programmes lay in the strength of the partnership model and the community's ongoing vested interest in the continued success of the business."<sup>57</sup>

### **Measurement and Reporting**

The third major theme to emerge from the field work in Zimbabwe, which also accords with findings from Australia, is an emphasis on measurement and reporting. This matter was most evident in the corporate documentation, and in observation of activity at the mine site.

For example, the 2009 sustainability report is in essence a published collection, categorised and in some cases summarised, of performance data from all aspects of the Murowa operation.<sup>58</sup> This includes statistical information on such matters as the number of lost time injuries over given periods; total staff numbers; numbers of staff attending certain types of training; mine production figures cited as number of carats; hours worked over a given period; use of resources such as water; and greenhouse

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<sup>57</sup> Rio Tinto (2009) *Murowa: More than Diamonds*, op. Cit., p. 17.

<sup>58</sup> Rio Tinto (2009) *ibid.*

emissions. Other documents such as the Murowa Diamond Bulletins also provide detailed reports of various performance measures that have been collected during the relevant time period.<sup>59</sup> These include, for example, reports on the percentage of the workforce that is drawn from the local communities, and details of the number of health and safety incidents occurring, and the actions that were taken as a result.

The focus on reporting and measurement was very much in evidence during the visit to the mine site. It was observed that many walls, both external and internal, in the administration area are used as reporting notice boards, where the latest statistics on various operational matters are updated regularly, usually on a daily basis. These measures are then visible to all staff working in or moving through that area, and serve as a constant reminder to pay attention to the matters noted. Further, every day at 7am (the time at which the 12-hour day shift begins) there is a safety meeting attended by administration staff, as well as the Managing Director and section advisors and some mining workers, to report on the previous day's activities and identify priorities for the new day. Reports of health and safety and other operational matters are made verbally, discussed if necessary, and then recorded on the notice boards. This may include issues as diverse as injuries, paper and printer cartridge use, visitor numbers, and whether or not there is blasting occurring on the site that day.

As in Australia, some of the information collected via these processes, and reported in the Murowa documentation, is also passed onwards to higher levels of the Rio Tinto administrative hierarchy, where it becomes part of the global Annual Report, or is fed into company reports for international initiatives such as the *UN Global Compact*.

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<sup>59</sup> Rio Tinto (2010) *Murowa Diamond Bulletin*, op. Cit.

## Government Involvement and Liaison

Having noted the elements of findings from Murowa that accord with results of the Australian field work (namely, the foci on partnerships, a 'bottom-up' approach, and measurement and reporting), it is now interesting to turn to those findings from Zimbabwe that do not appear to match the Australian research. It is in this dissonance that the comparative method proves its greatest value; establishing sets of both opposing and concurring evidence items allows subsequent analysis of the two types together, to find out the causes for the similarities and divergences, and ultimately what this means about the core research question.

The first theme evident in the Zimbabwe field work that did *not* accord with experience in Australia was a strong and explicit attention to Government involvement and liaison. The previous chapter noted how judgements about the level of importance attached to Government and public sector stakeholders can be made according to the frequency and detail of references in printed information, as well as to the deliberate comments of interviewees. Using the same judgement method here, it is evident that much more attention is given to government and public sector stakeholders in Zimbabwe than in Australia.

For instance, the sustainable development report 2009 includes numerous references to activities jointly undertaken with the assistance of Government agencies and departments, such as the construction of a cattle dip facility for which the Department of Veterinary Services provided the services of a full-time technician.<sup>60</sup> Even more pertinently, references to Government involvement appear prominently in the staff-oriented Murowa Diamond Bulletins; for instance showcasing, with a large

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<sup>60</sup> Rio Tinto (2009) *Murowa: More than Diamonds*, op. Cit., p. 20.

photograph, a visit by senior Government officials and Ministers to the mine site; or reporting on the presentation of classroom blocks to the relevant area's Member of Parliament.<sup>61</sup> Of special interest in these references are the positive, but also highly political, overtones. For example, the report of the classroom block presentation notes that

*"At the ceremony the minister told Paul to tell Rio Tinto shareholders that their work is extremely wonderful. 'Please feel free in our area. We shall continue to accommodate Rio Tinto because of the wonderful work you have done,' the minister said, adding that he would speak to Minister Saviour Kasukwere about ensuring the company receives indigenisation credits for all its community support."*<sup>62</sup>

In interviews too, there was evidence of the high importance attached to Government involvement and support. Murowa Chief Operating Officer Mr Adriaan Olivier noted that both Indigenisation Minister Saviour Kasukwere and Vice-President Joice Mujuru have recently visited the mine site, and that there is periodically direct contact with the President (Mugabe) himself. Mr Olivier noted that "The President has positive associations with Murowa as he remembers its legacy over 56 years." At the commencement of the Chivi ward 14 community meeting, Community Relations Adviser Daniel Mudondo apologised for his absence from the previous meeting, noting the reason being that he needed to attend an event involving the President, in aid of supporting the community projects.

Notably, this focus on Government involvement was also demonstrated among mining corporations other than Rio Tinto, in almost sycophantic fashion, in some of

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<sup>61</sup> Rio Tinto (2010) *Murowa Diamond Bulletin*, op. Cit. p. 3, 13.

<sup>62</sup> Ibid. Note that it is likely the first line includes a mis-print, and that the name referenced ought probably to be (Rio Tinto Diamonds managing director) Bruce Cox. The minister is himself Paul Mangwana, and it is not sensible that he would instruct himself (Paul) to address Rio Tinto shareholders.

the press articles collected from newspapers during the field work. Most notably, the visit coincided with the awarding, at a formal ceremony, of an honorary doctorate to Mines and Mining Development Minister Obert Mpofu. Conferred by the Zimbabwe Open University, Minister Mpofu was honoured for his work in 'Policy Studies'.

Following the award, *The Sunday Mail* published a full-colour, 14-page congratulatory supplement, most of which was comprised of full, half- or quarter-page celebratory statements from various mining and other corporations operating in Zimbabwe. For instance, Mbada Diamonds took the whole of page three, including a large photograph of the Minister in doctoral robes, and noting that "Mbada Diamonds Board, Management and Staff would like to congratulate Mines and Mining Development Minister Dr Obert Mpofu who was conferred with a Doctorate in Policy Studies". Similar, though slightly more modest, presentations were made by Makomo Resources, the Diamond Mining Corporation (DMC), Rubicon Drilling, Limpopo Mineral Resources Ltd, and a host of other non-mining corporations.<sup>63</sup> Regardless of the precise motives for posting such statements, it is clear that explicit and close relations with government are important for many mining corporations.<sup>64</sup>

The contrast with the situation in Australia, where government interaction was conspicuous by its absence from the research findings, can likely be explained with reference to the fundamentally different nature of the Governmental and socio-political situation in Zimbabwe. Specifically, as described in the contextual sections above, there is a much greater level of political instability and uncertainty about both the future of the Government itself and about its legislative and regulatory decisions; particularly, for example, in relation to the Indigenisation process. It is therefore very

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<sup>63</sup> The Sunday Mail, "Dr Obert Mpofu Congratulatory Supplement", 11-17 December 2011, pp E1-12.

<sup>64</sup> Murowa did not contribute a statement to the congratulatory supplement.

important for Murowa (and others) to engage closely with those in power, to optimise opportunities for understanding and influencing decisions that would affect the business. Further, the potential consequences for Murowa and those who work there of persistent or increasing government and regulatory volatility may be severe, involving substantial operating costs for the mine, or in the worst case, violence, harassment, intimidation and even loss of life for mine workers should the political situation become fraught. Explicit, positive and close relations with Government stakeholders are therefore vital both for optimising the existing operating environment, and for managing the potentially serious risks of a deterioration in the political situation.

#### **A 'top-down' approach**

A second theme emerging from the Zimbabwe field work that appears to be at odds with findings from Australia is a much stronger focus on a 'top-down' approach, in which information and ideas pass down from the higher levels of the company hierarchy to lower levels and local communities, and affect actions and perspectives at those lower levels. This is in direct contrast to the 'bottom-up' approach that was so much in evidence in Australia, and also in other aspects of the Murowa operations (mentioned above).

This 'top-down' emphasis was clearly observable at the Chivi ward 14 community meeting, attended during the mine site visit. Here, Mr Daniel Mudondo from Murowa spent considerable time instructing the community committee members in both value-oriented and practical life-style matters, as far as these could apply in any way to involvement with Murowa. The importance of adopting and adhering to the four Rio Tinto 'core values' of respect, team work, accountability and integrity in all

actions related to mine or sustainability projects were thoroughly drilled. Further, practical instructions on living practices, such as not using mobile telephones during thunder storms, and ensuring young people proposed for employment at the mine are adequately educated and are not using drugs or drinking alcohol, were also drilled.

A more subtle indicator of the 'top-down' approach was found in the emphasis on employee-directed sustainability activities. There was evidence both in documents and interviews of a concentrated effort to instil certain work and lifestyle practices in both mine and administrative employees at the site. For instance, a major recent initiative (driven by certain individual employees and supported by the management) has been the *Know, Inform, Influence and Change* ('KIIC') programme, designed to help staff avoid infection with, and learn to manage, the HIV/AIDS virus. This involved staff undergoing testing and counselling, as well as provision of flyers and talks about the importance of knowing one's HIV status. Further, it was noted in interviews that condoms are made available in the staff washrooms, to facilitate safe sex practices.

In these cases, therefore, it is possible to see evidence of a 'top-down' approach, in which ideas and practices are channelled downwards from higher levels of the company to lower levels, and to communities. As noted above, this happens in conjunction with other actions more aligned with a 'bottom-up' policy implementation approach; considering what this complexity may indicate about the project's central interest in the process of norm and value diffusion through communities and systems will be taken up in more detail below and in the next chapters.

## International Situations and Standards

Finally, the third theme to emerge in findings from Zimbabwe that presents in opposition to findings from Australia is a stronger and more explicit focus on international standards and situations. Relevant international measures and initiatives such as the International Standards Organization (ISO) 14000 environmental standards are mentioned in corporate documents, not only in terms of performance measurement,<sup>65</sup> but as a meaningful part of daily operations at the mine site. A profile of environmental officers' work at the site, for example, notes that quarterly internal audits of environmental practices have become standard tasks since achieving ISO 14001 certification.<sup>66</sup>

Most prominently, frequent reference was made across all document types of issues associated with the *Kimberley Process Certification Scheme*. Murowa's adherence to the KP standards and practices is noted in the staff bulletins,<sup>67</sup> while Chief Operating Officer Mr Adriaan Olivier mentioned in interview that Murowa has had consistently good KP reviews, and has even given some assistance and demonstrations to other miners in Zimbabwe, as a method of showing what is possible on this front. The press articles gathered also made frequent mention of the KP, but from a very different perspective. For example, News Day reported on the departure of *Global Witness* from the Kimberley Process, with the group citing its frustration with the KP's "...failure to stop diamonds fuelling corruption and violence in the country."<sup>68</sup>

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<sup>65</sup> See, for example, the 2009 Sustainable Development Report, op. Cit., pp 28-30.

<sup>66</sup> Rio Tinto (2010) *Murowa Diamond Bulletin*, op. Cit., p. 8.

<sup>67</sup> Rio Tinto (2010), *ibid.*, p. 1.

<sup>68</sup> News Day, Chief Business Reporter, "Global Witness leaves KP over Marange Diamonds", Tuesday 6 December 2011, p. 13.

There are two main explanations that appear likely for this greater focus. In relation to the Kimberley Process, sensitivities may arise in the international diamond markets concerning Zimbabwean stones as a result of other mines failing under the KP, and yet being able to trade. Although Murowa diamonds are certified, and are sold through the Rio Tinto facility, it is none the less possible that marketability may be compromised unless Murowa and Rio Tinto take care to emphasise and publicise the 'clean' status of Murowa's stones. More generally, it is possible that, despite belligerent rhetoric about the Zimbabwe Government's capacity to 'go it alone' on matters attracting criticism under international standards,<sup>69</sup> those in power are in reality anxious to appear to subscribe to global conventions. Given the precarious position of authority in which the current Government appears to be, it is reasonable to suggest that a perception of greater legitimacy, by virtue of international acceptance, could be rather attractive, and encourage support for corporations such as Murowa which do 'toe the line'.

### **In Summary**

Having outlined both those themes emerging from the Zimbabwean research that accord with findings from Australia, and those that do not, it has become apparent that there are several themes that are common to both contexts, while there are others that appear only in one or the other. The common themes were a focus on partnerships, a 'bottom-up' approach to policy development and project implementation; and a focus on measurement and reporting. The other theme

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<sup>69</sup> Following a United States decision to impose sanctions of two of Zimbabwe's diamond operations (Mbada Diamonds and Marange Resources) over claims of human rights abuses at the mines, ZANU-PF Secretary for Information and Publicity Rugare Gumbo claimed that "It is unfortunate. It is tragic and regrettable for the United States to behave that way...But we will continue to fight back as we have fought back before. Our indigenisation programme would not stop and we will continue to give our people the mining claims and do partnerships with those who want to work with us." Zharare, H. "Diamond mining firms unfazed by US sanctions list", *The Herald*, 16 December 2011, p. 2.

appearing in Australia that was not strongly evident in Zimbabwe was a focus on leadership; while the themes that were evident in Zimbabwe but not Australia were a focus on government involvement, and international standards and situations.

Taken as a body, these findings constitute the main substance of the comparative examination around which this project revolves. The following notes provide initial suggestions on what this comparative examination, dealing with one corporation (Rio Tinto) in two countries (Australia and Zimbabwe) appears to show. These suggestions will then be considered more deeply in the next chapter, and in the last chapter which provides a cross-validation of the findings against other corporations and country contexts, in an attempt to discover whether these findings are more generally applicable outside the case study situation. This then leads the way to the dissertation's concluding comments.

### **Field Work Findings: Preliminary Analysis**

So far, the findings from Zimbabwe and from Australia appear, when taken together, to point to several key ideas that help answer the empirical question of how a multinational corporation with a single global sustainability policy can make that sensible in diverse local contexts. First, the global policy will tend to be high-level, stating broad principles and value positions, rather than dictating *how* these should be applied locally. Second, the local applications will tend to take their cue as closely as possible from situations 'on the ground', obtaining local stakeholder ownership and buy-in through allowing communities (subject to the power of the corporation) to voice preferences and needs without prior prejudice from the company. Third, the connection between these two levels appears most clearly in formal measurements

and reporting systems; the connection does not need to be so explicit in daily practices.

From this also flow implications for the theoretical question at the heart of the dissertation; namely, what can this illuminate about the movement and diffusion of norms through the international system? The main point appearing to arise is that the popular models of norm diffusion, whereby ideas and values filter 'down' from a high-level global authority or 'norm entrepreneur' are simplistic and inadequate to explain the more nuanced and multi-directional flow of ideas in a globalised reality. Rather, a model that allows for cyclical movement, both from top to bottom, and from bottom to top, and horizontally across actors at a similar hierarchical level but in different contexts and locations, may be much more accurate and analytically useful. Of particular value are considerations, within a more cyclical understanding of norm diffusion, of the various factors and circumstances that may influence the direction of movement at any time.

The following chapters will take up these preliminary ideas in more detail, considering them first with greater attention to academic discourse on matters of globalisation and the diffusion of international norms, and second in relation to other firms and other contexts, in an attempt to discover some indications of how far the findings may be more generalisable. Together, these last two chapters deliver an ultimate answer to the project's core research question.

## Chapter 6: Analysis – Corporate Actions and International Norms

*“The twin weaknesses of the norm diffusion literature: omitting the origin of norms and then conflating different actors within the norm diffusion process, form the basis of establishing a more thorough account of how norms emerge...”*

*Susan Park, 2005, p. 117*

Social scientific research, as has been made clear in various texts on research method and design,<sup>1</sup> is a highly interactive process, in which ideas, theories, hypotheses, observations, and investigations are systematically viewed against each other, always with the objective of deriving greater and novel insights. This project is no different, and having reached these latter stages of the exploration, it is possible to see that a pattern of analytic interaction has emerged. The first chapters set out broad ideas and high level theories about how certain norms and certain (business) actors operate within the global system. The middle chapters took their cue from these ideas to ground detailed field level observations and investigations. Finally, it is now time to ‘close the circle’ by stepping back again and considering the detailed field findings against the global ideas and theories. In this way, an answer to the project’s ultimate research question can be systematically achieved. This chapter undertakes that third investigative task.

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<sup>1</sup> See Appendix A.

The emphasis here on answering the research question means it is logical to structure the chapter in a way that reflects this. As has been noted, both a theoretical and an empirical element are involved in the question of what the operation of CSR within multinational mining firms can disclose about the movement of norms through the international system. First, there is the empirical question about how MNCs (viewed through the Rio Tinto case study) 'do' CSR across diverse international contexts. This then helps answer the theoretical question about the movement of norms internationally.

The chapter is arranged to mirror this two-stage process. The first sections consider the empirical field work findings with reference to relevant literature and argument mentioned in the earlier chapters, covering issues such as how corporations decide on the establishment, content and implementation of CSR policies, and what role various stakeholders and financial concerns may have. The next sections then consider the findings with reference to the arguments and ideas mentioned earlier about how norms move through the international system, the direction of movement and the role of relevant actors. Finally, the concluding sections look over the case study in its entirety, to see how the findings link into essential ideas and theories about contemporary international relations and the nature of the global system. This prepares the way for the final comparative validation project components in the last chapter.

### **Corporate Actions: How does Rio Tinto 'do' sustainability in global context?**

Chapter two explained that, while the existence of CSR in multinational corporations is undisputed, too little is known about how and why it operates. In particular,

confusions and questions are raised by the anarchic nature of the international system, in which no one authority dictates what CSR ought to involve; and by the lack of convincing evidence of a financial benefit to firms undertaking CSR compared with those which do not.

Recognising these problems, however, there is at least a persuasive body of literature arguing that CSR is at heart an exercise in legitimacy, and of corporations gaining social license to operate in different national contexts by meeting behavioural expectations of external stakeholders. This argument in itself then raises further questions, however, of which stakeholders matter, why and when. Work on stakeholder theory has attempted to address these questions, but much remains to be discovered; and this is one place where the present case study can make a contribution.

### **Stakeholders**

Following the suggestions of Freeman,<sup>2</sup> the Rio Tinto case study confirms empirically that stakeholders are indeed vital to the CSR phenomenon, and that a central goal of sustainability activity is to obtain social license and legitimacy in the eyes of various stakeholders. Reference was made many times, across different documents and throughout different interviews and conversations during the two field work episodes, to support this proposition. For example, Rio Tinto officers in Australia described how the construction of a 'stakeholder map' is a vital early step in the establishment of new mining activities in any community, and ensuring robust

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<sup>2</sup> Freeman, E. R. (1984) *Strategic Management: A Stakeholder Approach* (London: Pitman) p. 46.

relationships with community stakeholders is a priority throughout.<sup>3</sup> In Zimbabwe, the field visit to Chivi ward 14 community, and observation of the community consultation process undertaken between Rio Tinto Murowa and the local community leaders supplied a pertinent example of the stakeholder priority in action. The emphasis given across all facets of Rio Tinto's sustainability activity to reporting and public sharing of information about its work further underpins the clear attention accorded to stakeholders as a driver of the CSR phenomenon.

Further, in terms of *how* such multinational corporations may devise and implement sustainability activities in diverse contexts, the case study findings indicate (as mentioned at the end of the previous chapter) that firms develop a broad, principle-based global policy, which is then applied with flexibility in local contexts, taking cues for appropriate implementation from local stakeholders. While this finding in itself provides a new insight into the international CSR phenomenon, it does not resolve the important problem, noted by Freeman et al, of understanding how firms make decisions about which of the many stakeholders involved in any mining operation are important, and whose expectations should therefore be addressed as a high priority in sustainability activity.<sup>4</sup>

Chapter two noted recent attempts to address this problem by developing stakeholder theory to allow classification of certain groups of stakeholders into different 'tiers', according to their importance to the ongoing commercial viability of

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<sup>3</sup> Discussed in interview with (Rio Tinto Principal Advisers, Sustainability) Kristina Ringwood (26 May 2011, Melbourne), Simon Nish (27 May 2011, Melbourne), and Julie-Anne Braithewaite (30 May 2011, Brisbane).

<sup>4</sup> Freeman et al. E. R. et al. (2010) *Stakeholder Theory: The state of the art* (Cambridge: Cambridge University Press) pp 23-24. See discussion in chapter three.

the firm.<sup>5</sup> While this idea is broadly helpful, it runs the risk of over-simplifying the decision-making process; by suggesting, for example, that some types of stakeholders will always be more important to the firm than others. Instead, the findings of this case study suggest a rather more nuanced possibility, one that is more flexible to local situations and the vast diversities of international economic, social and political life.

### **CSR Stakeholder Decisions: Five Core Considerations of Risk**

It is proposed here that the classification of stakeholders into 'Tier One' or 'Tier Two' importance is a matter primarily of *risk assessment and management*; and further, that decisions about risk assessment are based on five core considerations. These are the level of *influence* the stakeholder has over the corporation's activities in a particular place; the level of *interest* in those activities; the quality and character of *existing relations* between the firm and the stakeholder; the local normative and physical *environment* in which relations exist; and the status and content of relevant *laws* governing their interactions. Firms may consider all or some of these factors in deciding what effect an existing or potential stakeholder may have on business activities, and the more of these factors that appear to present operational or commercial risks at any time and place, the more likely that the stakeholder would be considered in 'Tier One'; and therefore a priority for attention through sustainability activity.

For example, as both theory and logic suggest, the Rio Tinto case study confirmed that the Zimbabwean Government is an important stakeholder for the company in relation to the Murowa diamond mine. The case showed, moreover, that the

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<sup>5</sup> See Chapter two, pp 67-68.

Government's importance derives from foreseeable risks associated with all five core considerations. The regime has clearly expressed *interest* (in explicit and at times aggressive terms) in securing royalties from the extraction and sale of the country's mineral resources;<sup>6</sup> at the same time, the centralised and dictatorial character of the current Government, as well as its formal legislative powers, means political figures also have substantial *influence* over how mining companies can operate. Fiery rhetoric (from the Government) about its relations with multinational mining firms, including its declared intention to expel from the country firms that do not subscribe to the Indigenisation policy, suggests that *existing relations* with Rio Tinto do not rest on a complacent basis. The local *environment*, with its recent history of social unrest and its harsh and sensitive ecological systems, is one in which there is potential for operational risks to emerge from, for example, prolonged water shortages near the mine, or community violence in the surrounding areas. Finally, the laws governing multinational mining corporations in Zimbabwe are in a state of flux, being even now under review as part of the Indigenisation policy, prompting a real risk of operational blockage on legal grounds. Consequently, as has been noted in chapter five, it is not surprising that Rio Tinto dedicates considerable effort to creating and maintaining open and positive communications and relations with Zimbabwe Government figures up to the very highest level, including through sustainability activity; effectively categorising the Zimbabwean Government as a 'Tier One' stakeholder.

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<sup>6</sup> See, for example, the reported response of Indigenisation Minister Saviour Kasukuwere to claims that Canadian *Caledonian Mining Company* may not comply with indigenisation policies: "If you do not want to comply, we will take over, simple and straightforward. Government is actively focused on achieving total control of our economy. For those who do not accept our laws, we will pay for their investment and the rest will be for our people and we move on." Sibanda, G. 'Mimosa gives 10pc stake to community', *The Herald*, 13 December 2011, p. 1.

In a different example, the case of Rio Tinto's relations with the *Bangarra* Indigenous dance theatre company in Australia shows how the same five core considerations applied to a different stakeholder and a different situation can result in a lower level of perceived risk, which correlates with a lower concentration of corporate attention and effective 'Tier Two' categorisation. *Bangarra's* direct *influence* over Rio Tinto's activities is constrained by its relatively small organisational size, and its status as a funding recipient under Rio's sustainability programme. Its *interest* in the corporation's activities is somewhat higher, due to the economic importance of Rio Tinto in many of the remote Indigenous communities from which *Bangarra's* dancers are drawn, and in which the company stages its performances, and also to *Bangarra's* own concern with social license and the importance of avoiding funds given by a 'pariah' corporate donor. *Existing relations* between the dance theatre and Rio Tinto are, however, low-key and stable, presenting few foreseeable operational risks to the company. Similarly, the *local environments* (both urban and rural) in which Rio Tinto and *Bangarra* interact are quite stable, and there are highly developed policies and *legal provisions* governing relations between the miner and the dance theatre.

*Bangarra* is certainly a stakeholder for Rio Tinto, by virtue of its interest in the corporation's activities in the mining communities from which its members are drawn and in which it works; and also by virtue of its potential, through its public profile and political networks, to heighten any conflicts emerging between Rio Tinto and Indigenous communities, thereby risking damage to the firm's social license. But, considered against the five core risk elements, it is clear that *Bangarra* does not present a particularly high level of risk to Rio Tinto's operation in Australia, and consequently does not attain a 'Tier One' stakeholder status. Rather, it can be

considered a good example of a 'Tier Two' stakeholder. This is reflected in the relatively low-key nature of the firm's sustainability activities involving the dance theatre company.

These examples from the case study show that by analysing stakeholder priority according to the five core risk considerations, Rio Tinto is able to make decisions about its sustainability actions that are both internally consistent and flexible enough to address the expectations of a range of diverse stakeholders and expectations, delivering legitimacy and social license across varied national and community contexts.

It should be clearly acknowledged that in proposing this framework for understanding which stakeholders will be important in different times and contexts, the project adopts the main thrust of Freeman's work (categorisation into tiers according to the power of the stakeholder to affect the business' operations), but also takes this work forward to explain the individual factors which corporations consider in making a coherent risk decision. It is particularly in this latter element that the project makes a novel contribution. In doing so, the way is opened for further research on this matter, although that is outside the scope of the current project.

### **Sustainability Policy: Decisions on content and form**

A second aspect of the empirical part of the project's research question is the vital problem of understanding how, in a case where a multinational corporation has a single global policy or position for CSR, decisions are made on the development and content of that single policy. As has been noted, one of the biggest challenges for CSR in international contexts is achieving some consistency across diverse circumstances under anarchy, where no overarching authority dictates what the content of a global

policy should be. For this problem too, the case study provides some useful insights, again building on existing literature and theory.

Chapter two noted the body of argument suggesting that managers' preference and personal interests can be an important driving force in development and implementation of CSR policies, particularly at the overarching conceptual levels.<sup>7</sup> It is managers and those high in the organisational hierarchy who have most influence over whole-of-company policy and who sign off on relevant documents.

Findings from the Rio Tinto case study confirmed that managers do have a driving role in both the establishment and content of the global sustainability policy position. This was most clear during the Australian field work research, where access to the higher corporate levels was readily available. Several interviewees commented on the role of specific managers and leaders in establishing global sustainability policies and deciding on content. For example, Rio Tinto officers at head office in Melbourne emphasised the role of corporate leaders Sir Robert Wilson and Leon Davies in establishing the company-wide sustainability policy, noting that "Sir Robert's initiative provided a firm foundation on which later leaders could build."<sup>8</sup> In relation to Rio Tinto's core sustainability policy document, *The Way We Work*, it was explained in interview that the document was developed and produced by a high-level committee at the London headquarters, from which it has been distributed out to the rest of the company globally.<sup>9</sup>

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<sup>7</sup> See Chapter two, p. 64.

<sup>8</sup> Interview with (Rio Tinto Principal Advisers Sustainability) Kristina Ringwood (26 May 2011, Melbourne). The influence of top managers was also noted by Stuart Anstee and Simon Nish (27 May 2011, Melbourne).

<sup>9</sup> Noted in interview with (Rio Tinto Principal Adviser Sustainability) Julie-Anne Braithewaite (30 May 2011, Brisbane).

Further, the case study findings shed some light on the deeper analytic question of how and why managers make the decisions they do about sustainability, which are subsequently articulated in the global level policy. Two interconnected factors appear to be important. First, managers are alert to normative developments in both formal international fora and in less tangible strands of public opinion. These developments are made manifest to managers by a variety of means, not necessarily systematised, including media, international organisation and government communications, internal corporate research systems, and managers' own personal information networks. Second, information about these developments then enables managers' judgements about the extent to which they are likely to have operational and competitive effects on the company. For example, officers interviewed during the field work noted this phenomenon in relation to ideas about universal human rights,<sup>10</sup> climate change and environmental protection,<sup>11</sup> and how these have been reflected in global-level corporate policy.<sup>12</sup> Taken together, these two factors appear to provide major sources of inspiration and motivation for managers to make decisions on the content of sustainability policy in the anarchic international space.

It is interesting to note here that the case study findings do not appear to support literature<sup>13</sup> arguing that direct competition between individual firms in terms of CSR and sustainability has a significant effect on the establishment and implementation of policy, at least at the global level. Indeed, some elements of the field work research

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<sup>10</sup> Ibid.

<sup>11</sup> Noted in interviews with Kristina Ringwood and Simon Anstee, op. Cit.

<sup>12</sup> The opening paragraph of the relevant section of *The Way We Work* begins with a statement of support and respect for human rights "...consistent with the Universal Declaration of Human Rights..." Rio Tinto (2009) *The Way We Work* (Melbourne and London: Rio Tinto) p. 14.

<sup>13</sup> See, for example, Bertels, S. and Peloza, J. (2006) 'Running just to stand still? Managing CSR reputation in an era of ratcheting expectations', *Corporate Reputation Review* (11:1) pp 56-72. See also Kranz, D. F. (2012) 'How Competitors use CSR when market conditions change', *Forbes India Magazine*, January 29, available online at <http://forbesindia.com/printcontent/7712>, accessed 5 July 2012.

emphasised the industry leadership role that Rio Tinto has played in developing internationally novel, or best practice, approaches to sustainability,<sup>14</sup> which have subsequently been picked up by other mining and multinational firms. Further, Murowa Chief Operating Officer Adriaan Olivier noted how the company, having scored consistently good reviews from its participation in the *Kimberley Process*, has provided help and demonstrations to other mining companies in Zimbabwe, "...as a way of showing what is possible on this front."<sup>15</sup> While it is of course not impossible that an element of competitive response exists in the development of global level CSR policies, or in their implementation at more local levels, in this case it was not particularly evident.

This is interesting for what it may suggest about the character of the international system. It is possible, for example, that in a flexible and volatile environment with little or no effective regulation, industry-wide collaboration, rather than inter-firm competition, may offer greater opportunities for profit and development. By acting together, firms within an industry present a powerful and coherent interest, better able to influence advantageous decision-making compared with other disparate and perhaps divided actors. In national and local contexts, by comparison, where operational and legal parameters may be more clearly and strictly articulated, there is more potential gain for individual firms from using CSR as a tool for differentiation in a more homogenised business environment.

There was also not much clear evidence to suggest that the personal values, religious or otherwise, of Rio Tinto leaders and managers have had a significant impact on the

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<sup>14</sup> This was particularly apparent in discussion of Rio Tinto's leadership in developing the international biodiversity standards. See chapter four.

<sup>15</sup> Interview with Adriaan Olivier, Chief Operating Officer Murowa Diamonds (13 December 2011, Zvishavane).

development of the global sustainability policy and position. Again, it is not impossible that individual leaders have drawn on personal ethical and moral frameworks to drive their decisions about sustainability for the company; and indeed in this case these processes are hard to identify and substantiate without personal interrogative contact with relevant leaders (some of whom are now deceased). Nevertheless, such an element was not obviously apparent in the findings of this case study, and in that sense the arguments are not supported. Interestingly, this is broadly in line with the arguments noted in chapter three, that successful adoption and implementation of CSR policies within a company relies not only on securing the interest of individual directors, but on ‘capturing the boardroom culture’, and persuading the leadership group as a whole of the virtue of the idea.<sup>16</sup>

It should be emphasised here that these comments do apply specifically to the establishment and implementation of policy at the global level. The emphasis on normative changes reflected in international laws and conventions, as well as public opinion, mirrors Rio Tinto’s emphasis on broad values and principles as content for global policies. This leaves plenty of scope, as noted, for locally-appropriate applications and variations across diverse countries and communities.

### **Financial Motives? Commercial Performance and Sustainability Links**

Although the comments above suggest that managers’ CSR actions are not linked to direct competition with other firms, the possibility of a more general financial motive animating decisions is not precluded. Specifically, chapter two mentioned the substantial body of argument attempting to establish links between corporate financial performance and corporate social performance, and what effect the former

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<sup>16</sup> See Chapter 3, pp 94-96.

may have on development and implementation of the latter. Acknowledging that, despite the considerable scholastic effort that has attempted to substantiate a link between the two, reliable conclusions have proved elusive,<sup>17</sup> yet the findings of this study do nevertheless provide some indications that CSR is often shaped with an eye to the bottom line. This idea provides a third insight helpful in answering the empirical question of how corporations 'do' international CSR.

Specifically, the Rio Tinto case showed that an explicit concern with business growth and commercial viability was present in development and implementation of the company's sustainability activity. For example, the document *Social Investment: Working with Australian communities*<sup>18</sup> commences with a clear statement to this end, explaining that "There are strong business drivers for our social and community investment programmes. We want to reduce costs and achieve competitive advantage..."<sup>19</sup> Similarly, during a field work interview, Murowa Communities Adviser Daniel Mudondo emphasised that while there is a real role for the company to contribute to development of local Zimbabwean communities, business performance is paramount. Rio Tinto's priority activity is mining, and "...the business case for sustainability is to improve life for local business communities because this will support business goals."<sup>20</sup>

Further, the case study findings showed that the relationship between business performance and sustainability is understood to be subtle and indirect, often not demonstrable through simple numerical measures attempting (for example) to relate

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<sup>17</sup> See Chapter two, pp 69-72.

<sup>18</sup> Rio Tinto (2008) *Social Investment: Working with Australian communities* (Melbourne: Rio Tinto Ltd) p. 2

<sup>19</sup> Ibid.

<sup>20</sup> Interview with Daniel Mudondo, Community Relations Adviser Murowa Diamonds (14 December 2011, Zvishavane)

figures for investment in CSR and figures for company profit. Commonly, this understanding was expressed with reference to 'access', and the role of sustainability activity in ensuring Rio Tinto can gain and maintain physical access to mine sites, labour and equipment and sales supply chains. For example, 'access to land' is one of four key areas on which the Rio Tinto *Aboriginal and Torres Strait Islander Policy* has been negotiated and through which it is implemented.<sup>21</sup> Rio Tinto officers also noted in interview that "The core motives for sustainable development are social license and access to land."<sup>22</sup> It is thus clear that, while access to land is vital to Rio Tinto's business interests, and that a motive for CSR is the security of this access, attempts to quantify what is a complex and multi-faceted interaction are avoided.

Further evidence for this subtle understanding is available in the Group-wide reporting information on sustainability, present in the company's Annual Report. Here, sustainability concerns are described in terms of the commercial risks that different actions address. Actions to decrease greenhouse gas emissions are important because increased regulation in this area could "...adversely affect the Group's cost of operations"; sustainability actions directed at ensuring safe and healthy workplaces are important because standards for such things "...evolve over time and unforeseen changes could have an adverse effect on the Group's earnings and cash flow."<sup>23</sup> Again, it is clear that sustainability policy and practice has a basis in commercial imperative; but it is well understood that the relationship between the

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<sup>21</sup> Rio Tinto, *Reconciliation Action Plan*, p. 3

<sup>22</sup> Interview with Julie-Anne Braithewaite, Rio Tinto Principal Adviser Sustainability (30 May 2011, Brisbane)

<sup>23</sup> Rio Tinto (2009) *Annual Report 2009*,  
[http://www.riotinto.com/annualreport2009/overview/performance\\_highlights.html](http://www.riotinto.com/annualreport2009/overview/performance_highlights.html)

p. 19

two is not straightforward, and relies rather on a series of indirect interactions, and on the management of risks and probabilities.

Such an understanding is coherent with the doubtful and inconclusive results of those studies mentioned previously that attempted to demonstrate clear, direct causal links between social performance and financial performance. In this case, it may even be argued that Rio Tinto's understanding of the commercial drivers for sustainability action are based on a rather more sophisticated and nuanced grasp both of the character, and of the objectives and limitations of corporate sustainability, than that underpinning those more positivist academic studies. In this sense, the case appears to support Margolis and Walsh's suggestion that researchers into CSR would do better to move away from the fraught enterprise of attempting to establish scientific consistency in situations where the appropriate counterfactual will never be available, and to focus rather on understanding how this complex phenomenon operates, as the current project attempts to do.

### **In summary: How MNCs 'do' international CSR**

In seeking to answer the empirical part of the research question, of how multinational corporations 'do' international CSR, this project clearly acknowledges that the Rio Tinto case study provides but one perspective on this matter. Yet, as chapter three explained,<sup>24</sup> there is intellectual and academic value to be gained from the detailed study of a question as it applies to a single case; both in terms of what the findings disclose immediately, and in terms of the opportunities for further cross-validation and comparative research that such studies open.

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<sup>24</sup> See Appendix A.

Analysis of the Rio Tinto findings suggests three major elements that drive and shape the process of conceiving and implementing CSR for multinational corporations in the anarchic global environment. First, CSR is sensitive and responsive to the expectations of stakeholders, whose relative importance is judged in individual settings according to a set of five risk management considerations. Second, top managers exercise considerable latitude and responsibility in driving and shaping global-level policy within the firm, and draw inspiration from various stimuli including international laws and conventions, media and public opinion, international and government organisations, and personal information networks. Third, while the need to realise commercial and financial goals means CSR decision-making is imbued with concern for the impact it, and related issues, may have on profit margins and stock prices, managers understand that the interactions between corporate financial performance and corporate social performance are subtle and indirect, with direct causal links between the two being avoided.

These findings are adequate of themselves to make a novel contribution to scholarship into the complex CSR phenomenon. In the context of this project, however, only part of the research question has so far been addressed. It is now important to move to the second, theoretical component of the problem, to see what the case study findings illuminate about the movement of norms and values internationally, and what this ultimately suggests about the nature of the contemporary global system itself. The following sections address this task.

### **International Norms: Movement through the Global System**

Chapter two introduced ideas and scholarship, emanating from constructivist approaches to international relations, that attempt to explain how non-tangible

phenomena such as values and norms move and grow in the international system. This is vital grounding for the present research, as the concept and practice of CSR relies on the understanding that ideas *matter*, and that material phenomena such as monetary gain and corporate growth can be influenced by ideas, and the stakeholder expectations about appropriate corporate behaviour that ideas can drive.

It was noted that a number of major debates have emerged within the scholarship dedicated to investigating international norms, including a particular focus on how norms become diffused across countries and communities.<sup>25</sup> Finnemore and Sikkink's seminal work on this matter has been particularly persuasive, and it is not surprising that their idea of a cascading 'top down' model of norm diffusion has been very popular. Despite the plethora of studies that have taken up and in some cases furthered or critiqued this idea,<sup>26</sup> there remain important questions, particularly about the origins of norms, the way these move within social systems, and the applicability of the idea to non-state actors, including corporations. The Rio Tinto case study findings offer some useful insights into these questions.

Specifically, the case study shows first, that ideas about norm diffusion find resonance and relevance in the study of multinational CSR, and that there is an opportunity and a need to broaden understanding of the phenomenon by examining norm diffusion specifically as it relates to global firms. Second, the case study shows that the popular top-down cascading process for international norm diffusion so

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<sup>25</sup> See Chapter two, pp 60-66.

<sup>26</sup> There are many studies available, notable examples including Alastair Iain Johnston's work on the social aspects of international institutions (Johnston, A.I. (2001) 'Treating international institutions as social environments' *International Studies Quarterly* (45:4) pp 487-515; Andrew Moravcsik's work on the socialisation of human rights norms (Moravcsik, A. (2000) 'The origins of human rights regimes: democratic delegation in postwar Europe' *International Organization* (54:2) pp 217-252; and Amitav Acharya's work applying the idea in an Asian regional context (Acharya, A. (2005) 'How ideas spread: whose norms matter? Norm localization and institutional change in Asian regionalism', *International Organization* (58:2) pp 239-275.

lucidly proposed by Finnemore and Sikkink is, while persuasive, incomplete and perhaps too simple. Rather, the Rio Tinto case suggests that a more complex, cyclical process operates, where movement of norms is both 'top-down' and 'bottom-up', and horizontally across organisational levels. The core questions that this more complex, multi-directional model raises concern the origins of international CSR norms, and the factors and circumstances that influence the direction of movement at any particular time. The earlier sections of this chapter have discussed the origin of CSR norms as they emerge in the case; now the following notes elucidate what the Rio Tinto study shows about the direction of norm diffusion.

### **Jurisdictional Environments**

One of the most conspicuous findings of the Rio Tinto case study in relation to the factors influencing norm movement is an emphasis on environmental particularities within each national jurisdiction where the corporation operates. Specifically, the findings highlight the influence of the *government* environment, and the *social and physical* environment on norm development and movement.

The government environment is shaped by the collection of regulations, relationships and debates that animate interactions between the corporation, government agencies or individuals, and community groups within each jurisdiction. In essence, the findings suggest that where government is weak or chaotic, corporations will have greater latitude, and greater need, to act as norm diffusers, articulating and promoting ideas and values 'downwards' from within the organisation to individuals and communities on the ground at local mining sites. Successful downwards diffusion of norms can provide a key support in the company's overall legitimacy within that community, by allowing community members to feel that the company is helping and

indeed empowering them through a form of education, skilling, and knowledge sharing, which in other circumstances government may be expected to furnish. Conversely, where the government is strong and stable, corporations have both less scope, and less need, to diffuse norms to local communities, where firmer ideas and expectations about corporate behaviour have been pre-shaped by other forces including government and state-supported education. In these cases, corporations may rather seek to accommodate community preferences and interests into CSR programmes, becoming norm 'consumers' and adopting the ideas and values of most importance to local communities and feeding these upwards into the organisational hierarchy.

Importantly, where a company takes a stronger role in diffusing norms downwards from within the company to local communities, the content of these norms will, by virtue of the single global policy approach, *involve those principles and values stated within that policy*. In the case of Rio Tinto, for example, this means norms promoting the protection and rehabilitation of the natural environment, and conceptions of human rights reflecting those (Western-origin) rights described in the United Nations Declaration.

For example, the field work in Zimbabwe, a country without stable government, showed how Rio Tinto takes a proactive, directive role in diffusing norms 'downwards' from the corporation to the community level. A particularly clear instance involved the dissemination of norms valuing formal education, and formal educational achievement. During the community consultation meeting that was observed at Chivi ward 14 community, the Rio Tinto officer (Daniel Mudondo) emphasised the importance of education, noting that anyone seeking to work at the

mine would need to have been formally schooled, and to have achieved a minimum of five 'O' levels. This instruction appeared to be accepted by the community members, and it was agreed that employment candidates should not be put forward who have not achieved these levels, as appears to have happened in the past. In this sense, it can be argued that Rio Tinto is acting as an agent of norm movement, pushing ideas about the value of formal education from the organisational hierarchy down to the community, where such ideas are less well-developed and perhaps less familiar.

Alternately, the development and implementation of the indigenous *Reconciliation Action Plan*, launched during the Australian field work experience, shows the other direction of norm movement in action, making manifest the careful attention Rio Tinto pays to existing norms and values of the indigenous people in the communities where mining occurs, and the way these norms are adopted into policy and practice. The document expresses Rio Tinto's recognition of and respect for the specific core values and ideas important in indigenous communities,<sup>27</sup> as well as articulating how the company accommodates these values and ideas within daily practice. In this sense, Rio Tinto can be seen as 'consuming' norms already in place in the communities where mines operate, and feeding these upwards into the organisational hierarchy.

Notably, while these indigenous communities do not always share the same standard of living and development as urban or white Australian communities, it is yet certain

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<sup>27</sup> These include recognising that Aboriginal and Torres Strait Islander people in Australia have "...been disadvantaged and dispossessed; have a special connection to land and waters; and have native title rights recognised by the law." p. 5. Further, the policy states that Rio Tinto respects communities' cultural diversity, aspirations for self-sufficiency, and interest in land management. p.5. Rio Tinto (2011) *Reconciliation Action Plan* (Melbourne: Rio Tinto)

that in Australia there is a firmly established, comprehensive, sophisticated and legally effective system of government and governance directed at articulating and acknowledging indigenous community culture, values and rights.<sup>28</sup> This system has legislative, media and educative power, which it is able to implement by virtue of stable, democratic and reasonably effective government structures. It is in this way that the government environment influences the direction of norm movement relevant to Rio Tinto's operation in indigenous communities.

The influence of the government environment is closely related to the social and physical environment, and the effect this in turn has on the direction of norm diffusion. In the sense that weak and chaotic government often causes or is correlated with social unrest, poverty and under-development, it is not surprising that the case study findings also suggest that in situations where community life suffers from a shortage of basic goods such as food, shelter, and energy, as well as inadequate education and employment, corporations take on a stronger role in the 'downwards' diffusion of norms. Considering again the reverse, the findings support the idea that where the community environment is more stable, prosperous and better educated, the corporation will have greater scope and need to adopt and

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<sup>28</sup> There is a vast catalogue of legislation governing issues relevant to Indigenous Australians at both the Commonwealth, and State and Territory levels. At the Commonwealth level, these cover matters as diverse as land rights, housing, child care, education, compensation for colonial era injustices, reconciliation and conservation of the natural environment. In States and Territories, there are location-specific versions of these issues, as well as legislation concerning the unique cultural heritage of tribes belonging to certain parts of the country. A full catalogue of all this legislation is available electronically at the *Australian Indigenous Law Library*, <http://www.austlii.edu.au/au/special/indigenous/>, accessed 13 April 2012. In addition there is a highly-developed network of Indigenous support organisations, covering matters such as legal aid, health, education, housing and social support. Further, Indigenous arts groups, radio and television stations exist in all jurisdictions, often focusing on outreach and access to Indigenous Australian in remote and rural settings. Taken together, this all constitutes a sophisticated and effective system of government and governance, and a powerful vehicle for information and norm transferral.

respond to existing community norms and expectations, creating an 'upwards' rather than a 'downwards' norm movement.

Health issues provide a good example, in the Rio Tinto case, for showing how the social and physical environment influences the direction of normative movement. In Zimbabwe, where there is limited and sometimes ineffective health information and care available to community members in and near the mine site, the corporation takes a much stronger and more directive role in providing and shaping ideas and knowledge about health. As well as employee-driven health initiatives designed to build and strengthen norms discouraging unsafe sexual behaviour, and therefore helping prevent the spread of AIDS, the company also provides access to a formal medical service, and there are currently attempts by management to encourage enthusiasm for and participation in physical exercise.<sup>29</sup> In Australia, on the other hand, there is better government and public sector provision of health care and information,<sup>30</sup> including information designed to build health-related behavioural norms in indigenous and mining communities. It is not necessary, nor desirable, for Rio Tinto to take the same kind of directive role in these circumstances; and it is not surprising to find that where Rio Tinto does provide support for health care, information sharing and health-related norm building, the methods are much more

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<sup>29</sup> Chief Operating Officer Adriaan Olivier explained how he aims to set examples for valuing physical fitness from the top of the organisational hierarchy down and outwards; he himself goes running every day around the mine and through the villages where some of the workers live; and supports administrative staff to make regular visits to the gym.

<sup>30</sup> For example, there is a comprehensive system of medical services and facilities especially for rural and remote areas, funded and administered by the Government. This includes a programme of *Rural Primary Health Services*, and programmes for *Medical Specialist Outreach Assistance* and *National Rural and Remote Health Infrastructure*, as well as a *Rural Women's GP Service* (See Australian Government, Department of Health and Ageing, *Rural Health Services* <http://www.health.gov.au/internet/main/Publishing.nsf/Content/ruralhealth-services-index.htm>, accessed 13 April 2012. In addition, country areas are served by the celebrated Royal Flying Doctor Service, which has been providing medical support to Australians in remote locations for over 75 years (Royal Flying Doctor Service of Australia, <http://www.flyingdoctor.org.au/>, accessed 13 April 2012).

indirect and involve the corporation adopting and supporting priorities and values that have already been articulated by communities or by public sector health providers.<sup>31</sup>

In short, the Rio Tinto case study suggests that the more chaotic, unstable, and undeveloped the local mine environment is, and the less transparently managed and regulated it is, the greater the scope and need for the corporation to spread norms 'downwards' from within the company hierarchy to local communities. In this case, the content of the norms will reflect the values and principles included in the global corporate policy statement. For Rio Tinto, this means values emerging from a western liberal tradition. Where these are diffused within communities that already share these values and positions, it seems reasonable to argue that the overall effect of the diffusion will represent less radical change in the social and political landscape than in those communities where these values and positions are not already commonly accepted. It is in these circumstances that the force of multinational corporate activity in provoking and promoting normative change across the international system will be greatest.

Conversely, the more stable, prosperous, and well-managed a local mine environment is, the more scope and the more need there is for corporations to adopt local values and norms, and to feed these upwards into company policy and practice. Only by responding flexibly to jurisdictional particularities in this way can the

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<sup>31</sup> For example, the *Rio Tinto Aboriginal Health Partnership* is a collaboration between Rio Tinto, The Kulunga Research Network and the Telethon Institute for Child Health Research. Here, Rio Tinto agreed to provide funding to the other bodies, to support their programmes aiming to improve Aboriginal child and maternal health, as well as improve training for Indigenous rural medical staff. Telethon Institute for Child Health Research, *Rio Tinto Aboriginal Health Partnership – Strong Foundations, Sustainable Futures*, <http://www.childhealthresearch.org.au/our-research/projects-index/r/rio-tinto-aboriginal-health-partnership-%E2%80%93-strong-foundations,-sustainable-futures.aspx>, accessed 13 April 2012.

company be assured of appropriately meeting stakeholder expectations in each circumstance. In these circumstances, however, the overall effect on international movement of norms will tend to be less.

In summary, this section explains that, drawing on the Rio Tinto case study, the movement of norms across international contexts can involve multinational corporations in the role of both norm diffuser and norm consumer, and further that the direction (downwards or upwards) of norm diffusion is influenced by the levels of stability and prosperity already existing in communities or jurisdictions in which the company seeks to operate.

### **Internal Organisation Operation**

The process by which these norms are fed up or down the organisational hierarchy is another factor worth considering in seeking to understand the international movement of norms through corporate activity.

Specifically, the Rio Tinto study suggests that employees can play an important role in both upwards and downwards norm diffusion, forming an effective link between the higher levels of the organisation and the general community in which they work. Rio Tinto's policy of drawing staff from the local communities means that these workers have a highly-tuned and detailed knowledge of community practices and opinions, as well as of problems and those issues about which there is most need or opportunity for the corporation to take action through sustainability. By communicating these ideas to management through organisational reporting channels, employees provide a valuable source of information about local norms, and are then sometimes empowered to take a lead on developing and implementing policies and programmes that will directly and effectively respond to community needs and expectations.

Management structures that encourage employee input into sustainability policy through informing and contributing to programme development can thus be very important elements in successful 'upwards' norm diffusion. Similarly, management structures that encourage employees to use their local knowledge to shape and implement strategies in ways that will be most effective for spreading company norms and ideas down to local communities can be very important in the other direction.

Interesting examples of this phenomenon were encountered during the field work in both Australia and in Zimbabwe. In Zimbabwe, a major employee-driven sustainability initiative is the 'KIIC' (Know, Inform, Influence, Change) programme, designed to address and change behaviours that put workers and community members at risk of AIDS. Arising from employee concerns about the high levels of infection in the local area (as in the country overall), KIIC leaders gained management support for the programme, organising a launch event that involved staff at all levels of the Murowa hierarchy. Notably, Community Relations Officer Innocent Simango explained that "It is the desire of all those involved in KIIC to take the programme to a higher level and to ensure that it becomes a model wellness programme, not only in the country but for the whole of Rio Tinto."<sup>32</sup> As such, this example demonstrates clearly how employees can act as key links between the corporation and community, and that where organisational structures support communication between local employees and higher level management, this can become a pertinent channel through which community norms and priorities are diffused 'upwards' into the firm at large.

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<sup>32</sup> Rio Tinto, *Murowa Diamonds Bulletin*, September 2010, p. 12.

In Australia, Julie-Anne Braithewaite, a Sustainability Adviser at Rio Tinto's Brisbane office<sup>33</sup> explained that local staff had become aware of, and sometimes been the target of, negative local community perceptions about the mining industry and the role of Rio Tinto and other firms in environmental degradation. Communicating this information to more senior staff, and then to management, alerted higher levels of the organisation to this aspect of community feeling, and the need to put in place countering measures as part of the sustainability programme. This resulted in employees being given approval to develop and implement a programme called 'SD and Me', involving employees being educated about the range of sustainability activities Rio Tinto implements to avoid and remedy environmental degradation, and learning strategies for conveying this information to the local community in response to negative feelings. In this sense, employees once again provided an important pivot between communities and management in drawing attention to relevant norms and ideas, and the communication channels within the organisation encouraged employees to play an active role in spreading ideas both upwards to corporate leaders, and back down to local community members.

### **The International Normative Environment**

In seeking to understand what the findings of the Rio Tinto case study disclose about the way that multinational corporations contribute to the movement of norms through the international system, there is a third element that deserves separate acknowledgement; the influence of the international normative environment.

By this is meant the collection of value-based ideas that have been articulated in law, convention or media, and gained currency within the public discourse of international

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<sup>33</sup> Interview with Julie-Anne Braithewaite, Rio Tinto Principal Adviser Sustainability (30 May 2011, Brisbane).

organisations, including international non-government organisations, and the international pronouncements of national governments. These are the ideas to which, as mentioned above, managers in multinational corporations may become alert. They may then decide, on the basis of the currency these ideas have gained within legitimate international governance fora, to incorporate them into corporate-wide sustainability policy. This is a particularly interesting issue to note in relation to the global mining industry, as some of the issues pertinent to miners are those which have gained special prominence as international norms. The case findings provided interesting examples.

The development and implementation of the Rio Tinto biodiversity standards and strategy provides a very clear instance of developments in global norms influencing corporate decisions about sustainability. Specifically, Stuart Anstee, Sustainability Adviser at Rio Tinto headquarters in Melbourne, described how individual international norms had acted as drivers in both the conception and implementation of the biodiversity standard. Although at the time Rio Tinto began developing the Group-wide biodiversity strategy there was no formal international standard, it was noted that the main factors prompting corporate leaders to consider and mandate action on biodiversity were first, a ground swell of popular opinion (in other words, the strengthening and articulating of a popular normative position) supporting environmental actions; and second, international technical and institutional developments such as the Brundtland Reports.<sup>34</sup> Together, these aspects of the

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<sup>34</sup> See United Nations (1987) 'Our Common Future', *Report of the World Commission on Environment and Development*, <http://www.un-documents.net/wced-ocf.htm>, accessed 5 July 2012.

international normative environment prompted top managers to acknowledge biodiversity as a matter deserving of attention through sustainability action.<sup>35</sup>

Field work in Zimbabwe did not provide such clear evidence of the influence of the international normative environment on the way multinational corporations may adopt and help spread values and ideas, but it is reasonable to suggest that some aspects of company policy at the Murowa diamond mine, such as inclusion of women in all aspects of the work force including the hard physical work of mining itself, reflect the way the company has adopted international norms about women's equality and empowerment and has helped to spread these to the local communities, where women may not traditionally occupy such employment roles.<sup>36</sup>

In summary, it is important to acknowledge that while much of the process by which multinational corporations contribute to the movement of norms through the international system involves internal corporate procedure, and the decisions and actions of individuals within the company, yet the overall international normative environment does also make a difference and can influence the way these procedures and actions are realised.

## Conclusions

This chapter has considered what the findings of the Rio Tinto case study can show about how norms and ideas move throughout the international system. Focusing first

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<sup>35</sup> It is interesting to note that the officer being interviewed specifically stated that managers came to recognise biodiversity as a *risk to business*; an idea that supports the analysis earlier in this chapter arguing for considerations of risk to be major drivers in management decisions about CSR.

<sup>36</sup> For example, traditional constructions of Shona womanhood often highlight a patriarchal view of society, in which women are subject to men, and their primary social roles and personal identities are derived from marriage and childbearing. See Mungwini, P. (2008) 'Shona Womanhood: Rethinking social identities in the face of HIV and AIDS in Zimbabwe' *The Journal of Pan African Studies* (2:4, June) [http://www.jpanafrican.com/docs/vol2no4/2.4\\_Shona\\_Womanhood.pdf](http://www.jpanafrican.com/docs/vol2no4/2.4_Shona_Womanhood.pdf), accessed 5 July 2012.

on the origins of normative positions and policies within the multinational corporation, the chapter then moved to examine the processes by which norms, as they relate to corporate actors, move either up from the local community level to the higher organisational level, or down from that management level to the local communities. This analysis has been vital for the project's overall aim of understanding how norms move, and what this may suggest about the nature and functioning of the international system.

In brief, the analysis appears to be suggesting several key ideas. First, there appears to be empirical support for the constructivist belief that ideas *matter* in the international system, and that they can move from one context to another. Second, it appears to support the arguments that international corporate actors can play a key role in the movement of these norms. Third, and perhaps of most novel interest, a number of notable characteristics of the norm diffusion process in multinational firms have been identified, contributing new insights to understanding of *how* norms come to be conceived in corporations, developed into policy positions and then diffused through the variously located operations of the multinational firm.

Up to this point, the analysis has focused on the specific findings of the Rio Tinto case study. However, as chapter three noted, an important aspect of valid case study research involves an element of cross-validation; of seeing whether there is evidence or indications that the findings of the single case may equally apply to other subjects (in this case other multinational corporations). Only by undertaking this type of checking activity can reasonable conclusions be drawn about the overall authority of the insights about the international system. The next and final chapter takes up this task, examining whether the Rio Tinto findings may be applied to other relevant

subjects; and drawing final conclusions about what this means for both the project's central research question, and the character of the contemporary international system.

## Chapter 7: Comparison – GlaxoSmithKline and Hong Kong

### Shanghai Banking Corporation

*“Your theory is not just there to be confirmed by the data; it is also a lens through which you look at the world and try to make it intelligible. This is what makes research so fascinating; your argument should predict what you will find, much in the same way...that astronomers know that there is a new planet out there on the basis of calculation and circumstantial evidence.”*

*Bob Hancke, 2009, p. 112<sup>1</sup>*

One of the greatest challenges for qualitative research, and in particular case study research, is to establish the extent to which findings may be generalisable. That is, the extent to which the indications appearing from analysis of a single case may also apply to other similar or different cases; and thus help us to understand more about the world.

The previous three chapters have focused on the project’s core case study company, *Rio Tinto Group*, to answer the research question with reference to that corporation’s activities in two country contexts. That examination has yielded a number of findings, noted at the conclusion of chapter five and in chapter six.

This chapter now seeks to take the analysis forward by considering the extent to which the findings can be generalised. Given the complex epistemological and

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<sup>1</sup> Hancke, B. (2009) *Intelligent Research Design* (Oxford: Oxford University Press) p. 112

methodological issues at stake here, the first section offers a few comments on the process and limits of generalisation in qualitative research.

Following this, the latter sections examine the Rio Tinto findings with reference to two different company contexts. First, the findings are examined with reference to pharmaceutical multinational GlaxoSmithKline (GSK); and second, with reference to global banking company Hong Kong Shanghai Banking Corporation (HSBC).

The objective of this examination is to discover the extent to which the research findings can apply across contexts in which the key factors animating the research problem (the character of the subject, and the character of its environment) vary. The focus here is particularly on the character of the subject, as this in itself affects the environment in which the firm operates; hence the choice of two multinational corporations from different industries. However, given the apparent relevance of the country in which business operations are sited, it is also interesting to include some variations here. Namely, while the investigation of GlaxoSmithKline will focus on that corporation's activities in the same two countries as for Rio Tinto (Australia and Zimbabwe), the notes on HSBC will consider the firm's operation in two different country contexts (the Philippines and the UK).

It is not expected that definitive causal rules will be established; rather, it is hoped that the project's findings will acquire an additional layer of validity that may increase the confidence with which they can be used as a "...lens through which [we] look at the world and try to make it intelligible."<sup>2</sup> The key here will be to consider whether those findings applying to a global mining concern, may also apply to other global businesses.

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<sup>2</sup> Hancke, B. (2009) Ibid.

## Generalisation and External Validity

Scholars critical of the utility of qualitative research have pointed out its limitations, arguing that it is prone to “...untenable deterministic assumptions...”<sup>3</sup> and that it is subject to weaknesses compromising its credibility, such as false weighting of opinions, and untrue or incomplete interview responses.<sup>4</sup> Chapter three (and Appendix A) discussed these problems, and ways to ameliorate them, in relation to the internal credibility of the Rio Tinto case study, explaining that the case findings’ rigour could be increased using techniques such as data triangulation and describing field work activities in sufficient detail to allow replication.

Attempts to establish external validity, or to generalise findings beyond a single case, are subject to similar criticisms. However, as Lupovici explains, although studies using a broadly constructivist approach, as the current one does, do differ from positivist studies in the things about which, and the extent to which, they can generalise, they nevertheless “...can reach some general conclusions about the importance of context, norms and identities, as well as the importance of social processes such as learning and socialisation.”<sup>5</sup> As such, there is real heuristic value to be gained from investigating whether the findings of this case study research may also explain something about other related cases; the key is to be explicit about the objects and limits of such an investigation.

The findings about which the current project seeks to generalise relate to both the empirical and theoretical elements of the research question. Namely, in response first

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<sup>3</sup> Mahoney, J., and Goertz, G. (2006) ‘A tale of two cultures: Contrasting quantitative and qualitative research’, *Political Analysis*, 14, p. 233.

<sup>4</sup> Esterberg, K. (2002) *Qualitative Methods in Social Research* (Boston: McGraw-Hill) p. 174

<sup>5</sup> Lupovici, A. (2009) ‘Constructivist methods: A plea and a manifesto for pluralism’ *Review of International Studies*, 35, p. 211.

to the question of how a multinational corporation with a single global CSR policy can make that policy sensible in varied country circumstances, the Rio Tinto examination found that a single global policy can be applied diversely where the policy describes high-level *principles and values*, and avoids specifying *how* these should be realised in local contexts; rather leaving space for individual programmes and projects to develop in different locations. In response to the second question of what this might indicate about the movement of norms through the international system, the findings suggest that global norm movement is more complex than popular ‘top-down’ models suggest, and rather involves both ‘top-down’ and ‘bottom-up’ cycles, which vary according to a range of environmental factors.

As noted above, two different companies have been identified as suitable for attempting generalisation of these findings. Such explicit identification is vital in providing defensible parameters to an investigation which could in theory extend to examination of the findings against all other multinational companies, operating in all countries in the world. While such a study would probably be interesting, and could attain a level of credibility through weight of numbers, it is impractical within the parameters of the current project. Further, it is reasonable to posit valid generalisations derived from a smaller comparative set where these examples are selected on relevant grounds. The grounds here relate to the two main elements of the research project (the corporation and its environment), and the different ways their relationship to each other may manifest.<sup>6</sup> Any conclusions derived from this

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<sup>6</sup> That is, to make three possible configurations: the original corporation in the original environments; a different corporation in the original environments; and a different corporation in different environments.

method will therefore be placed within a logical paradigm, in which the focus remains on the core elements of the research question.

### **Method of analysis**

Analysis of these two new corporations will follow broadly the same method as for the Rio Tinto case, albeit in slightly less detail, as these are the comparative, rather than core, cases.

The materials to be analysed comprise corporate documents and press articles available online, and notes from interviews. Interviews were undertaken both by telephone and in person, during field work in the Philippines in May 2011 (see Appendix B).

The materials were analysed using, once again, the hermeneutic method described in the previous chapters and in Appendix A. This helps ensure that any variation in the findings compared with the Rio Tinto case is a result of genuine difference in the case content, rather than of differences in method. Accounts of the analysis and findings are also presented in a similar format to the Rio Tinto work in chapters four and five, to facilitate and emphasise the comparative element.

### **Context 1: GlaxoSmithKline – global pharmaceutical giant**

GlaxoSmithKline (GSK) is a multinational pharmaceutical company, engaged in all aspects of the pharmaceutical process from research and development, through production to distribution and sales. It is a substantial global company with total turnover in 2011 of £27.4 billion.<sup>7</sup> Of this, most (68 percent) is derived from developing and making medicines to treat a range of serious and chronic diseases,

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<sup>7</sup> GlaxoSmithKline (2011) *Annual Report 2011*, 'Do more, feel better, live longer: Annual Summary', [www.gsk.com](http://www.gsk.com), accessed 18 April 2012.

while a further 13 percent is derived from work developing and producing vaccines against a range of infectious diseases. The final 19 percent of turnover is derived from developing and marketing a range of consumer products including oral health care and popular supermarket brands including ribena, horlicks and lucozade.<sup>8</sup>

Headquartered in the United Kingdom, GSK's organisational history stretches back to 1715, when the Plough Court Pharmacy was established in London.<sup>9</sup> Through the 18<sup>th</sup> and 19<sup>th</sup> centuries the pharmaceutical and related health industries developed in both the UK and in the United States, with the establishment of various companies registering as providers of consumer health and medical products. Modern GlaxoSmithKline was formed in 2000, resulting from a merger between British company SmithKline Beecham and US Glaxo Wellcome. GSK is now listed as a UK company, and the current Chief Executive Sir Andrew Witty is staunch in his claims that it is a firmly British concern.<sup>10</sup> Nevertheless, GSK employs 97,000 people in offices in over 100 countries globally, and has major research teams in the UK, United States, Spain, Belgium and China; clearly qualifying it as a multinational corporation.<sup>11</sup>

### **GSK CSR Policy and Activities**

Like Rio Tinto, GSK has a well-developed CSR policy and approach, of which it is proud and about which it produces a range of reporting and information literature. This ranges from policy documents to reports and shareholder statements, as well as press releases and transcripts of official statements and speeches with relevance to

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<sup>8</sup> Ibid.

<sup>9</sup> GlaxoSmithKline website, *Our History*, <http://www.gsk.com/about/history.htm>, accessed 20 April 2012.

<sup>10</sup> Clark, C. (2011) 'Andrew Witty of GSK: 'Big firms have allowed themselves to be seen as detached from society'', *The Observer*, 20 March, [www.guardian.co.uk/business/2011/mar](http://www.guardian.co.uk/business/2011/mar), accessed 19 April 2012.

<sup>11</sup> GlaxoSmithKline website, *About Us*, <http://www.gsk.com/about/ataglance.htm>, accessed 20 April 2012.

CSR. All these documents, as well as non-company materials such as media reports, external expert commentary and reports and documents from relevant regulatory bodies such as the US Food and Drug Administration (FDA) provide valuable insights for examining GSK's CSR approach, and it is analysis of these materials that informs the project here.

As the primary aim of this section is to examine GSK's activities in light of the Rio Tinto case study findings, the following comments are set out with direct reference to those case findings, as well as to the research question. The first section discusses the many similarities which were found in the approaches of both companies, first in terms of actions (how GSK 'does' CSR) and second in terms of the motives and drivers for those actions. The GSK analysis further pointed up some interesting differences between the two corporations, which are also noted. In line with the Rio Tinto focus on activities in Australia and in Zimbabwe, GSK's actions in both countries are also considered. The outcomes of this consideration then lead into summative comments about what this case, seen in comparative perspective, may suggest about the generalisability of the Rio Tinto example, and ultimately about the answers to the core research question.

### **Similarities of Concept and Implementation**

The analysis showed four major similarities between the CSR approaches of Rio Tinto Group and GlaxoSmithKline. These related to the global policy, to engagement with stakeholders, a focus on partnership arrangements and an emphasis on targets, measures and reporting.

First, the Rio Tinto study suggested that a solution to MNCs' problem of applying effectively a single global position on CSR across many diverse geographic, political

and economic contexts, is to establish a high-level global policy based on principles and values, leaving considerable latitude for local variation in how these are applied in practice. The GSK comparative case also reflected this approach.

For example, in the same way that Rio Tinto's global CSR position is articulated in terms of general values that avoid stringent definitions or prescriptions for implementation,<sup>12</sup> GSK also relies on non-specific, principle-oriented comments. Even in the company's official CSR report, there is no one definition of CSR, the company rather stating that there are four key values underpinning all actions, these being transparency, respect, integrity and a focus on patients.<sup>13</sup> There is no prescription for how these values ought to be realised, the most direct articulation explaining merely that:

*"Only by being a responsible business can we grow and create value for our shareholders and for society. Our strategy is designed to maximise performance and we are committed to operating with responsibility and transparency. Strong values and our people are central to our business success."*<sup>14</sup>

Further, GSK's approach also resonates with the Rio Tinto case in terms of fragmenting CSR across four key sub-themes, each signifying one main area of business and project focus.<sup>15</sup> For GSK, these are *health for all* (working with stakeholders to make medicines and productions available as widely as possible); *our planet* (focused on minimising environmental impact across the value chain); *our people and communities* (aiming to make a positive difference in communities where

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<sup>12</sup> See Chapter 3, pp 97-101.

<sup>13</sup> GlaxoSmithKline (2012) *Corporate Responsibility at GSK*, 2012 Corporate Responsibility Report, [www.gsk.com](http://www.gsk.com), accessed 18 April 2012, p. 1.

<sup>14</sup> GlaxoSmithKline (2011) *Annual Report 2011* op. Cit., p. 6.

<sup>15</sup> For Rio Tinto, these four areas are environmental stewardship, economic prosperity, social wellbeing and governance systems. See chapter 3 p. 9.

the firm operates, and supporting employee wellbeing); and *our behaviour* (focused on building and implementing a value-based, transparent work culture).

Notably, it is clear that there is considerable overlap in the content of the four focus areas across the two corporations, and moreover that both reflect the popular triple-bottom-line (TBL) model mentioned in earlier chapters.<sup>16</sup> Both attend to environmental concerns; both attend to core business growth and development; and both attend to social wellbeing in relevant communities. Moreover, the fourth theme for both corporations is concerned with governance, corporate process and transparency; perhaps suggesting the possibility of extending the TBL model to become a Quadruple-Bottom-Line approach.<sup>17</sup>

A second major similarity appearing in the CSR approaches of both Rio Tinto and GSK is a heavy and explicit focus on stakeholders, and the need to respond to stakeholder expectations about responsible corporate behaviour. The first pages of the GSK official CSR report make this very clear, noting that “During the year we made multiple advances on our agenda to ensure that our behaviour and our actions meet or even exceed the expectations of society...We will continue to innovate and to respond to the expectations of our stakeholders.”<sup>18</sup> Similarly, Chief Executive Sir Andrew Witty explained the same idea with different language in a 2012 speech to the Pears Business School Partnership, noting that “It (relations between society and the private sector) is about whether or not you are trusted and whether or not your values resonate positively with the people who are important to you, whether they

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<sup>16</sup> See chapter 2, pp 47-48.

<sup>17</sup> This may be a useful question for further, separate research.

<sup>18</sup> GlaxoSmithKline (2011) *Annual Report 2011*, op. Cit., pp 3-4.

be employees, customers, policy-makers or politicians.”<sup>19</sup> In this sense, the GSK comparative case reinforces not only the Rio Tinto case study, but also those arguments within more fundamental discussions about CSR that suggest the core objective of such activity is to gain legitimacy and social license from those communities in which the corporation seeks to operate.

Leading from this emphasis on response to stakeholder expectations, it is not surprising to find that at GSK there is an equally strong focus on partnerships; again, matching the findings of the Rio Tinto case study. At least half of the first 22 pages of the official CSR report<sup>20</sup> use the word ‘partnership’, sometimes multiple times, and many of the other pages describe particular examples of projects involving collaboration and sharing with partners and stakeholders. The importance given to partnerships is clear in statements such as “One of our key priorities is to continue to align our commercial success with forming new partnerships to tackle to health care needs of people in developing countries.”<sup>21</sup> Partnerships are also noted as being critical to particular work areas in which specialist expertise is required, such as in clinical testing and research and development activities.<sup>22</sup>

Finally, the GSK comparative case resonated strongly with the Rio Tinto findings in relation to targets, measures and reporting. As well as including ‘transparency’ as one of the four values underpinning all business actions, which inherently involves attention to reporting, there is reference across a range of corporate documents to setting and achieving targets, goals and key performance indicators: “We are

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<sup>19</sup> Speech by GSK Chief Executive Sir Andrew Witty to the Pears Business School Partnership, 18 January 2012, [www.gsk.com](http://www.gsk.com), accessed 17 April 2012.

<sup>20</sup> GlaxoSmithKline (2011) *Annual Report 2011*, Op. Cit., pp 1-22.

<sup>21</sup> Ibid p. 3.

<sup>22</sup> GlaxoSmtihKline (2010) *Corporate Responsibility at GSK*, [www.gsk.com](http://www.gsk.com), accessed 15 April 2012, for example see page 2.

reviewing our plans and commitments across all four areas and plan to establish further targets and key performance indicators.”<sup>23</sup> The body of the official CSR report is replete with examples, many statistically presented, of the company’s performance in relation to various targets and indicators, including in relation to water use and waste management,<sup>24</sup> staff injury and illness rates,<sup>25</sup> amounts and recipients of cash giving and philanthropy,<sup>26</sup> use of animals in clinical tests,<sup>27</sup> and reduction of carbon emissions.<sup>28</sup> Further, GSK is anxious to note the various industry and global standards and reporting initiatives to which it is a party, noting that (like Rio Tinto) it is a member of the United Nations Global Compact, as well as participating in the *Access to Medicines Index*, the *Dow Jones Sustainability Indexes*, the *FTSE4Good*, the *Carbon Disclosure Project* and the *Thomas Reuters Eitel Sustainability and SRI Survey*.<sup>29</sup>

It should be noted here that, simply because there are clear similarities between the CSR approaches of both Rio Tinto and GSK have been identified, this does not mean that any assessment can be made about the efficacy or performance of the one relative to the other. Such an assessment would be interesting and there would be value in conducting a study focusing on this matter; but it is outside the scope of the present project. It suffices here to note that, as far as there are similarities between the two, the GSK comparison suggests that the findings of the Rio Tinto case study may indeed have broader application and generalisability value. The following comments explore this trend further.

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<sup>23</sup> GlaxoSmithKline (2011) *Annual Report 2011*, Op. Cit., p. 6.

<sup>24</sup> Ibid p. 83

<sup>25</sup> Ibid p. 41

<sup>26</sup> Ibid p. 47

<sup>27</sup> Ibid p. 62

<sup>28</sup> GlaxoSmithKline (2011) *Public Policy Issues*, ‘Ozone depletion and metered-dose inhalers for asthma’, [www.gsk.com](http://www.gsk.com), accessed 12 April 2012.

<sup>29</sup> GlaxoSmithKline (2011) *Do more, feel better, live longer: Corporate Responsibility Report 2011* (Middlesex: GlaxoSmithKline) p. 99.

## Similarities of Drivers and Motive

Moving beyond the most striking similarities of concept and action, the GSK comparative case also pointed to similarities in the drivers that motivate CSR policy and projects. First, the findings of the Rio Tinto case study suggested that while evidence of a direct causal relationship between CSR and corporate financial performance is not readily demonstrable, managers are nevertheless well aware of a 'business case' for CSR. In particular, the business benefits to be gained from CSR activity relate to access, and to social license. GSK corporate documentation makes it clear that the same consideration animates responsibility activity throughout that corporation, noting for instance that "By striving to meet society's healthcare needs, we also build trust in our business, which helps to safeguard our license to operate in the long term."<sup>30</sup> Perhaps most pertinently, GSK makes it clear that social responsibility activity is not prioritised over business goals, and that the latter must be satisfied first in order to enable the former. In discussing, for example, a major CSR programme by which the company offers vaccines for sale in developing countries at a small fraction of the price paid in developed countries, Chief Executive Sir Andrew Witty states that "Importantly, this offer is sustainable over the long term because we are recouping the cost of goods and manufacture."<sup>31</sup>

A further similarity of motive is found with reference to government regulations and legislation in the jurisdictions where GSK seeks to operate. Just as Rio Tinto has been mindful, for example, of Australian legislation specifying rights and responsibilities in relation to mining interaction with Indigenous peoples and has reflected this in relevant CSR policy developments, GSK has been mindful of legislative requirements

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<sup>30</sup> Ibid, p. 12

<sup>31</sup> Ibid p. 3

in the jurisdictions where it seeks to operate, and responds to these in its CSR policies and actions. A recent example is the corporation's development and implementation of a *Third Party Code of Conduct*, designed to regulate ethical behaviours in all partners within the GSK supply chain. The development and later strengthening of the Code was a direct response to the UK Government's *Bribery Act*, and has further been designed to align with the United States *California Transparency in Supply Chains Act*.<sup>32</sup> Notably, the GSK corporate case highlights the challenges of consistency for MNCs operating across the anarchic international environment, where CSR-relevant legislation can vary widely from government to government. In some countries, for example, direct-to-consumer marketing of prescription medicines is permitted, while in other countries it is not.<sup>33</sup> In some countries, animal testing on certain medical products is required before it is permitted to be sold, while in others this is not so. Both these matters clearly involve ethical issues, and MNCs dealing with a single global position in such variable environments need to make decisions about how CSR programmes and policy will respond.

International laws, conventions and initiatives also appear in the GSK comparative case as an influential driver of CSR action, again reflecting the Rio Tinto case study findings. There are numerous mentions throughout GSK CSR corporate literature of various standard and regulatory initiatives that GSK subscribes to, and in answer to which CSR policies have been shaped. Like Rio Tinto, GSK is a member of the *United Nations Global Compact*, and reports its CSR actions through this initiative;<sup>34</sup> and commitments to the UN Declaration on Human Rights and core labour standards set

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<sup>32</sup> Ibid p. 70

<sup>33</sup> Ibid, p. 55

<sup>34</sup> See United Nations, *United Nations Global Compact*, 'Participant Information: GlaxoSmithKline', <http://www.unglobalcompact.org/participant/4336-GlaxoSmithKline>, accessed 24 April 2012. GSK is currently up to date on its reporting, and has reported against all four required measurement areas.

by the International Labour Organization have been declared as part of the CSR approach.<sup>35</sup> Notably, GSK includes human rights clauses in all supplier contracts, and states that “We will not knowingly use suppliers who are responsible for human rights infringements”,<sup>36</sup> going on to say that where infringements with existing suppliers might be identified, GSK will make recommendations for improvements and conduct follow-ups. This is interesting in terms of the project’s core research question about the diffusion of norms through the international systems, as it suggests that GSK (like Rio Tinto) plays a role as a ‘downwards’ diffuser of norms, feeding principles and values from the top of the corporate hierarchy through to local suppliers and communities, sharing information and creating incentives for certain values and norms to be adopted and upheld.

Finally, just as there were indications in the Rio Tinto case study of CSR policy and projects being developed as a response to particular accidents or failures, and negative public opinion arising there from, the GSK comparison included indications of the same CSR motives. For example, the 2011 official CSR report notes that in that year, GSK incurred two environmental fines, and criticism for a range of failures, many relating to poor waste management and pollution. Importantly, CSR policy and action was adapted to respond to these problems, particularly in relation to the fines: “Both events were followed by corrective actions that satisfied the requirements”.<sup>37</sup> Similarly, failures of ethical marketing in the United States led to review and updating

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<sup>35</sup> GlaxoSmithKline (2011) *Do more, live longer, feel better*, Op. Cit, pp 53-54

<sup>36</sup> *Ibid.*, p. 68

<sup>37</sup> *Ibid.*, p. 91

of the Global Code of Practice for Promotion and Customer Interaction, and establishment of a new system for rewarding sales performance.<sup>38</sup>

### Differences: Industry-specific Variation

The fact that so many similarities were evident in the GSK CSR case, compared with the Rio Tinto case, should not obscure the fact that there were also differences. Mostly, however, it appeared that these differences were due not to fundamental variations in policy, objective or conception of CSR, but rather to industry-specific differences. For example, as a pharmaceutical company, GSK is involved not only in product development and primary or secondary production, but also in tertiary and manufacturing activities much further down the supply chain and closer to the final customer and product disposal interface. This means that there is a different range of situations in which CSR issues are likely to become pertinent for the corporation. Intellectual property rights are an important one of these; recognising that there are ethical issues associated with sharing or withholding potentially life-saving research information (and having previously been criticised for failing to share such information),<sup>39</sup> GSK has realised that this needs to be included in the suite of CSR positions and actions. As such, the firm has introduced an 'open innovation' approach to research and development, which involves partnerships and greater information sharing with industry, academia, governments and NGOs.<sup>40</sup>

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<sup>38</sup> Ibid, p. 55

<sup>39</sup> For a useful summary and evaluation of criticisms and defence of intellectual property restrictions in global pharmaceuticals, see De George, R. T. (2005) "Intellectual Property and Pharmaceutical Drugs: An ethical analysis" *Business Ethics Quarterly*, (15:4) pp 549-575.

<sup>40</sup> GlaxoSmithKline (2011) *Do more, live longer, feel better*, Op. Cit, p. 18. It should be noted that this development has not absolved the corporation from further criticism on this issue, particularly with regard to HIV drugs, the patents for which were not included in the sharing arrangements. See Karrim, Q. (2009) "GSK drops drug prices for poor nations" *Mail and Guardian Online*, <http://mg.co.za/print/2009-11-06-gsk-drops-drug-prices-for-poor-nations> accessed 14 May 2012; and

Further, as a pharmaceutical company GSK is not geographically-bound to certain regions in the way that mining firms are, so there is not the same need to shape CSR projects around specific community groups. As a result, there is less emphasis on CSR reporting on very localised approaches to CSR, with more attention rather being paid to country- or region-wide approaches. This does not mean, however, that there is not a geographic element to GSK's work, and that this is not reflected in policy and programmes. Most obviously, there is a strong geographic component to the firm's focus on neglected tropical diseases (NTDs), many of which occur in developing countries. Consequently, CSR policy has an explicit focus on social contributions in those developing countries where NTDs are most prevalent.<sup>41</sup>

### **Environmental Relationships and Effects**

Analysis of the findings of the Rio Tinto case study provided insights not only into how MNCs 'do' CSR, which have been supported by the comparative analysis here; but also into the deeper questions of why CSR operates the way it does, and what this can explain about the movement of norms through the international system. In particular, the Rio Tinto case suggested that there is a close relationship between the country and community environments in which the corporation operates, and local level implementation of CSR projects. The comparative GSK case (considered once again in Australia and Zimbabwe) supported many of these findings.

First, the Rio Tinto case indicated that jurisdictional environments, comprised of political, social and physical environmental factors, influence the way that corporations implement CSR policies. Specifically, it was proposed that where there is

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Karrim, Q. (2012) "Big promises from big pharma", *Inside Story*, [www.inside.org.au/big-promises-from-big-pharma](http://www.inside.org.au/big-promises-from-big-pharma), accessed 14 May 2012.

<sup>41</sup> Ibid pp 13-28

a weak or chaotic jurisdictional environment, without firmly established or enforced norms and expectations, companies can play a stronger 'downwards' diffusion role, spreading ideas from the top levels of the organisational hierarchy to local and community levels. Conversely, where there is a strong system of existing norms and expectations about social interaction and governance, firms will tend to take an 'upwards' diffusion role, adopting local practices and adhering to existing systems.

GSK's CSR activities in Australia appear to support this idea. As the previous chapters explained, there is a functioning democratic system of government in Australia that makes and enforces legislation on a range of CSR-relevant topics; the population is well-educated and articulate on CSR issues; and there is an effective non-government and advocacy sector dealing with a range of issues such as conservation, Indigenous rights and social wellbeing. In short, there is a strong pre-existing normative environment. As such, it is not surprising to find that the majority of GSK's CSR activity in Australia is focused on supporting existing relevant initiatives, such as *National Ride to Work Day*, the *KnoxFleet* and *The People and Parks Foundation*.<sup>42</sup>

Where GSK does take independent CSR actions, these are in areas where there is strong existing awareness and clear expectations; environmental conservation being the most significant example.<sup>43</sup>

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<sup>42</sup> Held annually in October across Australia, National Ride to Work Day encourages commuters to avoid driving or using public transport to get to and from work on the specified day, encouraging bicycle riding instead. In 2011, over 150,000 Australians rode to work as part of the scheme. See 'Ride to Work Day', *Bicycle Network* website, <http://ride2work.com.au/general/ride-to-work/93071/>, accessed 14 May 2012. The People and Parks Foundation is a non-profit charitable organisation aiming to bring people into closer and more relevant contact with the natural world. See the People and Parks website, <http://www.peopleandparks.org/home.html>, accessed 14 May 2012.

<sup>43</sup> See the GlaxoSmithKline Australia website, [http://www.gsk.com.au/about-us\\_green-initiatives.aspx](http://www.gsk.com.au/about-us_green-initiatives.aspx) accessed 20 April 2012.

In Zimbabwe, GSK has only recently re-opened its operations after a period of withdrawal due to the chaotic political and economic situation.<sup>44</sup> As such, CSR activities in that country are slowly being re-built. Interestingly, the project with which GSK has elected to recommence its CSR presence is a partnership arrangement. Working with the British Red Cross, the new programme has been designed to provide a Mass Sanitation Module (MSM) for use during mass cholera outbreaks.<sup>45</sup> As well as emphasising the company's preference for CSR partnerships, the MSM project also shows some tendency towards 'downwards' norm diffusion. In particular, the MSM provides not only actual sanitation facilities, but hygiene education, bringing information and advice about waste management, disease control, latrine planning and management and personal hygiene to up to 20,000 people. Four sanitation experts are permanently on call with the MSM, and GSK reports that training was provided for hundreds of Zimbabwean Red Cross staff. There are certainly parallels here with the Rio Tinto Zimbabwe experience, in which values and information are passed down from the firm to poor, under-developed communities, thereby spreading norms about good health and safe health practices.

**In summary: What does GSK suggest about the generalisability of the Rio Tinto findings?**

Overall, the similarities between the findings of the Rio Tinto case study, and the GSK comparative case were striking, both in terms of actions and motives for CSR, and in terms of the flow of ideas and norms across international operations. Specifically, the GSK comparative case confirmed the suggestion that MNCs can act as norm

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<sup>44</sup> GlaxoSmithKline (2011) *Do more, live longer, feel better*, Op. Cit, p. 13

<sup>45</sup> See GlaxoSmithKline (2010) 'Mass Sanitation Module Emergency Response Unit, Zimbabwe', GlaxoSmithKline website, <http://www.gsk.com/community/row-zimbabwe.htm> accessed 20 April 2012.

entrepreneurs in the international system; that these norms can spread both upwards and downwards, and cyclically, and that the direction of diffusion is influenced by the jurisdictional environment in which the MNC is operating.

As such, the GSK example suggests that it is reasonable to expect that the answers to the research question provided by the Rio Tinto study can be generalised at least as far as some other MNCs, including those in non-mining industries.

## **Context 2: Hong Kong Shanghai Banking Corporation – global banking company**

Hong Kong Shanghai Banking Corporation (HSBC) is one of the world's largest banking and financial services organisations, with around 7,200 offices across 85 countries in six geographic regions. Its activities are divided into four global business strands: retail banking and wealth management, commercial banking, global banking and markets and global private banking. In practice, this means that most of HSBC's business involves taking deposits and using them for various lending activities, either directly or through capital markets. Additionally, the bank offers a range of products and financial services including broking, underwriting and credit facilities, trade finance, credit cards, sale of insurance and investment products, and management of funds. Customers for these services are varied, and include governments; large, medium and small enterprises; high net worth individuals; and mass affluent and retail customers.<sup>46</sup>

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<sup>46</sup> HSBC (2012) 'Connecting Customers to Opportunities', *Annual Report and Accounts 2011*, [http://www.hsbc.com/1/content/assets/investor\\_relations/hsbc2011ara0.pdf](http://www.hsbc.com/1/content/assets/investor_relations/hsbc2011ara0.pdf), p. 10, accessed 1 May 2012.

Founded in Hong Kong and Shanghai in 1865,<sup>47</sup> HSBC now claims to serve around 89 million customers, and is listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges. Moreover, despite current economic difficulties, HSBC remains profitable, with a pre-taxation profit for the 2011 financial year of US\$21,872 million (around £13.3 million).<sup>48</sup> Like Rio Tinto and GlaxoSmithKline, it thus clearly qualifies as a major multinational corporation.

### **HSBC CSR Policy and Activities**

Also like Rio Tinto and GlaxoSmithKline, HSBC has a highly developed approach to corporate sustainability, about which it takes pains to share information and to publicise. A discrete report on the company's sustainability activities is produced annually, and there is information on sustainability in the formal Annual Reports. There is also a separate section on the global website dedicated to sustainability information, and most country websites also have information about sustainability activity in that particular place. As such, there is a range of documentation providing useful insights into the way HSBC 'does' CSR, which when added to findings from the Rio Tinto study and the GSK comparison, gives an extra dimension to analysis of the underlying research question. Further, there are various useful media and independent reporting documents which provide important viewpoints external to the organisation

The following comments consider HSBC's CSR activities both at a global level, and at a country and community level. For the latter perspective, while the previous two cases

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<sup>47</sup> HSBC (2011) *Sustainability Report 2010*, [www.hsbc.com/](http://www.hsbc.com/), p. 10, accessed 26 April 2012.

<sup>48</sup> HSBC (2012) 'Connecting Customers to Opportunities', *Annual Report and Accounts 2011*, [http://www.hsbc.com/1/content/assets/investor\\_relations/hsbc2011ara0.pdf](http://www.hsbc.com/1/content/assets/investor_relations/hsbc2011ara0.pdf) p.2, accessed 1 May 2012.

considered country environments in Australia and Zimbabwe, here the focus is on two different countries (HSBC in the Philippines and in the UK).

To investigate the bank's operations in these two countries, in addition to written materials mentioned above, some further information was collected through direct field contact, both prior to, and during a visit to the Philippines in May 2011; and through direct though *ad hoc* contact with local HSBC personnel in the UK. As a comparative situation, field activities were appropriately less involved than for the Rio Tinto case, but very useful information was gathered from formal interviews, informal conversation, and direct observations. Details of these activities are provided in Appendix B.

The country variation, while not vital to the core of the study, strengthens the comparative findings by explicitly considering this question of local environmental factors, which the other two cases appeared to suggest affect the way CSR is implemented. Certainly the Philippines is not directly comparable with Zimbabwe, and nor is the UK with Australia; but the general principle of levels of stability and development in government and economy linking with more 'top-down' or 'bottom-up' norm diffusion can still hold. To help ground this part of the comparison and clarify the relevant environmental situations, brief comments below cover the main issues currently animating life in the Philippines and in the UK.

### **The Philippines**

Spread across a fragmented tropical archipelago between the South China and Philippine Seas, history, both old and recent, looms large in the politics, economy and society of the Philippines. This South East Asian nation has experienced the full gamut of colonial subjection; first under the Spanish from 1521 until 1898, then the

Americans from 1898 to 1946, with a brief period of occupation by Japanese forces during the Second World War.<sup>49</sup> As in other former colonies, these experiences have left legacies, both good and bad;<sup>50</sup> and the period since Independence has also offered hard challenges that the fledging nation has struggled with and which continue to hinder its full prosperity. Nevertheless, with Gross Domestic Product in 2010 recorded at US\$188.7 billion, annual growth of about 3.5 percent, and a population of just over 94 million,<sup>51</sup> the Philippines is making progress towards its development objectives. These historical and socio-economic factors shape the local contexts in which multinational corporations seek community legitimacy.

At hand here are four particularly pertinent issues, all highlighted in President Benigno S. Aquino III's most recent *State of the Nation Address*,<sup>52</sup> and indeed noted in conversation and observation during fieldwork in the Philippines in May 2011.<sup>53</sup> The first is ongoing problems of poverty and inadequate infrastructure; the second is the entrenched culture of corruption which has dogged the last several decades of Philippine politics;<sup>54</sup> the third is the strength of religious sentiment, and particularly of Roman Catholicism; and the fourth is the continuing instability and periodic violence associated with rebel and separatist groups, particularly in the south of the country in

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<sup>49</sup> United States Department of State, 'Background Note: The Philippines', Business Source Complete, <http://web.ebscohost.com.gate2.library.lse.ac.uk/ehost/>, accessed 24 July 2012.

<sup>50</sup> The fact that over 80 percent of the Philippine population reported themselves in the 2000 *Census* to be Roman Catholic is a clear result of four centuries of Spanish rule. The bicameral structure of the current political system, and associated political institutions, as well as the wide use of the English language, on the other hand, owe more to the recent period of American occupation. See Hedman, E. E. And Sidal, J. T. (2000) *Philippine Politics and Society in the Twentieth Century: Colonial legacies, post-colonial trajectories* (London: Routledge) for details.

<sup>51</sup> United States Department of State, op. Cit.

<sup>52</sup> Aquino, B. S. *Third State of the Nation Address*, addressed to the Congress of the Philippines at Quezon City, Philippines, on 23 July 2012, [www.gov.ph/2012/07/23/](http://www.gov.ph/2012/07/23/), accessed 24 July 2012.

<sup>53</sup> Full details of fieldwork are recorded at Appendix B.

<sup>54</sup> Corruption in the banking sector has also been a notable feature of corporate life in the Philippines, a matter of relevance to the study of HSBC's operations. See Hutchcroft, P. D. (1998) *Booty Capitalism* (Ithaca: Cornell University Press) for an interesting discussion.

the Mindanao region. All of these matters may be expected to concern foreign firms attempting to operate in the country, and, following the indications from the Zimbabwe field work, thus to be subject to CSR and attempts to secure business license.

HSBC has a long history in the Philippines, having operated there since 1875. It has been present through the last years of the Spanish colonial period, and through the American and Japanese periods, and since Independence. With seven main branches in different parts of the country, and employing about 8,000 people, it is a notable financial and economic actor.

### **The United Kingdom**

If the Philippines is a country and an economy forging ahead from a relatively low base, the United Kingdom is arguably in the opposite situation. A national union struggling to recover from the 2008 financial crisis and to avoid 'contagion' from the volatile Euro zone, the UK's formerly robust economy stutters along with negative growth and relatively high unemployment.<sup>55</sup> Analysis often correlates these economic difficulties with social and political ills. Poverty and deprivation, especially among young people, were blamed as major causes of violent riots that occurred in London and other major cities during August 2011,<sup>56</sup> and the instability of the Euro zone is

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<sup>55</sup> In July 2012 the UK economy recorded its third consecutive quarter of negative growth, showing a 0.7 percent contraction. See Office of National Statistics (2012) 'Gross Domestic Product: Preliminary Estimate, Q2 2012', <http://www.ons.gov.uk/ons/rel/gva/gross-domestic-product--preliminary-estimate/q2-2012/index.html>, accessed 26 July 2012. Also in July 2012, the national unemployment rate was recorded at 8.1 percent of the working age population, and the unemployment rate for 16 to 24 year olds was 21.9 percent. Office of National Statistics (2012) 'Labour Market Statistics, July 2012', <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/july-2012/statistical-bulletin.html#tab-Young-people-in-the-labour-market>, accessed 26 July 2012.

<sup>56</sup> Benyon, J. (2012) 'England's Urban Disorder: The 2011 Riots', *Politics Insight* (3:1) pp 12-17. For a useful analysis of the disengagement of young people from the British political process in general, see Marsh, D. et al. (2007) *Young People and Politics in the UK* (Basingstoke: Palgrave Macmillan)

often blamed for politically unpopular policy decisions and government announcements.<sup>57</sup>

Beyond these general political, social and economic factors, there is a particular issue that could arguably be expected to animate HSBC's search for legitimacy in the UK, which is the highly negative public perception of large and investment banks.<sup>58</sup> Public anger at the perceived irresponsibility and excesses of the financial services industry was clearly demonstrated during the 'Occupy London'<sup>59</sup> movement, a large scale social expression mirroring the 'Occupy Wall Street' movement in the United States. Further, HSBC itself has recently come under public pressure in relation to charges of involvement in extensive international money laundering schemes;<sup>60</sup> a problem that would certainly not help the bank to achieve legitimacy through the meeting of public expectations on appropriate behaviour.

It should be noted, however, that despite these problems, other important parameters of the UK environment remain firmly in place. For example, as in Australia there is a highly developed system of legislative and regulative institutions that govern business activity and investment, and the political system, while experiencing its share of difficulties, must nevertheless count as stable and broadly effective. These

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<sup>57</sup> In June 2012, for example, Chancellor of the Exchequer George Osborne claimed that problems in the Euro zone were 'killing off' chances for UK economic recovery; a claim vigorously disputed by his political rivals. BBC News (2012) 'George Osborne says eurozone crisis killing UK recovery' 10 June, <http://www.bbc.co.uk/news/uk-politics-18383804>

<sup>58</sup> The public and media outrage directed at Royal Bank of Scotland Chief Executive Stephen Hester's proposed bonus payment for heading the tax-payer supported bank is symptomatic of the general feeling. See Malik, Shiv (2012) 'Outrage mounts at RBS chief's near £1 bonus' *The Guardian*, 27 January, <http://www.guardian.co.uk/business/2012/jan/27/outrage-mounts-rbs-boss-bonus>, accessed 26 July 2012.

<sup>59</sup> Occupy London, <http://occupylondon.org.uk/>, accessed 26 July 2012.

<sup>60</sup> For example, see Treanor, J. (2012) 'HSBC money laundering scandal draws in trade minister' *The Guardian*, 18 July, <http://www.guardian.co.uk/business/2012/jul/18/hsbc-money-laundering-lord-green>, accessed 26 July 2012.

matters fundamentally shape the issues that HSBC would consider in implementing CSR, and lay down a clear framework for appropriate or necessary actions.

HSBC is certainly amongst the largest actors in the UK banking industry, headquartered in London and with a history stretching back to the opening of an office in London in 1865.

### **Similarities of CSR Emphasis and Implementation**

As in the comparison with GSK, there are striking similarities between the CSR approaches and activities of Rio Tinto and HSBC. However, there are also a number of important differences, which indicate where and on what terms there may be some limits to the generalisability of the Rio Tinto findings.

One of the most obvious similarities between the findings of the Rio Tinto case study and the HSBC comparison is a heavy focus on stakeholder expectations, and the utility of corporate sustainability activity in meeting those expectations. For example, the opening paragraphs of the 2010 Sustainability Report explicitly note that the intended audience for the report are the bank's key stakeholders, including institutional investors, customers, and non-government organisations. Moreover, it is clear that the content of the report, and indeed the whole sustainability programme, has been compiled with reference to those issues about which stakeholders have most concern, with the bank actively seeking information on stakeholders' sustainability and CSR expectations, and supplying direct responses to those expectations.

*"In 2010, we held meetings with some of our top 50 institutional investors in London, Paris and Frankfurt to update them on our approach to sustainability, hear their feedback on our priorities and performance, and answer their questions. We also met around 25 NGOs at Group level alone to share*

*views on topics related to banking and sustainability. This report is based on an understanding of our stakeholders' expectations, informed by those discussions. As a result, we have chosen to focus on the following issues: contribution to the economy; supporting our customers; valuing our employees; climate business; risk management; investing in communities; and environmental efficiency in our operations.*<sup>61</sup>

As such, the findings of the HSBC comparison align closely with those of the Rio Tinto and GSK cases, perhaps noting even more explicitly than the other two the direct link between sustainability and social license.

Again in line with the other two cases, a second major similarity found in the HSBC case is an emphasis on partnerships, particularly in those activities which involve environmental or community issues. Notably, many of HSBC's sustainability partnerships are with charities and programme organisations also operating on a multinational basis. The flagship education programme *Future First*, for example, is operating through a partnership with SOS Children's Villages (a major global orphan sponsorship charity)<sup>62</sup> and under that with various local charities.<sup>63</sup> Similarly, HSBC's financial and business literacy education programme *JA More than Money* operates in partnerships with Junior Achievement Worldwide, a global volunteer-based education and training non-government organisation.<sup>64</sup> Major environmental partnerships involve multinational charitable and non-government organisations including World Wide Fund for Nature and Earthwatch. This characteristic of HSBC's sustainability activity may suggest something particularly interesting in relation to the diffusion of normative influence; it could be that where HSBC has less direct contact with local groups and community-specific issues, it is less likely that there would be

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<sup>61</sup> HSBC (2011) *Sustainability Report 2010*, op. Cit., p. 1.

<sup>62</sup> See [www.sos-childrensvillages.org](http://www.sos-childrensvillages.org).

<sup>63</sup> HSBC (2011) *Sustainability Report 2010*, op. Cit., p. 16.

<sup>64</sup> See [www.jaworldwide.org](http://www.jaworldwide.org).

much opportunity for a 'bottom-up' flow of influence and information; a point to consider in the country-specific activity analysis.

A third key similarity between the HSBC comparison case and both the GSK and Rio Tinto cases is a heavy and explicit focus on international CSR standards and values initiatives. The 2012 Sustainability Report provides a tabulated list of the various international commitments which HSBC has made, with initiatives including the Climate Principles; the Equator Principles; the Extractive Industries Transparency Initiative; the Global Business Coalition on HIV/AIDS; the United Nations Environment Program Finance Initiative; the United Nations Global Compact; the United Nations Universal Declaration of Human Rights; and the Wolfsberg Principles.<sup>65</sup> Notably, former HSBC Director Sir Mark Moody-Stuart has moved to take a prominent position in international CSR affairs, becoming (ex-officio) Vice-Chair of the United Nations Global Compact, and Chairman of the Foundation for the Global Compact. Of these commitments, it is perhaps most notable that HSBC is a member of the Extractive Industries Transparency Initiative. Clearly not itself being an extractive industry corporation, HSBC does nevertheless lend to miners and oil-drilling companies, and its subscription to these principles offers an interesting indication of industry-specific issues guiding HSBC's sustainability decisions; more of which is noted below.

### **Differences: Industry-specific Variation**

Like the GlaxoSmithKline case, the HSBC comparison suggested that there are industry-specific variations that affect the way decisions about CSR and sustainability are made. In particular, concern with CSR across the supply chain emerged as a prominent concern for HSBC, as it did for GSK; both cases thus representing a

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<sup>65</sup> HSBC (2011) *Sustainability Report 2010*, op. Cit., p. 4.

difference from the Rio Tinto findings. Arguably, the banking corporation's concern with supply chain issues was even more pronounced than for the pharmaceutical manufacturer; specific policies are published detailing the standards and procedures HSBC has committed to in dealing with clients, partners or suppliers working in six industry sectors with particular CSR relevance.<sup>66</sup> Further, the HSBC case pointed to particular issues which have important ethical dimensions but which are specially or exclusively relevant to international banking corporations; money laundering and financing of arms or weaponry firms being key.<sup>67</sup>

A second difference notable to the HSBC case, and which may be considered industry-specific, is the greater level of geographic flexibility available to the corporation in making decisions about where and how it operates across difference national and local jurisdictions. Unlike both Rio Tinto and GSK, both of which demonstrated an element (stronger in the Rio Tinto case) of geographic dependence in their activities, HSBC is less bound by the need to access physical resources or be proximate to specific product markets. Further, HSBC operates in a very large number of countries and territories (132) and as such it is reasonable to assume that, some variations in country-based market strength and size aside, there is much less need to ensure long term social license and access in any one country compared with others. This has important implications in terms of the audience for HSBC's sustainability activities, and the extent to which activities need to be specific and targeted to local community needs. For example, this geographic flexibility may well explain the focus that HSBC places on partnering with charities and NGOs operating at global level; in these cases,

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<sup>66</sup> These sectors are the chemicals industry, the defence equipment sector, the energy sector, the forest land and forest products sector, the freshwater infrastructure sector and the mining and metals sector. Details of the policies are available at [www.hsbc.com](http://www.hsbc.com), accessed 27 April 2012.

<sup>67</sup> HSBC sustainability website, 'Our Approach', [www.hsbc.com](http://www.hsbc.com), accessed 27 April 2012.

the bank's CSR investment may be more readily shifted across the charity's portfolio of work areas according to corporate preference at any one time, rather than according to the needs of certain local communities.

### **Differences: Variation of Concept and Policy**

The HSBC case also suggests differences of CSR concept and policy, not just of industry, and in this case it differs perhaps most strongly from the other two.

Exemplary here is the content of the global policy platform. While HSBC does also, like Rio Tinto and GSK, appear to operate sustainability on the basis of a single global policy with local application flexibility, the content and specificity of HSBC's global policy is somewhat different. Specifically, the values on which sustainability is based, and which are intended to guide all Group activity, do not reflect the popular triple-bottom-line (TBL) paradigm found at both Rio Tinto and HSBC. Rather than building a CSR programme around expressed concern for economic, environmental and social outcomes equally, HSBC's three core values are: to be dependable and do the right thing; to be open to different ideas and cultures; and to be connected with customers, communities, regulators and each other.

Under analysis, even a cursory glance shows these three 'values' to embody a breathtaking level of vagueness. It is indeed difficult to imagine a set of values more devoid of meaningful content, nor more ripe for selective interpretation and *ad hoc* application. While the corporate values espoused by Rio Tinto and GSK are also broad and high-level, each nonetheless has a core of topic-specificity, relating to concern for the natural environment, or for social communities, or indeed for commercial success. The fact that HSBC's 'values' contain no such specificity, and moreover that the company admits that "We recognise that we have not always got this (values)

right in the past”<sup>68</sup> suggests not only a lower overall priority being given to sustainability in the company, but also a reluctance to commit to policies that may too readily be aligned, and found wanting, against measurable outcomes standards. It could be argued that, despite the lack of values specificity, and the lack of explicit commitment to TBL issues, in practice most of HSBC’s CSR activities do nonetheless focus on one or other of the three TBL core topics. Nevertheless, there is certainly a less direct and less consistent relationship between the corporate values and the practical operation of CSR activities than in the other firms, and this in turn suggests implications for the movement of norms through the company and between the company and communities; more of which is noted below.

A second difference apparent in the HSBC findings that contrasts with both the Rio Tinto and GSK cases is the strength of focus on the business case for sustainability activity, and the company’s ambition to derive commercial profit from CSR activities. For example, the Group Chairman’s comments at the start of the official sustainability report explain without hesitation the purpose of the bank’s sustainability activities, which “...can enhance our reputation, create greater ‘engagement’ among employees, increase revenues and reduce risk, ultimately delivering sustainable value to our shareholders.”<sup>69</sup> The report later goes on to state that the most important contribution HSBC can make to society is through business success and sustainable revenues. Perhaps most notably, the ‘sustainability issues’ on which the bank has chosen to focus have been chosen not only, or not even primarily, for their social value, but rather for their business value. This is most striking in the corporation’s focus on climate change and environmental issues. It is acknowledged that climate

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<sup>68</sup> Ibid., p.9

<sup>69</sup> HSBC (2011) *Sustainability Report 2010*, op. Cit., p. 2.

change presents a challenge in environmental and social terms, but for HSBC the key issue is the commercial opportunities it offers: "...we should also recognise the opportunities it (climate change) will create. We estimate that the size of the 'climate business' sector – the value of products and services linked to climate change – is now more than US\$530 billion, and could exceed US\$2 trillion by 2020."<sup>70</sup>

It must be noted that, as mentioned in earlier chapters, both Rio Tinto and GSK also have commercial concerns inherent in their CSR approaches and activities, but in HSBC the explicitness and strength of that incentive, as well as the lack of any meaningful sustainability activity that does not relate directly and as a priority to commercial gain, suggests a qualitative difference in the content of the CSR concept at HSBC, compared with the other two.

### **Environmental Relationships and Effects**

Maintaining the pattern set throughout the chapter and indeed the project, having dealt in the comments above with key points about how HSBC 'does' sustainability, it remains to consider what this case may indicate about the movement of norms through the international system, and the link to specific environments and contexts.

It is useful here to turn to HSBC's activities in the two focus countries, here the Philippines and the United Kingdom.

The first key idea arising from review of material concerning the UK and the Philippines is that, compared with the other two cases, there appears to be less country-specific variation in HSBC's activities in each place. In both cases, for example, the *HSBC Climate Partnership* is mentioned as the flagship environmental programme, with local participation in elements of the programme being cited as

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<sup>70</sup> Ibid. p. 3

examples of local sustainability activity.<sup>71</sup> In the UK, this focuses on training HSBC employees about climate issues and giving them the chance to become ‘Climate Champions’ to provide civil assistance to relevant scientific research projects outside the firm. In the Philippines, the focus is almost exactly the same, but with the added suggestion that the Climate Champions also have a role within the workplace, sharing information about environmental protection and leading workplace initiatives. In another example, in both the UK and the Philippines, there is a focus on primary education as a community sustainability activity, although action in the UK is more limited, and focuses on the financial education programme *What Money Matters*,<sup>72</sup> contrasted with a broader range of activities in the Philippines.<sup>73</sup> In yet another example, the *Future First* programme, focusing on poverty reduction and youth support, operates in both the Philippines and in the UK;<sup>74</sup> though again activities in the Philippines are more highly developed and promoted than in the UK.<sup>75</sup>

To the extent that there are small variations between activity in the Philippines and in the UK, however, these do make sense within the general paradigm of environmental effect suggested by the Rio Tinto case. That is, the slightly more active role of the Climate Champions in the Philippines, and the broader range of primary education and poverty alleviation activities in that country, align with the idea of ‘top-down’ norm movement in less stable country environments. Here, the corporation fills a vacuum in social provision left by inadequate, and in part incompetent or corrupt

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<sup>71</sup> See HSBC Philippines website, [www.hsbc.com.ph/1/2/about-us/sustainability](http://www.hsbc.com.ph/1/2/about-us/sustainability), accessed 11 April 2012; and HSBC UK website [www.hsbc.co.uk/1/2/about-us/sustainability](http://www.hsbc.co.uk/1/2/about-us/sustainability), accessed 27 April 2012.

<sup>72</sup> HSBC UK website, *Ibid*.

<sup>73</sup> HSBC Philippines website, *op. Cit*.

<sup>74</sup> HSBC (2011) *Future First: Achievements and Aspirations*, available at the HSBC website, [http://www.hsbc.com/1/content/sustainability\\_2009/future\\_first/pdf/hsbc\\_future\\_first\\_achievement\\_s\\_and\\_aspirations.pdf](http://www.hsbc.com/1/content/sustainability_2009/future_first/pdf/hsbc_future_first_achievement_s_and_aspirations.pdf), accessed 6 August 2012.

<sup>75</sup> See Appendix B, interview with Cat Avelino, Assistant Vice President Group Communications, HSBC Philippines.

government. As noted in the brief country profile above, corruption and poverty are certainly pertinent issues in the Philippines today, and it makes sense that there would be more space for HSBC to play a normative role.

In the UK, on the other hand, where there is a more established set of governance conventions, legislation and social provision, as well as a (rather) more stable political and economic situation,<sup>76</sup> there is less space and less call for corporations to fill vacuums in social provision, and CSR activity is thus focused more towards 'bottom-up' norm movement; or working with and through existing governance organisations and institutions, and particularly Government institutions. One area of activity in the UK where this is quite clear, for example, is in relation to environmental sustainability. Here, there is a strong emphasis for HSBC on lobbying and influencing government decision-makers, and working with water companies, rather than attempting community level environmental initiatives.<sup>77</sup>

Overall, then, this supports the ideas from the Rio Tinto case study that a key factor in determining the direction of norm movement is the relatively stability and prosperity of local environments in which the corporations is operating.

### **In summary: What do GSK and HSBC suggest about the generalisability of the Rio Tinto case findings?**

The purpose of this chapter has not been to present two more corporate cases to stand alongside the Rio Tinto study; rather, it has been to contextualise and provide an element of validation to the Rio findings, aligning them with appropriate

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<sup>76</sup> Notwithstanding the political, social and economic challenges facing the UK, the country retains a relatively stable and established set of governance and government institutions and organisations; as noted in the country profile comments.

<sup>77</sup> World Wide Fund for Nature (2011) *The HSBC Climate Partnership*, report available at [http://assets.wwf.org.uk/downloads/hcp\\_global\\_summary\\_2011.pdf](http://assets.wwf.org.uk/downloads/hcp_global_summary_2011.pdf), p. 5, accessed 20 April 2012.

comparisons to see whether they are generalisable beyond the global miner. As such, analysis of the GSK and HSBC cases has been oriented to those elements which are of particular relevance to the Rio Tinto findings, and the resulting comparisons, taken together, disclose useful insights both in relation to the first and second parts of the research question.

In relation to the first part of the research question, the empirical issue of how multinational corporations 'do' CSR in an anarchic global environment, the GSK and HSBC cases suggest that the main project findings can indeed validly be applied to other multinational corporations beyond Rio Tinto. That is, all three cases shared fundamental similarities in approach and in implementation of CSR activities. All three used a single global policy platform, focused on broad values and principles, to guide and provide some consistency for more flexible and variable local applications. In both Rio Tinto and GSK there was a similarity of content in the global platforms, both showing essential adherence to the classic triple-bottom-line triptych of economic, social and environmental outcomes. While these three ideas did not appear in the HSBC global 'values', there was nevertheless some evidence of some attention to them in practice. All three also demonstrated a deep concern for (the reputational power of) international standards and initiatives; and with stakeholder expectations, and satisfaction of these expectations, as the principle motive and driver for CSR within the firm. Flowing from this, all three also showed a clear partiality to partnership arrangements as an organisational method of implementing CSR activities at local levels. From this it can be concluded that explaining MNC CSR under international anarchy in terms of a broad global values base that leaves flexible room for local application according to stakeholder expectations is indeed a valid one.

The most important variation in how CSR was 'done' across the three cases related to industry-specific difference, and in particular how geographically fixed are the corporation's business sites. In both Rio Tinto and in GSK, operations are to a greater or lesser extent bound to certain physical locations. Given the emphasis on CSR as a tool of community social license, it is not surprising that there was evidence of greater local specificity, and indeed commitment, in the CSR of those two companies. For HSBC, the bank's extensive global activity spread coupled with the geographically flexible nature of financial business appears to mean there is less need to commit closely to particular local communities, and consequently the weaker commitment to dedicated, localised CSR activities can be explained.

In a related point, the comparison cases support the suggestion made in chapter six,<sup>78</sup> that while Freeman's idea of companies categorising stakeholders into 'Tier 1' and 'Tier 2' according to their importance to business success is in general correct, it is too restrictive to suggest that the same groups of stakeholders will consistently occupy each 'Tier'. Rather, tier categorisation will be dependent on individual industry and environmental contexts. The cases show that geographic context matters here also; as HSBC is less constrained by physical location, and therefore by local stakeholder groups, it is not surprising to find that shareholders, who have no particular physical home but whose contribution to business operations is vital, appear as a key audience ('Tier 1') for CSR activity while local community groups do not appear so important. In Rio Tinto and GSK, by contrast, local communities and fixed-location stakeholders appear to attract a much more explicit focus as the audience for CSR activity.

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<sup>78</sup> See Chapter six, pp 208-211.

The other two key points emerging from the study in relation to how MNCs 'do' CSR are first, that the study confirms risk management as an important motive in conception and implementation of CSR, and further supports the suggestion in chapter six that those risks tend to be calculated across five key areas.<sup>79</sup> Second, the study provides support for those arguments that managers and managerial preference can be important drivers not only of the establishment of CSR programmes, but of their nature and content.

In terms of the second and fundamental part of the research question, of what this all might disclose about the movement of norms through the international system, the comparison cases also provided support for the Rio Tinto findings. Specifically, it appears valid to suggest that MNCs can indeed be agents of norm movement through their CSR policies and activities, but that the direction of norm movement can be more fluid and multi-directional than popular 'top-down' models suggest. Specifically, there is evidence that norms can move both from the upper levels of the organisation down to local communities across countries; and up from those communities into the higher corporate levels. Further, and perhaps most notably, the findings of this study suggest that the factor most influential in determining the direction of norm flow is the local environment; political, economic and social. Specifically, in countries or communities where government and governance are weak or chaotic, and social and economic conditions are inadequate, corporations will tend to respond by playing a more entrepreneurial, proactive role in norm spreading. In this sense, norm movement will be 'top-down'. Conversely, where government is stronger, and social and economic conditions are better, corporations will tend to play a more reactive

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<sup>79</sup> See Chapter six, pp 208-210.

role, supporting existing institutions and organisations, and adopting or adapting to local customs. In these cases, norm movement will be more 'bottom-up'

## Conclusion

In 2002, former US Secretary of Defense Donald Rumsfeld gained a measure of notoriety (enhancing his already high standing in that department) by declaring that intelligence about weapons of mass destruction in Iraq may fall into one of three categories; known knowns, known unknowns, and unknown unknowns.<sup>1</sup>

Mocked though his expression was, and regardless of the genuine facts and outcomes of that case, Rumsfeldt nevertheless grasped an epistemological concept that is highly relevant to the conduct of scholarly research. Namely, that knowledge building is a continuum, in which the work of scholars who have gone before illuminates certain understandings which current and future scholars take as their starting point; in other words, the 'known knowns'. The job for these scholars is then to examine that work, and see where the gaps and inconsistencies lie; to identify, effectively, the 'known unknowns'. In their turn, working to fill these gaps, scholars produce a further bounty of understanding, which eventually throws up new questions which at first were not even conceivable; the currently 'unknown unknowns'.

It is with the second of these three circumstances that this project has been concerned. Taking as its starting point the extant literature from International Relations debating 'globalisation', and associated concepts such as global governance and the status of non-state actors in world affairs, the investigation identified gaps in existing understandings of how these things work; particularly in relation to the legitimacy of multinational corporations in an anarchical international system, and

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<sup>1</sup>Donald Rumsfeld, *Press Release*, a speech to the North American Treaty Organization Head Quarters in Brussels, 6-7 June 2002, available at <http://www.nato.int/docu/speech/2002/s020606g.htm>, accessed 7 August 2012.

the way in which legitimacy based on values could work in a normatively diverse environment.

Condensing these concerns into the research question, of what the operation of CSR in multinational mining corporations discloses about the movement of norms through the international system, the core case study of *Rio Tinto Group* enabled a series of insights both about *how* international CSR works, and *why* it works in the way it does. While focusing primarily on one multinational mining corporation, the comparative examinations described in chapter seven showed the extent to which the major findings could be generalised to apply to other multinational companies in other industries also.

Just as this study has addressed some of the gaps in existing literature, or the 'known unknowns', however, the work has in its own turn thrown up further ideas and questions that could fruitfully be the study of future examination. In other words, 'unknown unknowns' have become 'known unknowns', ripe for investigation.

This concluding chapter outlines what some of these ideas are, offering initial thoughts and proposing possible avenues of useful research. The first sections confirm the distinct contributions that this project has made to existing work in the relevant areas of international relations, and of management scholarship, and then describe general concepts that the project has highlighted, noting points of interest and a few additional insights that flow from the empirical conclusions. The next sections describe specific research ideas. The first of these, concerning the link between values and contexts, may apply in various academic disciplines, depending on project topics, and hence is mentioned by itself. Then, given the particular nature

of this investigation, touching as it does on core interests for scholars of IR and of Management, specific suggestions for future research in each of those two areas are offered separately.

## **The Project Contribution**

### **International Relations**

Chapter two explained the broadly constructivist strand of international relations scholarship that is concerned with the emergence and movement of norms and values through the international system. Highlighting the contributions made by Finnemore and Sikkink in their proposal for explaining the movement of international norms through a downwards 'cascade', as well as those who followed them to apply the model in certain institutional and regional circumstances, the project nevertheless identified several points on which further work would be valuable. Namely, saying something more about the origins of norms; and about which actors (particularly beyond states) might be considered valid norm agents; and about whether there are other ways to understand norm movement beyond the downwards model. This project has delivered a distinct contribution on each of these points.

On the first point, that of norm origins, the analysis showed that norms can originate from a variety of different places, including not only from international institutions (such as the United Nations); but also from the personal moral, religious or other beliefs of leaders and top managers in a variety of organisations; and from very local and particular community and social circumstances. This suggests that at any one time there are a number of normative positions, sometimes in competition with each

other, about which norm agents make decisions in supporting and promoting some values and not others.

This points to the second contribution, namely determining which actors can be valid norm agents. Whereas previous analysis has focused on states and associated actors such as inter-governmental organisations, the project made clear that others can also be effective norm agents, including multinational corporations. In contrast to states and IGOs, the ability of MNCs to act as norm agents in the international system derives not *primarily* from their status as legitimate international thought leaders, but from their material power as organisations with the financial and logistical ability to make a difference to the reality of social and economic life across diverse global and geographic contexts. Engaging with norms does, however, contribute to creating and sustaining the legitimacy of MNCs to undertake their core business, and in that sense MNCs become part of the landscape of international norm and thought leadership.

The third point, concerning whether there are other ways to understand norm movement beyond the downwards 'cascade' model, is answered in the project's consideration of how norms work within the specific case study corporations. The project clearly showed that as well as being able to move downwards, norms are equally able to move upwards, and in a cyclical fashion. The question leading from this, of what prompts the direction of norm diffusion in any one circumstance, is answered in the project's finding that the local social, economic and judicial situation of country or community contexts will have a major bearing on norm directions.

These contributions together point to specific new projects and studies that would be interesting to undertake in further extending understanding of norms in international

relations. Such ideas are outlined more generally below, but it can be noted here that further studies examining and refining Finnemore and Sikkink's model for norm diffusion, for example by inverting the model to start with a known norm and trace its emergence back to the origin, would be useful.

### **Management Studies**

The project has also made a distinct contribution to contemporary work in management studies. This concerns the complicated question, examined fruitfully by Freeman, of how corporations make decisions about distributing limited resources across multiple competing stakeholders. Freeman's two tier model provides a solid starting point, and the project has been able to build two new contributions onto it. Specifically, the project has been able to identify an element of fluidity within that model, pointing out that the stakeholders comprising the first and second tiers will not always be the same ones, but rather will move between the tiers (and indeed potentially outside them altogether) depending on corporate, social and regulatory circumstances. Further, the project has been able to identify that the decisions corporations make about the importance to be accorded individual stakeholders relate to five core considerations of *risk* (those being the influence, interest, quality of existing relations, environment, and relevant legislation). Stakeholders become 'allocated' into either tier one or tier two according at least in part of corporate judgements about these risks.

Taking these contributions together, the project findings also enable more general insights about the progress and potential of academic enquiry in these fields; as the following points describe.

## Additional Conclusions and Insights

### Cross-disciplinary research

One of the issues most pertinently pointed up by this study is that of cross-disciplinary research. International Relations has sometimes been prey to existential concerns about its identity in relation to the various other fields of enquiry with which it shares topic interests.<sup>2</sup> Sometimes this has provoked something of a defensive edge in scholarship, a factor which perhaps contributed to the extensive internecine battles between IR scholars of different theoretical bents on a range of epistemological, ontological and methodological matters.<sup>3</sup>

However, in recent years the persistence and growth of the discipline, not to mention its clear pertinence and useful flexibility in dealing comprehensively with matters of global concern, must surely fix its place in the academic arena. From this perspective, it makes sense to think broadly about the ways that IR, its internal rigour under constant review through the work of the many meta-theorists arguing from various viewpoints, can usefully and explicitly engage with other relevant disciplines.

This project has shown, for example, that the fact of international businesses operating in conditions of global anarchy provides ripe sources of inspiration and curiosity for scholars of IR, and of management, and indeed of international

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<sup>2</sup> Jim George speaks often of IR as the 'backwards discipline' in his 1994 critical discussion of the field, noting how it has been unfavourably contrasted with the apparent theoretical rigour of neighbour disciplines such as economics. George, J. (1994) *Discourses of Global Politics: A critical (re)introduction to International Relations* (Boulder, Colorado: Lynne Rienner Publishers).

<sup>3</sup> The famous IR debates between realists and liberals, and later rationalist and critical scholars, over the course of the twentieth century are well-known, as is the prolonged and on-going debate about the different character of the discipline in the United States compared with the United Kingdom and Europe. See for example, Weaver, O. (1998) 'The Sociology of a Not So International Discipline: American and European developments in International Relations', *International Organization* (52:4) September; and Smith, S. (2000) 'The Discipline of International Relations: Still an American social science?' *British Journal of Political Science and International Relations* (2:3) October.

economics. Variations on the investigation may equally well yield stimuli for scholars of international law, sociology, philosophy and ethics, and indeed theology; as the first research suggestion below points out.

Too much theoretical or disciplinary eclecticism is certainly to be avoided, with its dangers of assumption and internal inconsistency; but as long as research is based on clear and explicit foundations, IR scholars ought not to fear conceptual or factual collaboration. The insights and theories of other fields of study, where appropriate, can strengthen and enrich scholarship from any one specific discipline.

### **Globalisation and its (on-going) complexities**

A second issue which the project has pointed up concerns the ever-evolving complexities of globalisation. Whether or not it is considered a force for good or bad, as chapter one discussed, few dispute that connections and mutually affecting exchanges of people, goods and things across international borders are a real factor in contemporary life, and there remains much work not only in understanding how these things operate currently, but in thinking about how they may evolve and how they may in future be shaped to various ends.

Again, this is a matter of interest for many disciplines; though arguably here International Relations stands at the forefront. One of the particular topics that has been a core concern of this project, for example, is that of non-state actors in international affairs. By examining the legitimacy and globally legitimising activities of multinational corporations, the project indicates the possibility of still more types of non-state actors emerging to take up legitimate status as international participants. It may be interesting to consider, for example, the international status of 'cyber actors'; those entities which may not even have a physical presence but may yet constitute an

(electronic) actor capable of influencing and being influenced by cross-border transactions.

From another angle, the project also points up the challenges of ongoing attempts to regulate globalisation. In line with the proliferation of non-state actors, it is not surprising that the findings indicate that while there is an interest and a rhetorical power in standards of global ethics, the vast array of international organisation, initiatives, institutions and conventions attempting to govern transnational interactions, the lack of coherence between these, and the continuing scope of many international actors to act with selective or no regard for regulatory instruments indicates that contemporary international life has in many areas avoided the adoption or imposition of any meaningful governance mechanisms. This clearly offers particular problems for those interested in the study of 'global governance'; but it is also a matter of more general scholastic and empirical interest.

### **Future Research Agenda**

Having outlined some of the general concepts and ideas the study has pointed up, it is now useful to turn to more specific suggestions for research in various disciplines, and in IR and management particularly.

#### **Values and Context: A complex symbiosis? Ideas for research in various disciplines**

The findings of this study, whether in relation to decision-making in multinational corporations (MNCs), or the direction of flow in international normative movement, or indeed the content of norms within international life, point to one underlying issue that could be of interest for research across many disciplines: the links and relationship between *values* and *context*.

At the most basic level, this issue need not be particularly provocative; values are core to human life in the present social, phenomenal world, and as such they always manifest in some kind of material context. The question, however, is about whether that context has an *effect* on the values; or indeed whether values have an effect on contexts. This is a much more complicated question, and one which scholars from many disciplines grapple with in one way or another.

For example, philosophers have for centuries been concerned with the difficult question of 'truth'. Whether or not something is 'true', or whether 'truth' exists, or whether it can exist or manifest differently in various expressions such as through formalised language or the logic of mathematics is a pressing question which scholars continue to examine.<sup>4</sup> This has clear links to the problem of values and contexts; might a value that exists consistently regardless of context constitute a 'truth', for example? And if so on what is it based?<sup>5</sup>

Theologians are also interested, often taking up where this latter question leads off. Believing that values and ethics are divinely-ordained, and are indeed eternal and unchanging in the same sense that the deities (or Deity) from which they stem are eternal and unchanging, the hard question becomes discerning the correct interpretation and phenomenal application of those values in the wildly diverse contexts of modern international life. In Christian theology, for example, Saint Paul's

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<sup>4</sup> Issues of 'truth' fall mainly outside the scope of this project and are hence not discussed further here. However, for additional information, a useful essential text is Kirkham, R. L. (1992) *Theories of Truth: A critical introduction* (Cambridge, MA: The MIT Press)

<sup>5</sup> This has been a substantial problem for scholars and critical practitioners of human rights; the justification or philosophical basis for a 'human right' is extremely difficult to determine in any meaningful way. See, for example, Freeman, M. (2002) *Human Rights: An interdisciplinary approach* (Cambridge: Polity Press).

letters to the Corinthians have been the subject of extensive debate,<sup>6</sup> containing as they do statements of ethical value on matters such as marriage and sexuality, the practices of which vary across different parts of the world.<sup>7</sup>

Similarly, sociologists and anthropologists are often interested in the way different values appear in various cultural contexts; political scientists may be concerned with the values underpinning different public policy choices and decisions; and even evolutionary biologists may struggle with the interface between values and contexts, examining whether there is a biological basis in the human condition for arguing that some values are 'right' and others not.

The problem, in so many cases, is two-fold. First, to establish whether values are unchanging, universal absolutes; or whether they are rather social constructions that may change according to the contexts in which they are found. Second, to establish whether, if and where values appear to be affected by the contexts in which they are found, that effect is to the observable *manifestation* of the value, or more deeply to its very *character*.

In this project, the question has pertinence in relation to the way MNCs apply a single, value-based global policy on CSR in diverse country contexts. As the empirical case studies showed, the first major problem is effectively solved here; by explicitly stating (however vaguely) the values and principles that underpin CSR policies and actions, and moreover by stating that these are to apply to all the company's operations worldwide, it is clear that within the parameters of the investigation,

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<sup>6</sup> For example, see Walker, WM. O. Jr (1975) '1 Corinthians 11:2-16 and Paul's Views Regarding Women' *Journal of Biblical Literature* (94:1) March; or Deming, W. (2004) *Paul on Marriage and Celibacy: The Hellenistic Background of 1 Corinthians 7* (Grand Rapids: Eerdmans Publishing).

<sup>7</sup> Scholars, clergy, lay people and the engaged public alike continue to argue and discuss the

values are indeed considered universal and unchangeable. The second problem, however, remains. Given there is such variation in community level application and implementation of global CSR policies, does this count merely as contexts affecting the *manifestation* of unchanging absolute values, or does it count as an actual, effective change to the *character* of the values at hand?

Within the scope of this project, it has not been possible to explore this question, but, in line with the 'known unknowns' idea noted above, it may indeed constitute an interesting question for further research.

### **Ideas for future research in International Relations**

The project also throws up 'known unknowns' that flow more directly from specific aspects of the investigation, and which may be of particular interest to scholars of International Relations.

For example, the findings showed that norm diffusion through the international system appears to follow a more complex and multi-directional pattern than existing models have tended to suggest. A fruitful next step would be to consider in more detail the possible parameters or limits of these movements.

One particular matter relates to the 'bottom-up' movement, in which ideas and values appear to emerge from local community- or sometimes national-level circumstances and situations, and to be taken up by international actors such as MNCs for wider diffusion in the global arena. Two notable issues could be considered here. One is whether, and if so the extent to which, other international actors such as global NGOs and inter-governmental organisations, or indeed powerful

'entrepreneurial' individuals may also pick up community level values for wider diffusion. Why and in what sort of circumstances might this happen?

The other is to understand more fully the process of 'bottom-up' diffusion within MNCs, and in particular how and *how far* the process of upwards diffusion operates. For example, within the scope of this study and its timeframe it was not possible to follow systematically the full process of upwards norm-diffusion through the Rio Tinto hierarchy, and to see how normative foci with explicit diffusion ambitions (such as the Zimbabwean HIV/AIDS KIIC awareness programme) made progress through the different levels of the organisation, and at which points they may translate (or not) into broader initiatives and policy positions. A fuller articulation of complex, cyclical international norm diffusion processes would certainly benefit from examining this question.

### **Ideas for future research in Management Studies**

For Management Studies also the project throws up some interesting ideas ripe for further investigation.

One of the most obvious is a deeper examination of the CSR decision-making process, and specifically of the suggestions in chapter six of this project, that such debate and policy-making is commonly subject to five specific risk considerations. This kind of question would be very suitable for comparative analyses, and the possibilities in terms of contrast and combination of company-type, industry-type, type of regulatory environment, and so on, are extensive.

For both Management Studies and International Relations, and indeed other disciplines with an interest in these matters, it may also be fruitful to consider other

methodologies and other theoretical perspective from which, where the fit with the question at hand is appropriate, further validations or insights into international CSR and norm diffusion issues could be gained. For example, a study with a much larger number of corporations may be able to use weight of numbers to confirm or re-evaluate the present findings.

### **Final Comments**

This research project emerged from a broad and largely philosophical interest in, as the introduction notes, the way contemporary international life is divided up into the public and the private, the local and the global, and the ethical and practical spaces in between.

Through the academic and analytic process, that broad interest translated into specific topics, and finally into a particular research question; albeit one with both empirical and theoretical elements. Field work enabled real and tangible empirics to be moulded onto the conceptual framework; and the detailed nitty-gritty of methodologies and data management led piece-by-piece to the various findings; before eventually drawing back to answer and consider the larger intellectual questions; and finally to look at the future of research in this field.

Having drawn so much from the work of those scholars who laid the foundations on which this study was built, if this project or any of its eventual offspring can extend even a little the vantage point on which future scholars may stand to survey the contested terrain of International Relations, then it has well fulfilled its purpose.

## Appendix A: Methodology

### The Case Study Method

Chapters two and three outline the project's conceptual framework, and the issues that will be considered in the course of the field work. To support this, it is important to explain *how* the Rio Tinto case study aims practically to go about unpacking and examining these issues in the course of the project. These notes below address this question by providing an overview of the case study methodology.

#### *Defining a Case Study*

First, it is helpful to explain precisely what is meant by a 'case study' in this project's context, and justify why this, in comparison with the various other possible social scientific research methods available, is appropriate for the current intellectual purpose.

Scholars of social science methodology have noted that there is a range of research methods available for collecting and analysing empirical evidence, and that each method has its particular advantages and disadvantages. Such methods may include not only case studies but also, for example, surveys, histories, archival analysis, discourse or textual analysis, statistical analysis and modelling. In seeking to impose order on this disparate collection, scholars have typically sought to group methods into two main categories. There are differences in how these categories are referenced, but commonly used terms are 'quantitative' and 'qualitative' methods. The former refers, in Harrison's terms, to "...the use of measurement in the analysis

of behaviour and attitudes.”<sup>1</sup> This typically includes the use of statistical analysis to examine large numbers of empirical cases to deliver general findings, and often involves the paradigm of a controlled experiment. In such research approaches, ‘outlier’ cases that do not appear to fit the general trend are disregarded, and the outcome is not known until the treatment is applied; an approach sometimes referred to as the ‘effects of causes’ method.<sup>2</sup> In the latter, on the other hand, a core goal is to understand and explain the known outcomes of individual cases, each in its own particular depth and nuance. As such, these may be known as methods seeking the ‘causes of effects’.<sup>3</sup> Case studies, which seek detailed understanding of individual instances, fall into the second category, of qualitative research.

Mahoney and Goertz have described the tensions that have existed, and sometimes continue to exist, between the two research traditions, with each being at times “...privately suspicious or sceptical of the other though usually more publicly polite.”<sup>4</sup> For the purposes of the current project, however, it is not necessary to engage deeply with these meta-methodological debates. Rather, the issue is to ascertain which type of method is most suitable for the research purpose, and here Hancke’s advice is most compelling: the choice of method must be determined first and foremost by the type of question being asked; and second by the data, or number of potential observations, that are available to work with.<sup>5</sup> It is with reference to this argument that the case study method has been chosen; as most appropriate both for the question and for the data available.

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<sup>1</sup> Harrison, L. (2001) ‘Introducing quantitative analysis’ *Political Research: An introduction* (London and New York: Routledge) p. 14.

<sup>2</sup> Mahoney, J. and Goertz, G. (2006) ‘A tale of two cultures: Contrasting quantitative and qualitative research’, *Political Analysis*, 14, p. 230)

<sup>3</sup> Ibid.

<sup>4</sup> Ibid., p. 227

<sup>5</sup> Hancke, B. (2009) *Intelligent Research Design* (Oxford: Oxford University Press), p. 45

As Yin explains in his dedicated work, a 'case study' in social science research can be understood as an all-encompassing method, covering not only the logics of design but also issues of data collection and analysis.<sup>6</sup> With reference to the type of question a case study is best suited to answer, he goes on to explain that a case study will be most suitable for 'how' and 'why' questions, investigating contemporary phenomena, where relevant behaviours can be observed but not manipulated.<sup>7</sup> As such, the empirical question at hand (how does international CSR work?) does clearly lend itself to the case study approach. Additionally, it is helpful to note that much other work in this field also consists of case studies,<sup>8</sup> suggesting that the current study is in good and appropriate company.

It is also useful to note here that there are different possible variations within the case study approach, particularly in relation to the number of cases to be studied, and types of findings that different case configurations may deliver. Hancke explains that the number of cases required for analysis depends on the 'dimensions of the relevant universe'; or in other words, that the number of cases under consideration must, like the method itself, be determined by the research question.<sup>9</sup> For the purposes of this project, the case study involves one corporation, but two cases *within* that corporation; namely, CSR activities in Australia and in Zimbabwe. Further, there are additional corporate and geographic cases provided through cross-validation activities (described below).

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<sup>6</sup> Yin, R. K. (2009) *Case Study Research: Design and Methods* (California: SAGE Publications Inc.) p. 18

<sup>7</sup> *Ibid.*, p. 11

<sup>8</sup> See, for example, Hamann, R. and Kapelus, P. (2004) 'Corporate Social Responsibility in Mining in Southern Africa: Fair accountability or just greenwash?' *Development* (47:3); or Jenkins, H. and Obara, L. (2006) "Corporate social responsibility in the mining industry - the risk of community dependency". Paper presented at The Corporate Responsibility Research Conference, Dublin, September 4-5, 2006.

<sup>9</sup> *Op. Cit.*, p. 49

Further, it is useful to note that a case study method in practice allows the internal use of a variety of different data collection and analysis methods. Indeed, as Lupovici points out, doing so is vital to the rigour of a research project based in the constructivist tradition, which must find a way of “...understanding phenomena within a context based upon interactions between material and ideational factors.”<sup>10</sup> For example, interviews and observations will usually be important, but process tracing, discourse analysis and comparative analysis could also provide useful insights at different stages. How this works in practice is described in more detail below and in the course of the project.

It is acknowledged that there have been criticisms of the case study method, including a perceived lack of rigour, limited possibilities for scientific generalisation, and the opacity of the findings. Scholars of methodology have addressed these criticisms,<sup>11</sup> and it is not necessary to engage with the substance of these arguments here; rather, the specific criticisms as they may apply to the project will be explained and acknowledged.

### *The choice of Rio Tinto Group*

Beyond explaining why it is appropriate to the question to use a case study approach, it is also helpful to justify clearly the choice of Rio Tinto, from amongst all the other existing multinational mining corporations, for examination here. There are two key reasons why Rio is appropriate.

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<sup>10</sup> Lupovici, A. (2009) “Constructivist methods: a plea and a manifesto for pluralism”, *Review of International Studies*, 35, p197.

<sup>11</sup> See, for example, Yin, op. Cit., pp14-16.

First, Rio Tinto is, as stated, one of the world's largest multinational corporations, with an explicit global orientation both in its administrative approach (being incorporated through the dual company structure both in Australia and in the UK), and in its geographically diverse operations. As such it is a truly global company, with many and varied stakeholders, existing firmly within the anarchical international space of interest to this project.

Second, as a major global financial player (being ranked around 134 in the 2009 Fortune 500 list)<sup>12</sup> it is feasible to suggest Rio Tinto need not rely on CSR for its international legitimacy; this could (according to the relevant arguments) be obtained through sheer weight of profit and resource. Similarly, as a company registered and operating within the complex web of state-based regulatory frameworks, legitimacy could be obtained through adherence to legal and para-legal requirements.

Nevertheless, the corporation has an extensive and sophisticated international CSR programme, about which a useful amount of information is readily available, either directly from company sources or from third-party CSR reporting initiatives to which Rio Tinto subscribes, including the *United Nations Global Compact* and the *Global Reporting Initiative*.

Pragmatically, it is also worthwhile noting that personal and professional contacts available to the author provide useful starting points for achieving access to the Group and its projects in ways that will be helpful for the project. This is an important consideration, particularly in commercial contexts, where external access is not always easy to achieve.

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<sup>12</sup> CNN Global 500 website, '134: Rio Tinto'  
<http://money.cnn.com/magazines/fortune/global500/2009/snapshots/11028.html>, accessed 17 Feb 2011

### *Field Work Locations*

The case study field work investigations examine CSR projects in two countries in which Rio Tinto is active, and in which the corporation undertakes corporate sustainability programmes: Australia and Zimbabwe.

In Australia, Rio Tinto has a long-established presence and a well-developed set of corporate sustainability programmes and activities. For example, the *Rio Tinto Aboriginal Fund* has been operating since 1996 and concentrates on supporting Indigenous people and communities not directly affected by mining operations. Specifically, it aims to act as a higher level complement to specific community capacity building initiatives undertaken at the local level by individual business units. This is important for examining how a multinational corporation such as Rio Tinto may seek to adapt its CSR approach to accommodate different stakeholders in different community contexts. Particular activity focus areas include health and education, as well as youth leadership. Additionally, there is a range of other sustainability projects across other areas of the country not focused specifically on Indigenous matters, but rather on issues such as environmental conservation, and youth development.

In Zimbabwe, another country where Rio Tinto operates, there is also a long history, with The *Rio Tinto Zimbabwe Foundation* having existed as a legal entity for almost 30 years. The Foundation still exists today, with a Board of Director that includes both company and community representatives, and funds from both Rio Tinto Zimbabwe Limited and Rio Tinto plc dividends support various community projects. Since 2004, though, Rio Tinto plc has restructured its ownership of assets in Zimbabwe in

response to unstable political and economic circumstances, and now focuses its efforts mostly on the relatively small Murowa diamond mine. The mine involves an interesting and complex set of sustainability activities, and it is these that are the main subject of examination in chapter five. Currently, there is a particular emphasis on interaction with communities adjacent to the mine site, which suggests a useful avenue for investigating the legitimacy interactions of stakeholders with the corporation at a community level.

By choosing to examine Rio Tinto's work in these two countries, a number of methodological requirements can be met. These are explained in more detail in chapters four and five, but it is important to note that a key consideration is managing the elements of similarity and of difference between the cases.

Understanding and analysing these differences, and seeing how they interact with the observable outcomes of the CSR activity, is critical to successful interrogation of the question.

Two key points in particular are worth mentioning here. First, by focusing on the single corporate entity, with its global policies and positions, an element of similarity can be assured between the cases, enhancing the project's ability to isolate the effects of cultural or national variation on the way CSR operates; a key objective of research seeking to understand the operation of a phenomenon across national borders. Second, by choosing countries with noticeably different historical, economic, political and social circumstances, the project's capacity to identify the interactions of different stakeholders in different circumstances is enhanced.

### *Cross-Validation of Findings*

One of the criticisms most often levelled at the case study method is that it lacks any basis for scientific generalisation, and that the findings cannot be applied outside a single circumstance.<sup>13</sup> The validity of such a criticism, however, depends on the stated aims of the project, and the extent to which such generalisation is intended to be demonstrated. In the current case, it is not expected that examination of projects in these two countries by one corporation will demonstrate a universally applicable rule about how international CSR operates. Rather, the project seeks to answer the question with an illustrative example. The value of this lies, as has been noted above, in the possibility it provides of addressing heuristic lacunae in academic and practical understandings of how international CSR, and the global system in which it operates. Whether or not this example can be applied more broadly is not included in the core objectives of this project, and may more properly be the subject of separate, future work. However, it is none the less possible and indeed important here, to maximise the reliability of the project's findings within their own context. This is the main purpose of the last chapter, which includes cross-validation of the findings with other industry CSR project examples at GlaxoSmithKline and Hong Kong Shanghai Banking Corporation.

#### Choice of corporations: GSK and HSBC

There are three main reasons for selecting GlaxoSmithKline (GSK) and Hong Kong Shanghai Banking Corporation (HSBC). First, both have well-developed, well-publicised CSR programmes which include a single global policy platform. Second,

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<sup>13</sup> Yin, R. K., op. Cit., p. 15

both are active in environments appropriate to the study; GSK offers continuity with the Rio Tinto example, while HSBC provides both a 'developed' country environment and a 'developing' country environment, maximising opportunities for comparative analysis both within the HSBC context, and with the other two corporations. Third, each new corporation is qualitatively different from Rio Tinto, in ways that may be interesting for the investigation. Namely, while Rio Tinto's reliance on access to geographically fixed mineral resources informs some elements of its CSR approach, neither HSBC nor GSK operate under the same constraints; manufacturing and finance are both arguably more mobile industries. It is reasonable to propose that this may have an effect on those companies' approach to CSR; and considering this as part of the analysis can make a useful research contribution, whether or not the proposal appears to be confirmed.

### *Critical Considerations*

Finally, before moving to address the detailed analytical elements of the case study, it remains here to note key critical considerations that are addressed as part of the case study analysis and discussion. Doing so is important, not only to clarify the parameters of the project's intent, but to optimise the rigour of the eventual findings.

First, the project aims to avoid unacknowledged assumptions, epistemological or ontological, which may compromise the integrity of the question or the case work. In relation to the question, this is addressed by grounding it firmly in existing literature and scholarship, and noting and justifying the acceptance of various arguments about how the international system, and CSR within it, operate.

Second, the project explicitly acknowledges and addresses in the analysis the possibility of multiple actor agency within a given project circumstance; each having relative levels of influence on perceived outcomes, and on the activities of other actors through bilateral and multilateral interactions. Given its centrality to the question, particular attention is given to the possibility of variable causal directions, and to distinguishing causation from correlation where effects may be observed. Each stage of the field work and data analysis includes dedicated mention of this issue.

Finally, the project is explicit about the nature and sources of the data available, and how it has been obtained, including where limitations to obtaining data may exist.

### **The Hermeneutic Method of Analysis**

Analysis of the materials and information collected in the course of the Australian and Zimbabwean fieldwork experiences, as well as the comparative examinations of GlaxoSmithKline and Hong Kong Shanghai Banking Corporation, follow broadly the hermeneutic method described by Forster.<sup>14</sup> This method is particularly appropriate for the analysis of text-based information, and therefore lends itself to study of the many news items, company documents and interview notes collected and produced.

As Forster explains, a hermeneutic method of analysis involves the interpretation of texts governed by a 'hermeneutic spiral'. This means "The understanding of disparate (and often contradictory) texts evolves upwards through a spiral of understanding: analysing the meaning of individual texts, relating these to the totality of the life-worlds in which they originated, and then re-interpreting the separate texts

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<sup>14</sup> Forster, N. (2006) 'The analysis of company documentation', in Scott, J. (ed.) *Documentary Research: Volume Four* (London: Sage)

anew...”<sup>15</sup> In other words, the individual texts are examined closely on a piece by piece basis; they are then considered with reference to the particular context (such as authorship, date of publication and so on) in which they are produced; and then each individual text is reconsidered to see how understanding of its meaning may be deepened or recast.

As a method, it is important to acknowledge the particular characteristics, including possible strengths and weaknesses, of this approach. As Forster clearly notes, the hermeneutic method of document analysis is focused on understanding ‘meaning’, rather than testing hypotheses that can be reduced to discrete variables. It begins with Goffman’s contention that “...all human interaction is based on meaning-laden, negotiated interaction involving self-presentation, secrecy, ‘front’, political gamesmanship and so forth.”<sup>16</sup> As such, the key interest is on *understanding* a subjective situation, rather than establishing the ‘truth’ or not of that situation: “The meaning of the situation is, in itself, a *sui generis* reality.”<sup>17</sup> In using this method for the present analysis, the objective will be therefore to understand the constructed meanings of the actions and interactions that Rio Tinto engages in and which deliver its legitimacy to the particular societies in which these meanings are created.

In terms of the actual procedure to be followed in conducting the analysis, Forster describes seven main stages; understanding the meaning of individual texts; identifying (sub-)themes; identifying thematic clusters; triangulating documentary

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<sup>15</sup> Ibid., p. 88.

<sup>16</sup> Goffman, E. (1971) *The presentation of self in everyday life* (Harmondsworth: Penguin), noted in Forster, N. *ibid.* p. 87.

<sup>17</sup> Ibid, p. 88.

data; employing reliability and validity checks; (re)contextualising documentary data; and using representative case material.<sup>18</sup>

To understand what this requires in practical steps, Esterberg's<sup>19</sup> detailed advice is useful. She begins by outlining the importance of organising materials by chronology, topic or document type. To begin to understand the meaning of individual texts, she describes a thorough practice of 'coding', or studying each document aiming to notice relevant phenomena, and to collect examples of the phenomena. The researchers can then see if there are commonalities or patterns amongst them (identifying thematic clusters); and compare the themes or patterns that may be emerging between different types of documents and data (triangulating documentary evidence). Next, the analysis needs to be 'grounded' to check whether "...your interpretation of the data is actually a good one?" (reliability and validity checks); depending on the project at hand, strategies such as negative cases and 'null hypotheses' may be useful. Finally, the individual documents can be reconsidered with reference to the broader research questions, and the contexts in which they have been produced, and a selection can be made of those documents that are best representative of the situational 'meaning', and therefore most appropriate to highlight in reporting and write-up.

It is this method, in these essential stages, that is used to examine the field materials for the project analysis. As Forster points out,<sup>20</sup> it is not an exact methodology, and if used as the exclusive episode of analysis for a given research questions may lead to incorrect conclusions. But lending itself as it does to encompassing a mixed-method

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<sup>18</sup> Ibid, p. 87.

<sup>19</sup> Esterberg, K. G. (2002) *Qualitative Methods in Social Research*, (Boston: McGraw-Hill) pp 153-176.

<sup>20</sup> Forster, N., op. Cit, p. 90.

approach, with triangulation of multiple information sources and with those sources placed in context, the results can be "...as reliable as the outcomes of other research methods,"<sup>21</sup> and therefore it represents a reasonable approach for the current project.

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<sup>21</sup> Ibid.

## **Appendix B: Field Work Records**

### **Field Work in Australia**

The objective of the field activities was to seek observable indications to help answer the empirical element of the research question (how MNCs with a single global sustainability policy apply that in multiple and diverse contexts). Field activities in Australia aimed to generate a body of indications from one cultural context, which would then be viewed alongside indications from field activities in a second, different, cultural context; thereby providing a comparative perspective.

Research activity in Australia was conducted between Tuesday 14 May and Thursday 16 May 2011 inclusive, as well as between Monday 23 May and Friday 3 June 2011 inclusive. The locations visited for field research were in Melbourne, Brisbane, Sydney and Tasmania. The field work activities included visits to Rio Tinto Ltd corporate sites in Melbourne and Brisbane where interviews with senior Rio officers with expertise and special responsibility for sustainability were interviewed; visits to a Rio Tinto-supported community site in Tasmania where Rio officers with more 'hands-on' experience of sustainability were interviewed, and aspects of the site observed; telephone interviews with members of the Australian Parliament (two current Senators with responsibilities for mining and mineral-related issues; one Government Senator and one Opposition Senator); and a telephone interview with the Director of an Indigenous theatre company

receiving direct support from Rio Tinto as part of the corporation's Aboriginal Fund – a part of the larger sustainability programme.

A series of different qualitative methods by which such observable indications could be generated were considered, including surveying, interviewing individuals and interviewing groups, participant observation, and working with existing texts.<sup>1</sup> As noted in Appendix A, the nature of the research question, as well as the practical circumstances of the research process and environment, determined the most appropriate method.

The need for in-depth descriptions and understandings of corporate processes, including individual examples of sustainability activities, suggested that semi-structured interviews, with open-ended question guides, would be more appropriate than a coded survey with short answers and closed questions.

The range of corporate and non-corporate interviewees and their varied locations, schedules and expertise meant that individual rather than focus group interviews were most appropriate.

The importance of uncovering and understanding Rio Tinto's own policy and decision-making processes meant interviews with company officers were of vital importance; but the need to properly understand the context of social expectation meant that it was also useful to interview key stakeholders such as politicians with interests in the mining

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<sup>1</sup> See, for example, O'Leary, Z. (2010) *The Essential Guide to doing your Research Project* (London: SAGE Publications Ltd) pp 180-223; or Hancke, B. (2009) *Intelligent Research Design* (Oxford: Oxford University Press) pp 93-105 for discussions of different investigative methods.

industry, and civil society groups who receive the outcomes of Rio Tinto's sustainability activities.

Finally, the need to obtain material that could be transported and that could be filed and analysed over a period of time meant that text-based information would be vital, both in the form of records or notes from interviews and observations, and of existing official documents.

### Materials and Information Gathered

Activities in Australia yielded a variety of different documents and types of documents, the specific details of each type being noted here.

*Official company documents* made available by Rio Tinto were accessed both electronically and in hard copy from company officers. This included a range of documents pertaining to Rio Tinto's sustainability activities in Australia, and comprised five key documents provided in hard copy (*The Reconciliation Action Plan; Rio Tinto and Biodiversity; Rio Tinto and Water; the 2009 Rio Tinto Alcan Bell Bay Sustainable Development Report; and the 2010 Rio Tinto Alcan Bell Bay Sustainable Development Report*). Additionally, numerous documents are available on the website, print-outs of which were also collected for analysis.<sup>2</sup>

*Notes of interviews* with Rio Tinto officers, Members of Parliament, and civil society members with an interest in Rio Tinto sustainability activities constitute a second category of materials for analysis. Each individual set of interview notes is accompanied

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<sup>2</sup> See Rio Tinto, 'Policies, Standards and Guidance', [http://www.riotinto.com/library/3608\\_policies.asp](http://www.riotinto.com/library/3608_policies.asp).

by an individual question guide that was prepared prior to the interview. Interviews ranged between 30 and 60 minutes in length, were semi-structures with open-ended questions, and were either in person at Rio Tinto corporate offices or sites, or via telephone.<sup>3</sup>

In all, nine interviews were conducted and recorded. These included five with Rio Tinto officers in Melbourne (Kristina Ringwood, Stuart Anstee and Simon Nish), Brisbane (Julie-Anne Braithwaite), and Launceston, Tasmania (Kim Millar and Kathryn Pugh); two with Members of Parliament (Senator Glenn Sterle for the Government, and Senator Matthias Cormann for the Opposition); one with the director of Indigenous theatre company *Bangarra* (Catherine Baldwin); and one with the director of the *Foundation for Development Cooperation* (Sean Rooney). Copies of notes of interviews were subsequently provided to interviewees, for them to provide any other feedback or check for inaccuracies as they saw fit.

*Media reports* are a third document type, and constitute the largest single body of documents by number. Over a seven day period, the four biggest newspapers in Australia,<sup>4</sup> by circulation, were surveyed and all articles pertaining to the mining industry were collected. This included articles about all types of mining, including for liquid natural gas (LNG) as well as for minerals and metals. In all, 106 articles appeared, with the majority being in *The Australian* (40) and the *Australian Financial Review* (36). The *Sydney Morning Herald* included 14 items, while *The Age* featured 16.

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<sup>3</sup> Guidance on how to conduct the interviews, and validation of the process, was taken from Esterberg, K. (2002) *Qualitative Methods in Social Research* (Boston: McGraw-Hill) pp 83-114.

<sup>4</sup> These are *The Australian*, *The Age*, *The Sydney Morning Herald*, and the *Australian Financial Review*.

*Media advertisements* constitute a specific source of information related to, but separate from, the paper-based media reports. It was noted during the field work period that an advertising campaign funded by the minerals industry (including Rio Tinto) and produced by a professional advertising company, was showing on major national television channels. Produced in a series, and titled *Australian Mining. This is Our Story*, the newest instalment of the advertising campaign was released on June 15<sup>th</sup> 2011. This instalment was viewed on television in Australia during the field work period, and is also subsequently accessible, together with previous instalments and a small amount of background information, on the internet.<sup>5</sup> From this source it is possible to view and analyse the advertisements singly and as a group, for the purposes of this project.

*Notes of the researcher's own impressions and observations* throughout the field work period provide a fourth set of materials, that can be useful to provide additional background context, alternative perspectives, or possible insights worthy of further consideration. Brief notes were made of impressions and observations after interviews conducted in person in Melbourne, Brisbane and Launceston, and after telephone interviews.

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<sup>5</sup>See Australian Mining *This is Our Story* website at <http://thisisourstory.com.au/default.aspx>

## Field Work Schedule: Australia

ORGANISATION	NAME and ROLE	DATE	TIME	PLACE
Rio Tinto Ltd	Kristina Ringwood <i>Sustainability Adviser: Water</i>	26 May 2011	15:00	Melbourne
Rio Tinto Ltd	Stuart Anstee <i>Sustainability Adviser: Biodiversity</i>	27 May 2011	10:00	Melbourne
Rio Tinto Ltd	Simon Nish <i>Sustainability Adviser: Indigenous</i>	27 May 2011	11:00	Melbourne
Rio Tinto Ltd	Julie-Anne Braithwaite <i>Sustainability Adviser: Systems and Reporting</i>	30 May 2011	16:00	Brisbane
Rio Tinto Ltd	Kim Millar, Kathryn Pugh <i>Community Relations Officers</i>	15 June 2011	09:00	Launceston
Australian Gov.	Sen. Glenn Sterle <i>Labor Senator for Western Australia</i>	29 May 2011	11:00	Brisbane  (telephone)
Australian Gov.	Sen. Matthias Cormann <i>Coalition Senator for Western Australia</i>	18 June 2011	various	Launceston  (telephone and email)
Bangarra Dance	Catherine Baldwin <i>Director</i>	14 June 2011	16:30	Launceston  (telephone)

### Direct Observations

*Launceston Aquatic:* This was the interview location for the session with Kim Millar and Kathryn Pugh. Key factors noted were the clear and frequent branding of the Rio

Tinto/Alcan logo on staff uniform shirts, and on all centre promotional/information signage and bannering. Notable also was the size, new condition and design of the building in comparison to other more modest structures in the vicinity and the town.

Office Visits (Melbourne and Brisbane): The Rio Tinto offices occupy prime real estate locations in central Melbourne and Brisbane, and the buildings are large, well-designed and comfortably upholstered, and in excellent condition. There are extensive security processes: in Melbourne, although the offices occupy two floors, the lift only stops on the second of those, where the only door (locked) is in to the reception area; visitors are let in via an electronic touch-pad operated by the receptionist. Visitors must be signed in by the person they see, and wear an identification tag (with scanner for in and out) at all times, returning this to reception on departure. Visitors are escorted at all times. In Brisbane, the process is essentially the same, except all visitors must, in addition, complete a computer-based sign-in questionnaire on entering and departing the building, which can show who (visitors) is in the building at any time. In both offices, of note were the large Indigenous artworks hung on the walls in prominent public spaces (for example, in the lobbies and foyers).

## **Field Work in Zimbabwe**

As for the field work in Australia, the objective of the research visit to Zimbabwe was to gather observable indications to shed light on the research question. Forming as it does the comparative case, the outcomes and findings of the Zimbabwean work were collected and analysed with consideration of those existing data obtained from Australia.

### Materials and Information Gathered

Activities in Zimbabwe yielded a variety of different documents and different types of documents, the specific details of each type being noted here.

*Official company documents* were made available in hard and electronic form by Rio Tinto officers, as was the case in Australia. These included a range of publications focused at different levels of specificity to Murowa or Rio Tinto's general activities in Africa: community newsletter *Vangowa News*; Murowa staff bulletin *Murowa Diamond Bulletin* (two recent editions); *Murowa: More than Diamonds* sustainable development report (two editions); and a *Rio Tinto Africa* overview publication.

*Notes of interviews with Rio Tinto officers and other relevant experts*, including those working in academia, journalism and private consultancy constitute another category of documents for analysis. As for the Australian field work, each set of interview notes is accompanied by an individual set of open-ended interview questions, which were used to guide and inform discussion. Interview duration varied, lasting between one and several hours, and were conducted in person at the Murowa mine site, on community

sites near the mine, at the offices of private consultants and academics, and in the case of the journalist interview, in the open air on a university campus.

In all, five interviews were conducted. These included extensive interviews with Mr Adriaan Olivier, Chief Operating Officer at Murowa; Mr Daniel Mudondo, Adviser Community Relations at Murowa; Ms Sue Childes at Black Crystal Consulting; Dr Joseph Kurebwa, Professor at the University of Zimbabwe; and Mr Farai Mutsaka, an independent journalist writing for the Zimbabwean and international press. The interviewees were selected based on their expertise and relevance to the project, and with reference to their availability to meet during the field work period.

*Media reports* are a third document category, and as in Australia, they constitute the single largest body of materials by number. The particularities of the Zimbabwean context, as well as the field work schedule, meant that although media articles were collected on seven days in total (commensurate with the collections in Australia) these days were not all consecutive. On some days, being located at the remote communities near the mine meant no newspapers were available, and similarly on other days while working in Harare, it was not possible to locate any copies of the necessary journals.<sup>6</sup> Further, most major newspapers are not published every day of the week; rather, the *Herald* and *News Day* are most readily available on Monday through Friday, while *The Independent*, the *Sunday Mail*, and *The Standard* are available on Fridays or during the

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<sup>6</sup> Newspapers are available in some retail outlets such as food markets, but are often sold out by the afternoon. More commonly, newspapers are available from casual sellers on street corners, where the selection is restricted to what the individual has available on that day.

weekend. Thus, it was not possible to collect any one newspaper on all of the seven days; rather, as many as were available were obtained.

For analytical purposes, however, this is not considered a problem. The important issue is to align the research process as closely as possible on both the occasions for comparison, and acknowledge variations in the outcome as part of the investigative process. It is in this light that the differences in media collection outcomes in the two field work locations are being viewed.

As in Australia, newspapers were scanned for articles in which the primary subject was mining in Zimbabwe, including locations and issues not directly connected to Murowa Diamonds. In all, 16 articles of this type were published across the seven days, with the *Herald* including nine, *News Day* posting two, and other papers such as the *Sunday Mail* and the *Standard* posting five. In addition, it was notable that on Sunday 11 December, the *Sunday Mail* included a 14-page commemorative supplement celebrating the award of an honorary doctorate in social policy to the Minister for Mines and Mining Development, Obert Mpofu. This sumptuous spread was constituted primarily of numerous photographs in full colour of the Minister, adorned in his doctoral robes; and of congratulatory messages also in full colour from various interested parties including a number of prominent mining firms; the significance of which became evident through the analytical process.

*Notes of the researcher's own impressions and observations* throughout the field work period provide a fourth set of materials, that can be useful to provide additional background context, alternative perspectives, or possible insights worthy of further

consideration. Notes were made after both formal meetings and informal discussions, where these covered matters of interest and relevance; after physical attendance at the Murowa community sites; and after periods of travel where observation of the landscape and urban areas yielded relevant insights.

## Field Work Schedule: Zimbabwe

ORGANISATION	NAME and ROLE	DATE	TIME	LOCATION
Rio Tinto Murowa	Adriaan Olivier <i>Chief Operating Officer</i>	13 December 2011	20:00	Zvishavane
Rio Tinto Murowa	Daniel Mudondo <i>Community Relations Adviser</i>	14 December 2011	08:00	Zvishavane
Freelance Political/Economic Journalist	Farai Mutsaka <i>Journalist</i>	16 December 2011	11:30	Harare
Black Crystal Consulting	Sue Childes <i>Consultant</i>	15 December 2011	15:40	Harare
University of Zimbabwe	Joseph Kurebwa Lecturer	16 December 2011	09:00	Harare

### Direct Observations

#### Zvishavane area in general

*(Noted in the course of the bus ride, accompanied by mine workers, from Harare to the mine site, 13 December 2011)*

It was said that workers are generally happy to go to work at the mine. It was noted that conditions at Murowa are good, compared with those at other mine sites such as in Marange. "You really look forward to going to the mine. Everyone works as a team."

It was explained that due to the generally (relatively) high education and literacy rates in Zimbabwe, most employees have good knowledge of ideas such as workers' rights, and are motivated to see these implemented correctly.

There is evidence of considerable illegal mining (platinum) activity in the Zvishavane area. Castings from much small-scale prospecting activity were clearly visible from the roadside, as well as larger scale prospecting activity that had left substantial environmental footprints. It was reported by mine workers that these were the result of illegal/unregulated Chinese mining activities. It was further reported that there is never any follow up to the environmental degradation caused by these activities.

There is evidence of considerable small-scale gold panning activity, with many small temporary accommodations having been erected next to (apparently) gold-bearing water-bodies and being clearly visible from the road side. Occasional individuals were observed loitering by the road side in apparently isolated areas; it was explained by mine workers that these were unregulated gold panners who had found some metals and were awaiting interest from passing motorists (assuming black-market trading, which is dangerous but which yields much higher prices than regulated markets).

It was observed how mining activity affects communities even without an explicit communities programme. It was noted that some village houses were in better condition than others, for example being plastered or having been painted, and it was explained by mine workers that these belong to those who have income from working in some capacity at the mine.

## Murowa Mine Site

*(Noted while present on the site, 13-15 December 2011)*

It was noted that there is a clear emphasis on company identity. All uniforms are Rio Tinto standardised and badged, and there is clear and consistent Rio Tinto branding and signage throughout the site.

Accommodation at the site is basic but functional. All employees have their own sleeping rooms, with bathrooms being communal, each one shared between about 5-6 workers. Bathrooms are also shared, inadvertently, with local wildlife; drains in the basin and shower have to be cleared of cicadas every morning before the water can flow, and even clothing hung on wall hooks has to be shaken out before being put on, in case insects have made their home inside. Men and women have separate facilities. Sleeping rooms are furnished with a single bed, blankets and a pillow, a mosquito net, a table and a cupboard for clothes and personal effects. Again, wildlife sometimes shares these facilities; on one of the nights I slept there, I woke to find several large black beetles crawling across the pillow. All site employees have the same sleeping facilities, including the Chief Operating Officer, site manager and administrative staff. Rooms with air-conditioning are allocated to those working on night shifts who need to sleep during the day when it is hot.

Meals are taken communally in the canteen, at set hours three times a day. There is an emphasis on starch and meat, with each meal offering a traditional (usually based on zsadsa, a type of thick maize paste) and a western option. Where vegetables are used,

and as far as possible with other foodstuffs, these are locally sourced and home produced.

There are rules prohibiting drug use (tobacco smoking is allowed), and all employees are breath-checked on entry to the site. Beer is available in the canteen, but only for use after shifts and not in excess. There is a rule prohibiting sex on the site, but there are also condoms available in the bathrooms, and it was acknowledged that there appears (from condom usage) to be an amount of sexual activity.

The administration area is separated from the functional mine site, and staff there may wear different uniforms. There is an observable emphasis on reporting, consistency and systems, and health and safety. A meeting is held every morning at 7am with key site staff (both functional and admin) reporting on the previous day's activities and identifying priorities for the new day. Reports of health and safety matters are made verbally, and recorded on notice boards that staff also review daily. These include matters as diverse as injuries, paper and printer cartridge use, visitor numbers, and whether or not blasting is to occur on that day.

Safety is important, as is mine security. All site visitors are required to go through a safety and security briefing procedure, that notes requirements such as no photography, no hand to mouth movements, the requirement for (minor) body searches every time a person exits the functional site. Boots are checked on exit from the site to ensure there is no gravel remaining in the tread. Requirements and procedures are adhered to exactly and without exception.

## Chivi Ward 14 Community

*(Noted while present on the site, 14 December 2011)*

The meeting was conducted in local (Shona) language (translation made for me).

The meeting opened with a prayer, followed by very extensive and formal individual introductions. (The formality of proceedings countering the informality of the setting).

Minutes were kept by one of the (female) participants in an exercise book, hand-written.

Apologies were made for non-attendance at the previous meeting. It was explained that Daniel Mudondo (of Rio Tinto) was attending a Presidential (Mugabe) event in aid of supporting the projects. Apologies were accepted.

Minutes of the previous meeting were reviewed and accepted.

Substantive discussions yielded:

- The committee agreed on the need for electrification of the community.
- It was agreed that there is a need to lobby for support from funders to assist electrification
- It was agreed that the Murowa mine is the closest place from which to connect electricity IF Rio Tinto agrees to make the station available for a link connection.
- It was suggested that the Rural Electrification Agency is the normal way through which to access electricity, but applying to it involves being placed in a queue which can take a long time to move.
- It was agreed there is a need for faster progress, and other potential partners should be sought. World Vision was suggested – apparently World Vision has already committed to

helping. Rio Tinto has not yet committed, but has heard clearly that the community has identified this as a project for 2012. Formal discussions for funding should ensue.

- It was further agreed that once electrification is achieved, the next steps will be to seek equipment, for example, computers.

Permission to photograph the gathering was discussed and granted for the purpose of the dissertation. I undertook to send copies of the photos (through Daniel) and Daniel will provide these to the committee. Copies of the photos are reproduced below.

(It was noted that in the absence of extensive written records, a high value was placed on verbal truth, accuracy and clarity).

Daniel urged the committee members to take a proactive stance on collecting funds/levies for the electrification, so as to have some starting capital and to help speed progress through the electrification queue.

It was noted by a committee member that actions need to be approved by the local council that covers the area.

It was further noted that donors must be kept updated and involved, to ensure their continued secure engagement, and to support the rigour of the project.

There was a discussion about the importance of dealing with scarce resource distribution across all the areas that are covered by the ward.

Daniel exhorted the committee to ensure that the current three projects that are underway must be concluded before the Indigenisation policy is implemented, as this

ward is in a separate province (to the mine) and it may be that mine funding is not available to this ward after Indigenisation.

There was a long discussion with Daniel explaining the four key values of Rio Tinto – respect, team work, accountability and integrity (these were drilled!).

Daniel also talked at length about practice/living standards issues, such as not using cell phones during thunder storms.

Daniel talked at length about the requirements for prospective mine employees from the villages- over 18, at least 5 'O' levels, no drink or drugs. The community nominates those for employment.

*Later Reflection:*

Partnerships are key. This was especially evident at the classroom site visit. The building partnership is with World Vision through a Memorandum of Understanding which seeks to ensure no cross-over or duplication. Otherwise the two work separately however. It was noted that the three World Vision classroom blocks were already completed while one of the two Rio Tinto blocks was still under construction (the other being recently finished and in immediate use). However, the roofs of the World Vision classrooms are built with asbestos, while the Rio Tinto roofs have corrugated iron, as there is a company policy for no asbestos building.

**Photographs of the Chivi Ward 14 Community Site, and Building Projects**



Mr Daniel Mudondo (Community Adviser for Rio Tinto Murowa; centre, in yellow) and members of Chivi Ward 14 Community, at the open air meeting location.



The classroom block sponsored and built with the direction of Rio Tinto Murowa.



Inside the same classroom block. The classroom was put into use immediately on completion.



The second of the two planned classroom blocks, under construction.



Mr Mudondo providing advice on the installation of a water tank at the site.

## **Field Work in the Philippines**

Field work in the Philippines provides primary information and observable indications that form a comparison and cross-validation case for the Rio Tinto studies in Australia and in Zimbabwe.

Most information was not obtained with the specific objective of deriving a comparison for Rio Tinto; the field trip to the Philippines took place before those to Australia and to Zimbabwe. At that time, the objective of the trip was to establish broad understandings of how CSR might operate in a developing country context, and what factors appeared to be pertinent in the implementation of value-based activities in a particular country context. Phone interviews with HSBC staff in the Philippines also filled this purpose, albeit with a focus on that company.

Initially, it was not clear that the information collected in the Philippines would be of use to the study, as its parameters developed and the case study emerged. However, in due course it became apparent that materials gathered in the Philippines may indeed prove relevant to the investigation, and review of those materials subsequently confirmed this possibility.

The materials collected included interview notes and transcripts from discussion with three different interlocutors; a full historic collection (electronic) of case studies from the Asian Institute of Management's *Corporate Social Responsibility Awards*; as well as various corporate documents available from the HSBC Philippines website.

Importantly, material gathered in the Philippines was collected, recorded and confirmed at the time of the field trip, and were not *post hoc* amended in any way. Despite being collected prior to the other field work, they thus provide an accurate and appropriate source of information for the comparison case.

**Field Work Schedule: Philippines**

<b>ORGANISATION</b>	<b>NAME and ROLE</b>	<b>DATE</b>	<b>TIME</b>	<b>LOCATION</b>
HSBC Philippines	Cat Avelino <i>Assistant Vice President for Group Communications</i>	19 May 2010	10:00	London (phone interview)
Makati Business Club	Peter Perfecto <i>Executive Director</i>	17 May 2011	07:20	Manila
Asian Institute of Management	Francisco Roman <i>Professor</i>	17 May 2011	11:05	Manila
Asian Institute of Management	Francisco Roman	19 May 2011	12:00	Manila

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