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Stakeholder interaction and Corporate Social Responsibility (CSR) practices: evidence from the Zambian copper mining sector

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Stakeholder interaction and Corporate Social Responsibility (CSR) practices: evidence from the Zambian copper mining sector

Abstract

Purpose – This paper critically explores the interactions of key stakeholders and their impact upon Corporate Social Responsibility (CSR) practices in the Zambian copper mining sector. In particular, we examine the power dynamics that emerge in the stakeholder interactions

Design/methodology/approach – We analyse the stakeholder interactions based on the varying degrees of stakeholder salience and critical collaboration potential, and draw on rich evidence from forty-three interviews with multiple stakeholders involved in CSR in the Zambia mining sector.

Findings – This paper finds stark power asymmetries in the relationship between the state and mining companies which are exacerbated by a number of factors, including divisions within the government itself as a key stakeholder and divergent CSR perceptions. However, despite these power asymmetries some limited agency is possible, as civil society in particular co-opts previously dormant stakeholders to increase its own salience and, more importantly, that of the state.

Originality/value - This paper contributes to the literature on the key actors' interactions shaping CSR in developing countries by exploring these issues in a critical industry, the Zambian copper mining sector, on which the state economy is so heavily dependent.

Key words - Corporate social responsibility; mining sector; civil society; the state; developing countries; Zambia.

Paper type – Research paper.

1. Introduction

This paper explores the complex interactions between key stakeholders which shape Corporate Social Responsibility (CSR) [1] practices in the context of a developing country. Whilst a limited number of recent studies focus on CSR-related issues in developing countries generally (Belal *et al.*, 2015; Belal and Owen, 2007; Lauwo *et al.*, 2016), there is an increasing interest in CSR in Africa (e.g. Rahaman, 2010). However, while much existing CSR research pays more attention on the outcomes of CSR, such as CSR disclosures and practices in developing countries (Belal and Owen, 2015; Fox, 2004; Idemudia, 2011), our focus is on exploring the local processes and dynamic interactions of multiple actors shaping these CSR outcomes.

In the context of developing countries, and in the oil, gas and mining sectors in particular, there are concerns about the adverse impact of the operations of multinational companies (MNCs) on local communities and the environment, thus increasing demands for greater corporate social responsibility and accountability (Lund-Thomsen *et al.*, 2016). In this context, CSR remains a politically contested area of power relationship imbalances, as multinational corporations may intervene in political processes to attain corporate objectives, while governments are highly dependent on foreign investment and lack the capacity to motivate or enforce fundamental regulations to CSR (Frynas, 2005; Jamali and Karam, 2016). CSR studies note the problematic 'business-state nexus' responsible for perpetuating human rights violations by companies in developing countries (Lauwo and Otusanya, 2014; Siddiqui and Uddin, 2016). In response to criticisms regarding MNCs' social and environmental actions, processes of stakeholder dialogue have become a key aspect of companies' CSR strategy to enhance their accountability. This has led, for example, to the emergence of new and various forms of interactions between Non-Governmental Organisations' (NGOs) and businesses in pursuit of CSR, with NGOs often playing a mediating role attempting to alter the power dynamics among companies and other stakeholders (Banerjee, 2008). Within the CSR literature, studies have focused on the interaction between NGOs and companies in developing countries (e.g., Arenas *et al.*, 2013; Baur and Schmitz, 2012; Idemudia, 2017) and point out that these alliances are mostly symbolic rather than integrative and substantive endeavours (Jamali and Keshishian, 2009) failing to promote CSR due to power inequalities, capacity constraints and lack of understanding of the needs of local communities (Lauwo *et al.*, 2016; Newell, 2005). However, there is little evidence available as to the multifaceted interactions of multiple stakeholders that drive, enhance or restrict CSR outcomes in developing countries.

These issues are explored through what is a critical case study of the Zambian copper mining industry, given the country's almost total dependence on the sector, which in 2014 contributed up to 70% of foreign exchange income, and over 10% of Gross Domestic Product (GDP) (International Monetary Fund (IMF), 2015). The industry is mainly controlled by MNCs, on which the state depends to provide investment following the sector's privatisation (International Council on Mining and Metals (ICMM), 2014). Such dependence on the mining sector for economic development gives rise to stark power asymmetries in the relationship between Zambia, as a developing country, and the foreign-owned mining companies. The limited CSR reporting is directed mainly towards 'public image building' motivated by project financing purposes for those companies with a western parent company (Phiri and Mantzari, 2017), while despite CSR initiatives by mining companies, mining operations continue to have detrimental socio-economic and environmental impacts on Zambia (Christian Aid, 2015; Human Rights Watch, 2011).

Our first major contribution, therefore, lies in our focus on CSR in the Zambian mining sector with its complex political economy terrain composed of multiple actors, such as political elites, underdeveloped civil society and powerful mining companies all seeking to pursue their interests through strategic interactions. However, rather than focusing on the interaction between individual actors (such as, NGOs-business and state-business interactions) or placing the companies at the centre of analysis, the multiple stakeholders are seen as being interrelated and as constituting part of a dynamic web of complex local relationships. The different stakeholders have competing interests, varying degrees of salience (Mitchell *et al.*, 1997; Neville and Menguc, 2006; Neville *et al.*, 2011) and collaboration potential with other groups (Covey and Brown, 2001; Hamann *et al.*, 2005). With regard to our second contribution, we critically engage with the role of the state as an important stakeholder in enhancing CSR, something that has received limited attention in CSR studies in developing countries (Idemudia, 2011; Jamali and Karam, 2016). A third major contribution is that we refine Mitchell *et al.*'s (1997) stakeholder salience framework which has been criticised as being static and short-term in orientation (Baba and Raufflet, 2017) by situating stakeholder interactions within a complex system of irregular, non-linear and path dependent (Hamann *et al.*, 2005) actions taking place over time, with consequences for the evolution of stakeholder power. As a fourth contribution, is that within these stakeholder groups, we find a lack of homogeneity as there are competing voices within each group, so affecting CSR outcomes. This lack of homogeneity is particularly marked within the mining companies as a stakeholder group which includes Chinese State-Owned Enterprises (SOEs). Finally, our fifth contribution which is highly significant given the stark power asymmetries existing between the state and the corporates, lies in the subtlety added to understanding the state-business nexus (Siddiqui and Uddin, 2016) and the potential of 'surrogate accountability' to hold powerful stakeholders into account, so strengthening the position of less powerful stakeholders (Belal *et al.*, 2015; Rubenstein, 2007).

The remainder of this paper is organised as follows. The next section discusses the theoretical framework adopted, providing the background to understanding the interactions of different stakeholders generally in developing countries, and of the mining sector in particular. We then describe our research approach, the local context and CSR developments in the mining sector in order to contextualise the empirical analysis. We subsequently present and discuss our findings, and conclude that, despite stark power asymmetries present in the relationship between the state and mining companies, some limited agency is possible, as civil society in particular co-opts other stakeholders to increase its own salience and, more importantly, that of the state.

2. CSR processes and stakeholder interactions

2.1. Theoretical framework

The CSR literature is "voluminous, disparate, eclectic, and still without commonly agreed philosophies or standpoints" (Parker, 2005, p. 844). Stakeholder theory (Clarkson, 1995; Freeman, 1984) and legitimacy theory (Lindblom, 1994; Suchman, 1995) have dominated CSR research through their concern with explaining the interactions between organisations and their environments (Gray *et al.*, 1995). These theoretical approaches are clearly important in explaining the way organisations are continually seeking to establish congruence between their values system and that of key stakeholders and society, in general. CSR disclosures and practices, for example, are seen as instruments of external accountability to influence, and even manipulate, stakeholder perceptions (e.g., Deegan, 2002; Milne and Patten, 2002). At the same time, sceptical voices continue to be raised concerning the inability of these

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3 theoretical approaches, by themselves, to capture the complexity of stakeholder interaction
4 with regard to CSR practices in developing countries. Legitimacy theory, for example, is
5 criticised for its inability to explain why despite the increasing social and environmental
6 impact of corporate activities, companies continue to carry out these activities unchallenged
7 (Banerjee, 2008). Indeed, Lauwo *et al.* (2016, p. 1043) argue that the extent to which
8 stakeholder and legitimacy theories “can explain the contradictions and dilemmas faced by
9 developing countries with respect to CSR practices has remained problematic [as] they pay
10 little attention to the broader socio-political, economic, historical and power structures that
11 shape CSR reporting practices”. Considering these criticisms, our research aims to explore
12 the dynamics of stakeholder interactions, so that we adopt a more nuanced stakeholder
13 approach that acknowledges the role of power in stakeholder relationships. We move from a
14 stakeholder model which represents stakeholder relationships as one-sided, placing
15 companies at the centre of analysis, to one that represents stakeholders as entrenched in a
16 more complex web of relationships that extend beyond the business domain. In order to
17 capture the complexity of stakeholder interactions, we employ complementary theoretical
18 perspectives that place sufficient emphasis, not only on stakeholder relationships which are
19 defined by the desire to achieve legitimacy[2], but also on the role of power and power
20 asymmetries in the interactions among the various stakeholders (Covey and Brown, 2001;
21 Hamann *et al.*, 2005; Mitchell *et al.*, 1997; Neville *et al.*, 2011).
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24 In order to capture the role of power in stakeholder relationships, we build on a broad
25 stakeholder salience framework (Mitchell *et al.*, 1997; Neville and Menguc, 2006; Neville *et al.*,
26 2011) so as to explore the reasons why mining companies may pay attention to specific
27 social groups but ignore others. From a company perspective, the salience of various
28 organisational stakeholders is assessed based on the combination of three stakeholder
29 attributes: power, urgency, and legitimacy (see figure 1).
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31

32 [Figure 1 about here]
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34 Drawing on Etzioni (1964), Mitchell *et al.* (1997) define power in an organisational setting
35 based on the type of resource used to exercise power. In particular, “...a party to a
36 relationship has power, to the extent it has or can gain access to coercive, utilitarian, or
37 normative means, to impose its will in the relationship. [...] this access [...] is a variable, not
38 a steady state, which is one reason why power is transitory: it can be acquired as well as lost”
39 (Mitchell *et al.*, 1997, p. 865-866). Whilst each stakeholder group has some possible source
40 of power (e.g., the state has regulatory power, mining companies possess economic power
41 and CSOs, potentially political or influential power) (Freeman and Reed, 1983), power
42 asymmetries depend on the extent to which one stakeholder group’s power base is more
43 pronounced than the other. Based on Suchman’s (1995, p. 574) definition, Mitchell *et al.*
44 (1997, p. 866) define the second attribute, legitimacy, as a ‘generalized perception or
45 assumption that the actions of an entity are desirable, proper, or appropriate within some
46 socially constructed system of norms, values, beliefs, and definitions’. Organisations may use
47 legitimation techniques by linking themselves to other institutions, such as political parties, in
48 order to develop moral and cognitive legitimacy (Suchman, 1995). Siddiqui and Uddin
49 (2016) offer the example of the Bangladeshi state that depends on businesses not only for
50 economic reasons, such as investment and employment, but also because of business-owners’
51 influence over state politics. The state and businesses work closely together in a state-
52 business nexus to legitimise their position in light of human rights violations. Alternatively,
53 NGOs’ activism in developing countries can create legitimacy gaps, so providing significant
54 motivation for companies to engage in responsible practices with the aim of either acquiring
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3 or maintaining legitimacy (Dahan *et al.*, 2010; Lauwo *et al.*, 2016). Urgency, as the third
4 attribute of salience means that the claims of are critical to a potential stakeholder and are
5 time-sensitive.

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7 Within a stakeholder salience framework, silent or dormant stakeholders, for example, are
8 stakeholders who possess power to impose their will on a company but their power remains
9 unused due to the lack of a legitimate relationship or an urgent claim (e.g., MNCs
10 shareholders or donors in the context of our study). Previously dormant stakeholders may
11 have little or no interaction with a firm, but may become more salient to management if they
12 acquire either urgency or legitimacy. On the other hand, discretionary stakeholders possess
13 legitimacy but have no power to influence and no urgent claims (Mitchell *et al.*, 1997). Other
14 studies that have built on the stakeholder salience framework emphasise that the importance
15 of urgency and legitimacy as a key stakeholder attributes may vary in particular contexts and
16 note that salience may be assessed in terms of stakeholder coalitions around issues and
17 organisational fields (Neville and Menguc, 2006). Neville and Menguc (2006) also highlight
18 that stakeholder multiplicity means that stakeholders may form strategic alliances to increase
19 their persuasive power of their combined claim to act upon organisations. Baba and Raufflet
20 (2017) indicate, however, that mainstream stakeholder salience theory is in many ways still
21 largely static, short-term oriented and firm-centred and as such, does not address how power
22 attributes of stakeholders evolve over time. Indeed, in relation to this criticism, Mitchell *et al.*
23 (1997) do not recognise the possibility of path dependence according to which history matters
24 for current decision-making situations. In other words, future courses of action and
25 stakeholder interactions may be constrained by previous developments and events (Hamann
26 *et al.*, 2005).

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29 The complexity of the stakeholder interaction, therefore, is further heightened by possible
30 heterogeneity within the different stakeholder groups and the changing relationship among
31 stakeholders over time, so affecting stakeholder power relations and collaboration potential
32 (Kochan and Rubinstein, 2000). Hamann *et al.* (2005), building on complexity theory and the
33 work of Covey and Brown (2001), identify various aspects of stakeholder interactions within
34 and beyond the immediate ambit of companies that contribute, or undermine the potential of
35 collaboration and enhanced CSR at the local level attending to the role of power, legitimacy
36 and accountability. The potential of collaboration depends on: (i) the balancing of power
37 asymmetries through the access to power-based strategies (e.g., legal recourse); (ii) the
38 acknowledgement of critical rights as codified in international agreement and national laws;
39 (iii) a development of an understanding of stakeholders' conflicting and converging interests;
40 and (iv) that the leadership of various stakeholder groups is seen as legitimate and
41 accountable. In developing countries, much of the CSR literature has focused on business-
42 civil society interactions (e.g., Arenas *et al.*, 2013; Baur and Schmitz, 2012; Idemudia, 2017)
43 and shows that due to the strategic notions of CSR advanced by business actors, NGOs may
44 find their impact on business practices lessened. However, a coalition of NGOs in partnership
45 with a corporation can reduce the vulnerability of civil society to co-optation by the more
46 powerful business stakeholders. Similarly, focusing on the case of civil society, studies have
47 pointed out that there is the potential of "critical cooperation" with other stakeholders (Covey
48 and Brown, 2001), or formation of strategic alliances with external stakeholders, such as
49 donors and shareholders, which have influence over the state (Combes *et al.*, 2016; Heller,
50 1975) and corporations (Mitchell *et al.*, 1997) respectively. However, with respect to Zambia
51 specifically, Hamann and Kapelus (2004, p. 90) argue that, "in the case of the Copperbelt, the
52 danger is that it is too remote for consistent surveillance from independent and critical
53 organizations". Yet, there are increasing calls for "surrogate accountability" (which can
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3 include partnerships with governments, supra-national bodies, and other civil society actors),
4 as such surrogates may be better equipped to pressurise power wielders to do what is “right”
5 (Rubenstein, 2007).
6

7 Lastly, as previously indicated, the processes that inform CSR initiatives, and the interaction
8 of stakeholders who seek to leverage their interests, are bounded by the local socio-political
9 and economic context. The lack of human and institutional capacity to address stakeholders’
10 concerns and promote CSR in developing countries has been highlighted previously in the
11 literature (Fox, 2004; Idemudia, 2011). However, the structural determinants and constraints
12 which enable or constrain CSR initiatives and developments in African countries are largely
13 underdetermined (Idemudia, 2014). In the context of power asymmetries, these manifest
14 themselves at the very outset, for example in terms of the negotiation of mineral development
15 agreements between the host state and mining companies, thus leading to a governance gap
16 (Hilson, 2012), such that the state finds its capacity to enforce corporate accountability
17 regulations becoming significantly compromised (Lauwo *et al.*, 2016).
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20 Figure 2 summarises our conceptualisation of the interactions among the major stakeholder
21 groups and our theoretical framework which guides the analysis of our empirical evidence.
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23 [Figure 2 about here]
24

25 In the next section, we discuss the role of the various stakeholders in the extractive industries
26 in developing countries, followed by a discussion of the particular context of the Zambian
27 mining sector and of the various stakeholders involved in the CSR arena.
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30 2.2. *The role of the various stakeholders in CSR in developing countries*

31 Whilst CSR is generally seen as being influenced by societal expectations (Carroll and
32 Buchholz, 2014), the picture that emerges for developing countries is more complex. In this
33 context, debates focus on the relationship between CSR and development, and the impact that
34 such initiatives have on developing countries’ socio-economic development (Reed and Reed,
35 2004). The lack of understanding of the complex relationships between CSR practices, local
36 actors, contexts, and development, results in a recurring tension between local communities’
37 CSR expectations and local challenges and opportunities (Hamann, 2006).
38

39 The CSR agenda in developing countries is determined mainly by the interaction between
40 mining companies, civil society and the state (Fung, 2003; Vogel, 2008). In particular, critical
41 voices have raised concerns about the conflict between the power of corporations and that of
42 the state (Scherer and Palazzo, 2007; Sikka, 2010), with the latter affording autonomy and so
43 political power (Lehman, 1999). As a result, much of the corporates’ decision-making,
44 including that related to their social and environmental responsibilities, has remained free
45 from any government control or influence (Bailey *et al.*, 1998) due to the significant
46 economic benefits they bring to developing countries. Such dependence is often exacerbated
47 by fears that these institutions may relocate if enacted regulations are perceived to encroach
48 on companies’ decision-making (O’Dwyer *et al.*, 2005). Such a level of autonomy, then,
49 enables MNCs to prioritise global, as opposed to local, expectations.
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52 Against this background, the role of civil society in promoting CSR practices in developing
53 countries has increased, as the majority of governments have failed to provide the
54 infrastructure and environment enabling the promotion of CSR (Utting, 2002). Importantly,
55 corporate behaviour has been exposed to public scrutiny as a result of civil society activism
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(Dahan *et al.*, 2010). Another critical role played by civil society lies in its representation of the less powerful voices in society (Banerjee, 2001; Blowfield and Frynas, 2005).

The extractive industries and the mining sector in Africa also face great pressures to embrace CSR, due to their large-scale adverse effects on the environment and local population. Hamann and Kapelus (2004) examined the CSR practices of mining companies in both South Africa and Zambia, finding that there are still important gaps between mining companies' CSR activities and accountability. Importantly, they argue that, in Zambia, CSR practices have little influence on fundamental business decisions based on profitability, which often have the most significant adverse social impact. Instead, CSR activities played a primarily "ameliorative role in the context of significant social disruptions and uncertainty in the wake of privatisation" (Hamann and Kapelus, 2004, p. 90). Similarly, Lungu and Mulenga (2005), in a commissioned report on the CSR practices in the Copperbelt region, found significant changes in CSR approaches, with deterioration after the privatisation of the state-owned Zambia Consolidated Copper Mines (ZCCM). Whilst these are important studies on the Zambian Copperbelt, they are more limited in scope and, importantly, do not focus specifically on the interactions between key Zambian stakeholders in determining CSR practices, the key research question of this study.

Whilst Zambia's mining sector constitutes a critical case, we note that prior studies on the sector have not addressed stakeholder interactions, power asymmetries, and their impact on CSR practices. Instead, they have focused on privatisation and mining development agreements (Fraser and Lungu, 2007; Lungu, 2008a), provision of welfare/social services (Lungu, 2008b), Chinese investment and corporate governance (Haglund, 2009; Negi, 2008), local communities and mining investment (Negi, 2010; Van Alstine and Afionis, 2013), the environmental impact of mining on farming land (Křibek and Nyambe, 2005), and the social experiences of former miners (Mususa, 2010). Studies that are directed at CSR in the sector are also few and limited in their focus. Noyoo (2010), for example, examined the link between CSR and government policies in Zambia, while Lungu and Shikwe (2006) focused on small scale (mostly gemstone) mining. Further, a study by Van Alstine and Afionis (2013) on a particular local community and mining companies' CSR practices revealed weak community capacity to hold the mining company and local government to account. The current study is the first of its kind to focus on key stakeholder interactions and power asymmetries with their resultant CSR outcomes in the context of the Zambian copper mining industry.

3. Research approach

As in a number of African countries, the development strategy of the mining sector is supposed to be based on the proportionate partnership of various stakeholders promoting a multi-stakeholder dialogue (Hamann *et al.*, 2005). It is against this background that the current study explores the dynamic interactions of key stakeholders and the resultant impact on CSR outcomes in the copper mining sector in Zambia. These stakeholders include the mining companies, the state and civil society (civil society represents here international/local NGOs and trade unions). Other key stakeholders represented include spokespersons from other important local and international groups, such as higher education institutions or academia (Gray and Guthrie, 2007), national accountancy bodies (Tilt, 2009), the local community (Banerjee, 2001), stakeholder engagement initiatives (Andriof and Waddock, 2002) and one supranational financial institution (Rahaman *et al.*, 2004).

We draw upon rich material from 43 semi-structured interviews with individuals representing these stakeholder groups (see Appendix 1 for a detailed list of interviewees). Key representatives from 39 different institutions who occupied senior management positions or else who had considerable leadership roles were targeted and identified using a snow-balling technique (Titscher *et al.*, 2000). In order to gain access to some stakeholders, formal authorisations or introductions had to be obtained. The data-gathering protocol involved the use of face to face interviews, recorded on a digital audio recorder with the permission of the respondents. Written notes were also taken during the interviews, which lasted between 45 to 90 minutes. The 43 interviews were conducted by one of the co-authors during his three-month fieldwork visit to Zambia between October and December 2011. Questions were based on the interview protocol, and stakeholders were encouraged to elaborate freely [3]. In order to elicit rich interpretations, interviewees were questioned about CSR in an unprompted manner so as to capture their understanding of the CSR processes, their components and their significance (Maignan, 2001).

The recorded interviews were subsequently transcribed in their entirety. The transcripts, together with any relevant notes taken during the interviews, were read by the three authors, who highlighted the key aspects and themes discussed by interviewees based on the theoretical framework (Covey and Brown, 2001; Hamann *et al.*, 2005; Kochan and Rubinstein, 2000; Mitchell *et al.*, 1997; Neville and Menguc, 2006). Analysis of the transcribed data was directed at the search for underlying themes and sub-themes so as to address our research objective, whilst remaining sufficiently flexible to profit from “opportunistic” dimensions that may arise in the research (Buchanan *et al.*, 1988). In particular, a complete coding scheme was developed including key themes such as the salience and nature of power asymmetries among the main stakeholders; the various channels through which stakeholders interact; possibilities for the exercise of surrogate accountability; and instances of effective and/or ineffective interactions of stakeholders. Excerpts from the transcripts were categorised under the different analytical themes, and the process was repeated until the most important and relevant quotes were identified. The quotations used present the “thick description” (Denzin, 1994, p. 505), as they appear to represent a particular theme. Each interview was numbered and the quotations in the analysis below are in the format of “*interview number, page from relevant text*”. In attempting a fine-grained analysis of the multifaceted nature and dimensions of the interactions both within and between stakeholder groups, the structure of the presentation of the findings below is based on the interactions of multiple stakeholders with other stakeholders, the conflicts within the individual stakeholder groups and the changing dynamics in the stakeholder interactions over time.

4. The local context

4.1. The mining sector

Overall, compared to other resource rich countries, Zambia is relatively stable politically and is seen as “good” at democracy, ranking high on the Worldwide Governance Indicator (WGI) at 51% in political stability and with an absence of reported violence (compared, for example to 30% for Tanzania) in 2015 (Worldwide Governance Indicator, 2017).

Within the country, the copper mining industry located in the Copperbelt province has been a major contributor to national development and employment. After independence in 1964, the industry was nationalised and put under the management of the national parastatal company, Zambia Consolidated Copper Mines (ZCCM). As well as contributing to government

revenue, ZCCM provided local communities with infrastructure, water, medical care, education and other services (Hamann and Kapelus, 2004). As can be seen from Table 1, the country remains highly dependent on the sector.

[Table 1 about here]

Following the oil crises and falling copper prices from the 1970s to the 1990s, the economy collapsed and per capita income declined by 50% during this period, leaving the country the 25th poorest in the world (Ferguson, 1999, p. 6). This exposed the susceptibility of the country's economy to external factors affecting copper prices, thus highlighting the fragility of the Zambian economy, given its reliance on this commodity. International donor support was sought and provided but made subject to certain conditions by the World Bank and International Monetary Fund (IMF). These Structural Adjustment Programmes (SAPs), which include privatisation, formed a significant part of the liberalisation solutions seen as a panacea for African postcolonial economies (Adanhounme, 2011). The continuing vulnerability of the economy to volatile copper prices can also be observed during the 2007 global financial crisis when some mining companies had to close (such as Luanshya Copper Mines) and others were put under care and maintenance (such as Chambishi Metals). It was reported that close to 13,000 of the 30,000 mining and mining related jobs were lost during this period (Lungu and Kapena, 2010).

The privatisation of ZCCM during the period 1997-2000, under the World Bank's guidance, resulted in the formation of seven companies which were eventually bought by seven Western MNCs. Entry of the MNCs into the sector marked an important change in its management, given its strategic role in national development. With privatisation, there is now no restriction on ownership changes, which exposes the sector to systemic pressures for "short-term" profit maximisation (Sikka, 2010). Given also fluctuations in world copper prices, investors may decide to exit Zambia, only to be replaced by new entrants, thereby potentially impacting CSR practices. Whilst the government continues to hold between 10% and 20% ownership of the former ZCCM companies, through the state-owned ZCCM Investments Holdings (ZCCM-IH), this only minimally entitles the government to mining companies' dividends. However, despite the government's ownership stake, all available evidence suggests that this shareholding gives the government little influence over the companies. Overall, the industry landscape has changed dramatically, as now both western MNCs and Chinese State-Owned Enterprises (SOEs) are key players. Appendix 2 gives details of the major copper mining companies operating in Zambia, showing both ownership of the firms and their percentage of total copper production.

Overall, mining activity has increased as new large-scale mining operations have started up alongside the former ZCCM companies. The entry of MNCs and SOEs has brought increased investment in the sector (International Council on Mining and Metals (ICMM), 2014). This has resulted in increased copper production, after a significant drop in the 1990s (see Figure 3). Importantly however, this increase in copper investment has raised stakeholder expectations as to mining companies' sectoral contribution to the country.

[Figure 3 about here]

As the diversity in ownership and mining activities has increased, the state has faced the challenge of how to effectively manage the growing sector. Although the state has streamlined its ministries and regulatory agencies in recognition of these changes, their

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3 capacity remains relatively low according to the Worldwide Governance Indicator (WGI),
4 with important implications for the regulation of the sector.
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6 *4.2. Stakeholder interaction and demands for change*

7 Whilst there have been notable benefits as a result of increased MNCs investment, there have
8 also been adverse outcomes, raising concerns about the social and environmental
9 responsibilities of the mining companies and the inability of the state (or other stakeholders)
10 to hold them accountable. Despite an increase in both mining investment and copper revenue,
11 the industry's proportionate contribution to the state revenue remains low (Zambia Revenue
12 Authority, 2013), such that there have been reports of tax evasion schemes by some mining
13 companies. Importantly from the perspective of power asymmetries, there have been limited
14 apparent benefits only, something attributed to the lopsided development agreements that
15 these MNCs entered into with the state (Christian Aid, 2011).
16

17
18 Mining companies have arguably failed to prevent, or at least minimise, the adverse impacts
19 of their operations (Lungu, 2008a). Within mining townships, there has been major
20 deterioration of the social infrastructure, including housing, health, water and sanitation.
21 Social infrastructure had previously been the responsibility of the ZCCM, but is now
22 undertaken by the municipal councils, whose financial capacity is greatly constrained (Lungu
23 and Mulenga, 2005). In turn, concerns over the detrimental effects of mining have given rise
24 to civil society activism. With respect to development agreements, for instance, the
25 contentious issues relating to taxation and stabilisation clauses that have negative
26 implications for state revenues have led to a public outcry that MNCs are "milking the
27 country" of revenue (Biau, 2010, p. 23). However, the increasing diversity of investors has
28 also meant that CSR prioritisation is not uniform across the sector (Marquis *et al.*, 2007),
29 while local communities' developmental needs are largely ignored in companies' CSR
30 strategies (Van Alstine and Afionis, 2013).
31
32

33 In order to address the resultant widening legitimacy gap between mining companies'
34 activities and community expectations, the Zambian mining sector decided to manage
35 stakeholder pressure by creating the Zambia Extractive Industry Transparency Initiative
36 (ZEITI) in 2009. The circumstances surrounding the creation of the ZEITI suggest that
37 legitimacy is a dynamic notion in that relevant publics continuously evaluate corporate
38 output, methods and goals against ever-evolving expectations (Lindblom, 1993). Importantly
39 however, this is a legitimation response occurring at the industry level, as opposed to at the
40 usual firm level. The ZEITI, whose establishment was also a requirement for financial
41 assistance from the World Bank in 2007, became compliant with the Extractive Industry
42 Transparency Initiative (EITI) in 2012. It acts as a forum which brings together the three key
43 stakeholders groups (mining companies, the state and civil society), and produces
44 reconciliation reports on what mining companies should pay to the state versus what the state
45 receives as revenue from mining companies. As such, it aims to address tensions arising from
46 the perceived lack of transparency in the negotiations of mining agreements, the insufficient
47 access to information on mining companies' contributions to the state, and the absence of
48 sustained multi-stakeholder dialogue (Zambia Extractive Industry Transparency Initiative,
49 2017).
50
51

52 **5. Empirical evidence: multidimensional analysis of stakeholder interactions**

53 As the interactions between stakeholders are complex, we centre our discussion on the
54 interaction of a particular key stakeholder group with others.
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5.1 Interaction of the mining companies with other stakeholders

The mining companies are largely seen as economically powerful, given both the state's and local populations' dependence on them for local governance and social welfare. Two civil society interviewees, for instance, raise these concerns about the economic dependence of the state on mining companies. The state is thought to treat the mining companies "like gods", signing favourable agreements and adopting a soft stance towards them.

You see, if I have the money then I call the shots...the people who have the money are the multinationals [...], and so they [mining companies] will begin to tell you this can go out now given a situation where the multinational companies said, Don't include this clause, I expect that the government is going then to say even if it is good for Zambia, the government is going to listen to them [mining companies] and say, Yah that will not include it [C3, p. 9-10].

The dependence of the state on mining companies can be seen to extend beyond the economic to political dependence also, so effectively rendering the state a dependent stakeholder (Mitchell *et al.*, 1997). Given the state's dependence on the mining companies for political power, the discourse before elections is considered to be based on the "fear" that mining companies will go away if people do not vote for one political party or the other. According to one civil society interviewee [C7-2, p. 5], before elections the interests of the Zambian state are equated with those of the mining companies, such that if the latter are not respected, the population as discretionary stakeholders (Mitchell *et al.*, 1997) will suffer. The state as a dependent stakeholder in this case, acts as an advocate for the mining companies which, it claims, develop necessary services for discretionary stakeholders, the local communities.

Mining companies interact also with civil society by providing information as requested but there is a sense of mistrust within the interactions regarding how this information is used. To quote one company interviewee:

They [NGOs] came around here but they decided to pick what they wanted to pick.... Because they were elections coming so it depended on who they talked to ...did they talk to the junior people who may not have the statistics at their fingertips? ...Did they verify this information with us, of course they didn't [M4, p. 5].

Civil society appears to lack accountability in the eyes of mining companies and is largely excluded from the state-business nexus (Siddiqui and Uddin, 2016), something which reduces its perceived legitimacy.

5.1.1. Divisions within mining companies as a key stakeholder group

We find a significant lack of homogeneity within this group in terms of their ownership and CSR priorities, which has been exacerbated by the entry of the Chinese SOEs into the Zambian mining sector. Implications of such lack of homogeneity include the divergent views of CSR between Western MNCs and Chinese-owned corporates. Indeed, at one extreme, for Chinese State-Owned Enterprises (SOEs), the whole concept of CSR itself is argued to either be lacking or else to be very different from that perceived by the Western mining companies previously dominating the sector (Frost and Ho, 2005). In this regard, one civil society representative commented that:

Some mines, like the Chinese-run mines, have literally not done much. CSR is almost non-existent for them. They would rather go and give money to the political parties, to the party in

power as part of patronage and they take that to be corporate social responsibility, [...] they pay a blind eye to other issues that may be pertinent to their operations [C9, p. 9].

In this situation, the Chinese SOE have identified the political parties as the relevant power wielders with whom do business. The local communities, the usual recipients of CSR activities are dismissed as being discretionary, and so irrelevant to how the SOEs do business. A trade union official, for instance, argued that Chinese companies are new to CSR and have not been part of the United Nations Global Compact and other global framework agreements. The interviewee refers to discrepancies among mining companies in terms of acknowledging critical human and legal rights, such as health and safety (C7-1, p. 15), so undermining the establishment of a basis for effective stakeholder dialogue and collaboration (Covey and Brown, 2001). This is further echoed by a trade union official who commented on differences in Chinese SOEs' perspectives on labour rights:

Labour laws are something new for Asian colleagues and remuneration and conditions of service are worse in mining companies owned by China [C6, p. 4].

However, interviewees' critical views as to the role and nature of CSR of mining companies are not restricted to Chinese-owned companies. Most non-corporate interviewees see the current levels of CSR practice as significantly narrower in scope compared to those before privatisation under ZCCM. Civil society interviewees also note that while CSR provisions become narrower, mining companies engage in social welfare activities, such as medical care, with an aim to make profit.

However, in relation to CSR expectations, a corporate interviewee argues that:

They [i.e. expectations] are not normal because I think our problem is we are moving from a situation of ZCCM. These are former mine *townships where literally everything was provided for. [...] The mine provided everything from schools to food. Sometimes even clothes, even coffin. So you and your family, you just wake up, go for work, the kids go to school and whatever...* Now they are moving into a situation where suddenly you own a house, you must maintain it (emphasis added) [M1, p. 13-14].

Here, we note that the conditions and provisions offered by the mining companies under the ZCCM ownership continue to colour the expectations of the community. In the absence of power or urgent claims by the stakeholders and the local community (Mitchell *et al.*, 1997), there is no pressure on managers or mining companies to actively engage in corporate relationships with them or respond to their expectations. However, despite this lack of pressure on mining companies, there have been some changing dynamics in companies' interactions with other stakeholders as these gain power and legitimacy, so potentially increasing their salience.

5.2. The interaction of the state with other stakeholders

Power asymmetries in the state's interaction with mining companies have been reinforced and heightened by its capacity constraints in many different areas. Interviewees indicated constraints such as the failure to monitor CSR processes due to constraints including lack of manpower and equipment, funding problems in local municipal councils, changes in demand for service provision without corresponding changes to funding, lack of political support to engage professionally with stakeholders, and lack of legal enforcement. The effect of such capacity constraints is that the 'significant preparatory groundwork' (Hamann *et al.*, 2005, p.

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3 6) needed to establish appropriate conditions for effective stakeholder collaboration is
4 lacking. This effectively results in a state that is toothless, with regulatory powers but without
5 enforcement capability. These problems are summarised aptly by interviewee W1, from the
6 supranational financial institution:

7
8 ... [on the unfair practices like transfer pricing] the government knew what was happening but
9 did not have the capacity to give conclusive evidence that this is what was happening. They
10 knew it was happening, because they knew that the company which is allegedly supplying
11 materials to the other company is actually owned by it. [Thus] the private sector at any point in
12 time when they want to hide monies or carry out these activities [such as transfer pricing] is
13 much cleverer than the government [W1, p. 11].

14
15 Furthermore, these capacity constraints have been complicated by geographical distance
16 (Hamann and Kapelus, 2004). In the view of one civil society interviewee, for instance,
17 power asymmetry is exacerbated by geographical distance which helps to perpetuate the
18 secrecy around the CSR activities of mining companies:

19
20 The whole system has been undermined by....the secrecy that has eliminated all forms of
21 transparency and accountability by stakeholders ...Because what accrues to the central
22 government is used maybe in Lusaka and you don't see it reflecting on the Copperbelt where
23 the primary activities are being undertaken [C9, p. 9-10].

24
25 A number of civil society interviewees highlight the secrecy in terms of the lack of
26 engagement and communication with the community regarding dealings between the state
27 and mining companies. This exclusion was particularly evident during the privatisation of the
28 mines, marking the beginning of the current stakeholder power imbalances. As the
29 interviewee explains below, civil society was left ignorant of the relevant development
30 agreements, resulting in a lack of transparency and accountability with regard to the
31 relationship between the state and the mines. The lack of participation of stakeholders in
32 national reforms or policies then increases power differentials (Brinkerhoff, 1999).

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34
35 (The) civil society in Zambia has not been involved in the negotiation for the sale of (the)
36 mines. ...Civil society has not been privy to the provisions within those agreements and that
37 has been a bone of contention [C3, p. 10-12].

38
39 As a result, there is a lack of information available regarding the taxes paid by the mining
40 companies to both central and local state authorities, thereby undermining and indeed
41 eliminating any possible critical collaboration with other stakeholders (Covey and Brown,
42 2001):

43
44 Also the government does not want to fully disclose how much they are getting from the mines.
45 *The mine outfits then also are kind of forced into submission in silence*, because they feel that,
46 if they say something, it will be contrary to the spirit of engagement with the government and
47 they feel that they are accountable to the government, who are the licensing authority [C9, p. 9-
48 10, emphasis added].

49
50 Here, some complexity is identified in the relationship between the state and the mining
51 companies, in that corporates appear to be forced into silence regarding how much they pay
52 to the state in various taxes. Indeed, the companies feel accountable to the government as
53 another key stakeholder, because it acts in some sense as a power wielder, being the licensing
54 authority. This situation results in a vicious cycle of interactions that leads to yet more
55 secrecy and lack of engagement with other stakeholders by both the corporates and the state.

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3 Moreover, the perceived challenges to power asymmetries posed by initiatives, such as the
4 ZEITI, that aim to heighten both the transparency and accountability of mining corporations
5 and state, are hampered in different ways. One way in which the current power asymmetries
6 between stakeholders are maintained is through the composition of the ZEITI. The ZEITI is
7 seen as biased by certain sections of civil society in giving power to the state and mining
8 companies in terms of deciding which civil society organisations are involved. Indeed, the
9 state is alleged to 'pick' civil society representatives so that in the words of interviewee C15:

11 ... if you look at the EITI composition, now I think the mining company actually has a stronger
12 hand than the civil society even the composition of the board *I think currently (the) government*
13 *and mining companies have a say on who as civil society is supposed to be....* and it's not
14 something where they can actually call even like all the civil society working on the extractives
15 to take a vote to say, ok who should represent us? ... (the) government actually does choose the
16 civil society to engage with-they have the pretty much top say as to who talk to, who they
17 engage and things like that [C15, p. 6, emphasis added].
18

19
20 The establishment of the ZEITI appears to offer symbolic legitimation to the mining sector in
21 that changes are introduced for the sake of appearances as opposed to more substantive
22 legitimation (Deegan, 2014). Despite symbolic legitimation usually being discussed in
23 relation to corporate behaviour, here we see the state-business nexus (Siddiqui and Uddin) as
24 an entity exhibiting such behaviour. Such influence reinforces the existing power
25 asymmetries by weakening potential challenges from civil society as the state and mining
26 companies join forces to prevent civil society from exercising power in the one forum where
27 this might be possible.
28

30 5.2.1. Divisions within the state as a key stakeholder

31
32 In general, divisions within the stakeholder groups themselves exacerbate the impact of
33 power asymmetries on CSR practices. Besides the overall dependence of the state on mining
34 companies, its capacity constraints and the exclusion of civil society, the power of the state is
35 further weakened by internal divisions. In the view of one state employee:
36

37 It's important that our politicians understand how institutions run so that whatever political
38 direction they give, it's in line with the way the institutions run [G1, p. 14].
39

40
41 The influence of the state on mining companies is hampered by the absence of a united front
42 with politicians, resulting from a poor understanding of the nature and mechanics of the
43 various state institutions. Another interviewee from civil society argues that political will on
44 the part of central government is key to addressing the challenges faced by governmental
45 agencies monitoring the mining sector [C10, p. 3].
46

47
48 The state's perceived weakness in negotiating with mining companies is recognised by state
49 stakeholders, who often refer to power imbalances and political collusion within state
50 agencies. Political interference in state regulatory agencies undermines the ability of various
51 state agencies to discharge their obligations appropriately. Interviewee G6, working for the
52 Zambia Revenue Authority (ZRA), indicates that they need political support to engage
53 professionally with any stakeholder, especially the mining companies. Another interviewee
54 representing the Zambia Environmental Management Agency (ZEMA) provided examples of
55 political interference in an appeal process:
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3 ...we had some appeal process [related to mining companies' violations of environmental
4 standards and principles] which is in our role and sometimes ministers have reserved their
5 appeal rights and made decisions. Sometimes they don't agree with us'. [G4-1, p. 5]

6
7 Decomposing the state, therefore, into one of its most important constituents or ministries
8 further illustrates the divisions within state agencies. As expected, the ZRA acts as a vital
9 conduit in the relationship between the mining companies and the state, given its role as tax
10 collector. This is clearly important, given the high percentage of Zambian tax revenue arising
11 from the mining sector. However, one civil society interviewee alleges:

12
13 Sometimes the Zambia Revenue Authority (ZRA) officers when they go to audit the mining
14 books, they have been sent away to say we are not ready, you can come back after six months.
15 But that's illegal by law and they tell you this is not your system, (when) this should be the case
16 where you should go and (just) say this is what it is. My system says this and you should do it.
17 Pay me this much but your books say you haven't paid this much [C5, p. 16].
18

19
20 Based on interviewees' accounts in relation to mining companies' power versus that of the
21 state generally, and versus the ZRA, there is clear evidence that corporates are seen as
22 occupying unambiguously the role of power wielders (Mitchell *et al.*, 1997). Given the
23 particular weaknesses in the state's ability to collect taxes, this has knock-on effects on the
24 proper functioning of other state institutions.

25
26 Lauwo *et al.* (2016) argue that NGOs have some potential for stepping into a regulatory gap
27 resulting from inadequacies at the level of both national governments and international
28 institutions in demanding increased public accountability (Moon and Vogel, 2008). However,
29 in the case of Zambia, there are further complications.
30

31 *5.3. The interaction of civil society with other stakeholders*

32 Apart from civil society being seen to reside outside the state-business nexus, mining
33 companies' interaction with civil society organisations is perceived to be complex, as the
34 leadership of both stakeholder groups is not always seen as either accountable or legitimate
35 by the other. As already discussed in section 5.1., mining companies interact with civil
36 society by providing information. However, mining companies appear to question the
37 judgment of civil society activists, both in terms of whom they choose to speak to and of their
38 understanding as to the appropriateness of the data chosen. This questioning echoes, to some
39 extent, the comments of the supranational financial institution interviewee as to the lack of
40 accountability and analytical skills of civil society activists.
41

42
43 Whilst mining companies may mistrust civil society, such sentiments are mutual. For
44 example, one civil society interviewee, using the "master-slave" analogy to describe what
45 s/he perceives as this unequal relationship, indicates that, currently, the Zambian community
46 (represented by civil society) and the mining companies are not seen as equal partners who
47 co-exist responsibly and profit jointly from the natural resources of the country. Instead,
48 mining companies are seen as foreign visitors.
49

50
51 So if it [CSR] is seen as charity, it is like a far-fetched relationship, *where one is a master and*
52 *one is a slave*, one owns and then out of his own goodwill and volition he can give some
53 crumbs to the slave. That is not it ...the people in those communities own the land and
54 therefore they own the natural resources that exist within that area and the mines are visitors
55 who have come to undertake business activities there. ...CSR should be seen as a form of
56 responsible co-existence. It consolidates the partnership of the inhabitants of the land ...this
57 why we associate all the mining firms with the foreign direct investment, because they are
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3 foreigners who have come to invest directly in those areas, so they are visitors [C9, p. 6
4 emphasis added].
5

6 From the viewpoint of civil society, CSR should be is viewed as a legitimating tool by
7 mining companies which, as foreigners, invest in Zambia and so profit from resources that
8 are actually owned by the local inhabitants.
9

10 However, despite civil society activism, this stakeholder group too is beset by internal
11 divisions.
12

13 *5.3.1. Divisions within civil society as a key stakeholder*

14 The divisions that exist within civil society (and specifically NGOs) exacerbate the power
15 asymmetries especially considering that this stakeholder group is meant to act in the public
16 good and is a potential source of surrogate accountability. The state is seen as interfering with
17 the independence of this stakeholder group thereby weakening its moderating role. One
18 academic interviewee (who has worked widely with local NGOs) commented that the
19 government usually “selects those civil society organisations that are seen as in favour of
20 government, excluding as much as possible, those who were seen as critical to government
21 action” [A1, p. 8] in national policy debates so hindering prospects for critical stakeholder
22 collaboration (Covey and Brown, 2001).
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26 In other cases, the agenda of some civil society organisations is questioned. One civil society
27 interviewee referred to instances where civil society groups were formed explicitly to
28 promote a specific agenda for the state:
29

30 We have various examples, particularly towards the elections, of civil society [groups] whose
31 interest (sic) were based on whether they had been given money or not. For example, when the
32 national constitutional conference was required to submit people but because the churches
33 boycotted, some reverends went into the villages, formed churches and brought people there;
34 that is not genuine representation” [C16, p. 10].
35
36

37 These divisions effectively weaken the lobbying capacity of civil society and so sustain
38 existing power asymmetries.
39

40 *5.4. Changing dynamics in the stakeholder interactions*

41 Despite such weakened potential of civil society, stakeholders’ power positions can change
42 over time (Kochan and Rubinstein, 2000) even with respect to weaker stakeholders in their
43 attempt to regain power vis-a-vis the mining companies.
44

45 *5.4.1. Civil society attempts to change the rules of the game*

46 Despite the exclusion of civil society from having meaningful dialogue and influence on CSR
47 agendas and developments, civil society organisations (mainly NGOs) have become more
48 powerful over time due to improved access to key information contained in both development
49 and investment agreements, so enabling them to assume the role of surrogate account holders
50 on behalf of the community and enhance the potential for critical collaboration:
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52

53 Over time, civil society has mobilised and they have built a critical mass and they have become
54 a force. They voice on things that they see and also through some of the whistle blower
55 opportunities that have come up. They have had access to some of the information contained
56 within the development agreements and the investment agreements with the mines...The
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3 government was compromised because the mines, usually are usually powerful multinational
4 corporations, so they have very shrewd negotiating teams and they usually engage highly
5 skilled negotiation teams which capacity we don't usually find in the public sector and as a
6 result they come out with a raw deal [C3, p. 10-12].
7

8 Given this power asymmetry evident in the negotiating capacities of the public sector
9 compared to the corporates, civil society has actively sought to change the rules of the game
10 altogether, for example by co-opting donors to strengthen the state's power. This attempted
11 intervention is described by the same civil society interviewee as follows:
12

13 And that is something that civil society has been trying to champion with the co-operating
14 partners, the donor community, that they can help the country in negotiating these deals or in
15 building capacity within the government institutions be, it in negotiating as well as in
16 administering and regulating the mining sector as a whole [C3, p. 10-12].
17

18 In seeking to build the state's negotiating capacity, civil society is trying to co-opt the state as
19 an ally, rather than remaining outside the state-business nexus as an adversary. Importantly,
20 donors, whilst not highly visible stakeholders in our analysis to date, possess (utilitarian)
21 power (Etzioni, 1964) to impose their will on the state by threatening to withdraw funding
22 (Combes *et al.*, 2016; Heller, 1975). Additionally, civil society aims to increase its persuasive
23 power (Neville and Menguc, 2006) through building capability with the state in terms of
24 administering and regulating the mining sector, with the objective of increasing corporate
25 accountability and transparency. In so doing, civil society is linking itself to another key but
26 usually dormant or silent stakeholder, the donor community, to develop its own moral
27 legitimacy (Baur and Palazzo, 2011). In Mitchell *et al.*'s (1997) terms, by this action civil
28 society is attempting to raise its own salience in influencing CSR outcomes by increasing its
29 own legitimacy.
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32 Whilst mining companies and the state, as a coalition, regard civil society as an adversary,
33 civil society has, on several occasions, used other power-based strategies, including legal
34 recourse, to balance power asymmetries (Hamann *et al.*, 2005). For example, in 2002, a
35 particular NGO in Zambia took one of the mining companies to international arbitration over
36 breaches of the development agreement on pollution. Whilst initially the state failed to
37 cooperate with this particular NGO, in the end it had to find an "amicable solution" because
38 "that was what shareholders wanted also". To quote C12:
39
40

41 The shareholders want(s) us to find the amicable solution to this-would be transparent, to be
42 open, will allow them to come and do audits to inspect(ion) us and give us recommendations on
43 what must be done, government had no option but to fall in place, so it works out well [C12, p.
44 15].
45

46 As a result of this activism, as was the objective in the earlier example, the NGO was able to
47 change the dynamics of its relationship with the mining companies, through acting as
48 surrogate account holder, by means of a perhaps unexpected intervention by company
49 shareholders, normally dormant stakeholders (Mitchell *et al.*, 1997). Whilst the Zambian state
50 usually negotiates and cooperates with mining companies' senior management, in a state-
51 business nexus, ultimately the western corporates are accountable to the shareholder
52 community. In this particular example, civil society gained normative/moral-based legitimacy
53 (Baur and Palazzo, 2011; Black, 2008) in its campaign through the support of shareholders
54 who perceived "the goals and/or procedures of the organisation (i.e. of this particular NGO)
55 to be morally appropriate" (Siddiqui and Uddin, 2016, p. 684).
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3 In both cases of NGO activism being successful in co-opting either donors or MNC
4 shareholders, and so acting as a surrogate account holder, these previously silent or dormant
5 stakeholders became more salient because they both exercise ultimate power over financial
6 resources critical to the Zambian state and mining companies respectively. Whilst both may
7 be seen as largely dormant in terms of their influence, if called upon to exert their power, as
8 in the example above, they show themselves to be major power wielders. However, there are
9 limitations on the extent to which civil society can rely on shareholder pressure to further its
10 aims with regard to its CSR agenda. Shareholder pressure favouring CSR can prove itself to
11 be both narrow and limited to the financial interests of MNCs' shareholders, as in the view of
12 the interviewee from the supranational financial institution, W1 (p.8), "...if the corporate
13 social responsibility activities are going to start affecting (the) bottom line, they will stop it".
14

15
16 Other complicating factors include the relatively rapid turnover in ownership of the
17 corporates operating in Zambia, and the different national origins of the various firms with
18 diverse perspectives on CSR. These effectively limit the urgency of claims (Mitchell *et al.*,
19 1997) for CSR reforms. However, more positively, some change is evident in the power of
20 the other key stakeholder, the state, at least from the perspective of a number of state
21 interviewees.
22

23 24 5.4.2. *The state becoming more powerful versus in the past*

25 Despite continued secrecy on the part of the state-business nexus, the supranational financial
26 institution stakeholder argues that the state is now more sophisticated, notwithstanding civil
27 society claims to the contrary [W1, p.5]. Similarly, state stakeholders argue that, over the last
28 few years, the state has regained power vis-a-vis the mining companies due both to path
29 dependence and civil society activism. Such increased power is evident through improved
30 legislative monitoring and power-based strategies, such as legal recourse and threats. These
31 interviewees (e.g. G3) make comparisons with the state's position at the time of negotiating
32 the sale of the mining companies, which was forced upon the Zambian state, versus the
33 current situation relative to the mining companies. Specifically, the state is now much better
34 placed to renegotiate agreements with the mining companies without being forced to amend
35 the law in order to do so, such power being, in part, due to path dependence.
36
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38 Path dependence arose in a specific case when the state was forced to take over the running
39 of a particular mine. Once the state had proved it could run the mine, it increased its
40 perceived credibility in future negotiations, thus indicating the importance of reputation-
41 building. To quote one of the company interviewees:
42

43
44 When Anglo-American walked out in 2002 from KCM mines, the government put in an interim
45 team to run the operations. I think that gave some comfort to government that it can be done
46 because (the) mines were run for one year with a team put into place and supervised by
47 government directly. So when the recession came in 2006, *they had a history*. That is why they
48 could stand up and negotiate very strongly to say, "You cannot just shut down". There is a way
49 in which things should be done [M1, p. 12, emphasis added].
50

51 Whilst legitimacy theory research is frequently concerned with the issue of corporate
52 disclosures for reputation-building purposes (e.g. Tilling and Tilt, 2010), here we observe
53 something quite different. A non-corporate stakeholder, the state, manages to increase its
54 legitimacy and power, by evolving from the position of dependent stakeholder to a much
55 more salient one (Mitchell *et al.*, 1997) because if we adopt a longer-term perspective than
56 Mitchell *et al.* (1997), we see that 'history matters.' In this particular case, the Zambian state
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3 proves that it can run the mine, so adding considerably to its credibility and bargaining
4 power. This change, which is path dependent in the above sense, gives the state “a history”,
5 and to some extent enables it to change the rules of the game governing the relationship
6 between the state and the mining companies, previously characterised by stark power
7 asymmetry.
8

9 In summary, our analysis reveals that the various mining companies operating in Zambia
10 emerge as power wielders (Mitchell *et al.*, 1997) in their relationship with the state and civil
11 society, given the importance of copper mining to the economy. Reinforcing this power
12 asymmetry within the state-business nexus is the exclusion of civil society, which views itself
13 as having the potential to strengthen the power of the state in the interests of the wider
14 community. However, this position is continually eroded, albeit to a relatively small degree,
15 by other stakeholders. These dynamics arise from legitimating actions of other stakeholders
16 which increase their salience (Mitchell *et al.*, 1997). Apart from the persistent power
17 imbalances within and between stakeholders, the potential for critical collaboration at the
18 local level (Covey and Brown, 2001; Hamann *et al.*, 2005) is further challenged by the lack
19 of commonly accepted social and environmental laws and agreements, the lack of
20 information and accountability of the leadership of other stakeholder groups. However, civil
21 society is seen to be actively trying to change the old rules of the game by co-opting both
22 donors and some MNC shareholders, with the aim of strengthening state power versus the
23 MNCs. However, given the transitory nature of power, such success may be short-lived.
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28 **6. Discussion and conclusions**

29 In exploring the interactions of key stakeholders, and their impact upon CSR practices in the
30 Zambian copper mining sector, we have identified stark power asymmetries present in the
31 relationship between the mining companies and the state. These power asymmetries continue
32 despite attempted interventions by civil society. They remain masked, in the language of
33 proportionate partnership in the agreements signed by mining companies and the state, and
34 are exacerbated by a number of issues including divisions within the state and civil society
35 themselves.
36

37 Given this background, our wider contributions to the literature on CSR in developing
38 countries are as follows. Firstly, our focus on the complexity of major stakeholder
39 interactions in the Zambian mining sector does not place companies at the centre of analysis.
40 Instead, the multiple stakeholders are seen as being interrelated and as constituting part of a
41 web of complex local relationships. With regard to our second contribution, we also critically
42 engage with the role of the state as an important stakeholder, something that has received
43 limited attention in CSR studies in developing countries (Idemudia, 2011; Jamali and Karam,
44 2016). A third substantial contribution is that we refine Mitchell *et al.*'s (1997) stakeholder
45 salience framework which has been criticised as being static and short-term in orientation
46 (Baba and Raufflet, 2017) by instead, locating stakeholder interactions within a complex
47 system of irregular, non-linear and path dependent (Hamann et al, 2005) activities taking
48 place over time, with consequences for the evolution of stakeholder power. A fourth
49 contribution, is that within these stakeholder groups, we find a lack of homogeneity, so
50 affecting CSR outcomes. This lack of homogeneity is particularly noticeable within the
51 mining companies as a stakeholder group which includes Chinese State (SOEs). Finally, our
52 fifth contribution which is highly significant given the stark power asymmetries existing
53 between the state and the corporates, lies in the subtlety we add to the concept of the state-
54 business nexus (Siddiqui and Uddin, 2016) and the potential of ‘surrogate accountability’ to
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3 hold powerful stakeholders into account, so strengthening the position of less powerful
4 stakeholders (Belal *et al.*, 2015; Rubenstein, 2007).
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6 Drawing from our multi-theoretical approach attending to stakeholder salience and critical
7 collaboration, we find that some agency (albeit limited), is possible, particularly on the part
8 of civil society but also of the state. Indeed, whilst the state may often find itself in an
9 adversarial position relative to civil society, both interventions by the latter discussed in the
10 findings above are undertaken by CSOs with the aim of empowering the state in its
11 relationship with mining companies, with the end objective of changing the rules of the game.
12 We therefore, add some subtlety to understanding the role of a surrogate in promoting
13 accountability (Belal *et al.*, 2015) as civil society has assumed this role. Importantly however,
14 with regards to meeting community expectations, due to path dependence in the form of
15 memories of comprehensive service provision by ZCCM under state ownership, this proves
16 impossible under private ownership of the mines. Under privatisation, due both to the variety
17 in national ownership of the companies and their short-termist focus, as well as the absence
18 of a state regulatory framework, CSR practices within Zambia lack coherence. However, now
19 that the state is perceived as increasing its power to a limited extent, some change is
20 considered possible by a number of stakeholders, consistent with our perspective of power as
21 being transitory and of relationships not being fixed (Kochan and Rubenstein, 2000).
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24 Exploration of the dynamics underlying the interaction of key stakeholders in Zambia reveals
25 certain similarities but also important differences from research to date. Major similarities to
26 other relevant research on developing countries include an institutional context characterised
27 both by the absence of political will by the state, and by its capacity constraints to which
28 finding we add our own of capacity constraints on the part of civil society. Most importantly,
29 perhaps arising from such an institutional context, are stark power asymmetries between the
30 state, anxious to attract foreign direct investments (FDI), and mining companies (Siddiqui
31 and Uddin, 2016). The resultant alliance between the state and MNCs means that not only
32 does the general population find itself excluded, but so also do their representatives in the
33 form of CSOs. Indeed, in our study, civil society interviewees are largely united in regarding
34 themselves as outsiders to the relationship between mining companies and the state.
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37 Another contribution of our paper is the addition of subtlety to the concept of the state-
38 business nexus (Siddiqui and Uddin, 2016). Mining companies appear to dictate to the
39 Zambian state the terms on which they choose to operate, but we find that the alliance is
40 perhaps not as straightforward as first thought. From these perspectives, the state-business
41 relationship in Zambia may be more complex than the master-slave analogy used by one civil
42 society interviewee to describe the relationship between the local community and mining
43 companies. Instead, whilst undoubtedly there is substantial power asymmetry, there is also
44 some (probably limited) mutuality implied as the identities of the so-called power wielders or
45 dominant stakeholders (Mitchell *et al.*, 1997) become more nuanced, and subject to change,
46 than is implied in much of the literature on CSR in developing countries. However, ZEITI,
47 ostensibly a collaborative forum set up at the request of World Bank but allegedly biased so
48 as to exclude genuine debate and accountability, appears to have failed as a potential
49 surrogate account holder holding mining companies to account, despite appearances to the
50 contrary and the symbolic legitimation it has offered the mining companies. On the other
51 hand, NGOs were able to change the dynamics of their relationship with the mining
52 companies, by acting as surrogate account holder, by means of the intervention by company
53 shareholders and donors. In undertaking this dynamic analysis of the relationship of key
54 stakeholders, we contribute by introducing a dynamic analysis into Mitchell *et al.*'s (1997)
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3 salience framework which has been criticised as being static and short-term in orientation
4 (Baba and Raufflet, 2017). Hamann *et al.*'s (1995) stakeholder interaction framework
5 encompasses local African contexts and addresses the complexity of such interactions within
6 and outside the immediate ambit of mining companies. Stakeholder interactions are not
7 predictable or linear, while actions are path-dependent, i.e. shaped by previous developments.
8 There are also discrepancies or conflicts between individuals or sections within stakeholder
9 groups.

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11 Therefore, with respect to the concept of power wielders (Mitchell *et al.*, 1997), usually
12 assumed in the CSR in developing country literature to be the mining companies, we do not
13 hear consistent messages from this stakeholder group. Indeed, our analysis suggests that there
14 are many competing voices within the same stakeholder group, thus adding another layer of
15 complexity to the interaction between key stakeholder groups and their effects upon CSR
16 practices. Specifically, we find CSR to be an alien concept to the Chinese SOEs, while the
17 country in which the organisation is reporting and that of ultimate ownership appear to have a
18 significant effect on CSR (see also Adam, 2002). The Chinese SOEs' approach is, perhaps,
19 understandable as these firms are largely shielded from the international legitimisation
20 pressures facing the western, publicly-quoted MNCs. If correct, this helps to support our
21 argument regarding the importance of legitimisation pressures on companies, notwithstanding
22 that the relevant legitimisation pressures emanate perhaps primarily from the parent company
23 based overseas, not from the local communities affected by the firms' operations.

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26 Indeed, this phenomenon of parent companies increasing interest in CSR, where civil society
27 was able to co-opt MNC shareholder support, highlights a potential limitation in our analysis.
28 This relates to the fact that we have focused our attention largely on the Zambian context. A
29 fuller analysis of global factors interacting with outcomes in Zambian copper mining would
30 have highlighted further relevant phenomena in more detail, including increased international
31 concern with such matters of business ethics. Further relevant issues could perhaps include
32 factors influencing the activities of mining companies based in different countries such as
33 China, a relatively new entrant to Zambia, and consider specifically their impact on
34 stakeholder dynamics.

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37 Implications of incorporating into our analysis a perspective which views changes taking
38 place in different time scales include that, rather than focusing simply on a situation of
39 unchanging stark power asymmetries, we search for and indeed, find something different.
40 What we see instead is an institutional context in the form of a subtly changing picture like a
41 kaleidoscope, in which the identity of power wielders changes, leading to something of a
42 state of flux. Our focus on activities at the micro level, by individual stakeholders primarily
43 using various legitimisation techniques, shifts perhaps only slightly the overall balance of
44 power as path dependence means that previous success changes perceptions and accepted
45 practice.

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48 However, we accept that such changes appear to be relatively minor, as dictated by the
49 overall context in which the sector is of such importance to the Zambian economy. The
50 copper mining sector in Zambia holds a paradoxical role in the country, as it is both a heavy
51 contributor to the country's economic development and a potential obstacle to its future
52 development (Belal *et al.*, 2015). In the case of Zambia, this is perhaps even truer than the
53 Bangladeshi example, given that copper is both a wasting asset[4] and the cause of
54 substantial environmental degradation. Importantly, whilst we consider the socio-political
55 and economic background in our overall analysis of the dynamics of key stakeholder

interactions and of their effects upon CSR practices, we acknowledge this to constitute only a start, limited by the sheer scale of undertaking such a study. Specifically, while we have taken a multi-theoretical approach and utilised concepts such as stakeholder salience (Mitchell *et al.*, 1997) and critical collaboration (Covey and Brown, 2001) in order to analyse practice at the micro level, we acknowledge the developments and criticisms of such theorisations (e.g. Baba and Raufflet, 2017; Frynas and Yamahaki, 2016; Jonker and Foster, 2002; Neville *et al.*, 2011), and appreciate that other theorisations could have been employed profitably in the analysis at the micro level to explore further detailed cases of power asymmetry in both Zambia and in other contexts characterised by stark power asymmetries.

Further, although we have interviewed two trade union officials and a representative from the House of Chiefs representing local communities, we have not included the perspectives of actual non-managerial employees, specifically miners. As miners are the stakeholders perhaps most affected by mining companies' operations, further research could profitably employ approaches such as "oral history" (Hammond and Sikka, 1996), to give a voice to those who have been largely silent to date. At the other end of the spectrum of key stakeholders, further research could specifically address the views of the so-called owners of the mining companies, likely to be major institutional shareholders in the case of the Western MNCs. For the other mining companies in this study, this approach would have to be adapted appropriately according to their nationality and relevant ownership structures. Whilst the financialisation literature (e.g. Lazonick and O'Sullivan, 2000) often suggests that the corporate pursuit of shareholder value may have adverse consequences for less powerful stakeholders, the earlier example cited of shareholder pressure in favour of CSR indicates that this may not always be the case.

This study has focused on the dynamic interaction of stakeholders shaping CSR outcomes and has provided some evidence as to its wider implications for issues of accountability and transparency. Considering the importance of transparency and stakeholder accountability in the context of developing countries, further research could study in more detail the different aspects of accountability of the mining companies in particular vis-à-vis other marginalised stakeholders (Jamali and Karam, 2016). Whilst the current study has focused largely on the current dynamics of pressures within Zambia, either in favour of or against CSR, future work could draw on the post-colonial literature in particular to explore how Zambia's colonial past, neoliberal reforms and integration into global markets continue to shape the social and structural conditions that determine the future of CSR and development in the country.

Notes

- (1) In this paper, we assume a broad conception of CSR based on the definition of the World Business Council for Sustainable Development as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (World Business Council for Sustainable Development (WBCSD), 2002, p. 2).
- (2) Here we make a distinction between legitimacy and legitimation (Lindblom, 1994) in the application of legitimacy theory. Legitimacy is "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part" (Lindblom, 1994, p. 2) while "legitimation is the process whereby an organization justifies to a peer or superordinate system its right to exist" (Maurer, 1971, p. 361).
- (3) The interview protocol is available on request from the authors.
- (4) A wasting asset is a natural resource (such as copper, coal, gas, oil, ores) that gets depleted, without replacement, through continued extraction. As the resource is being extracted, a day must come when it will be exhausted.

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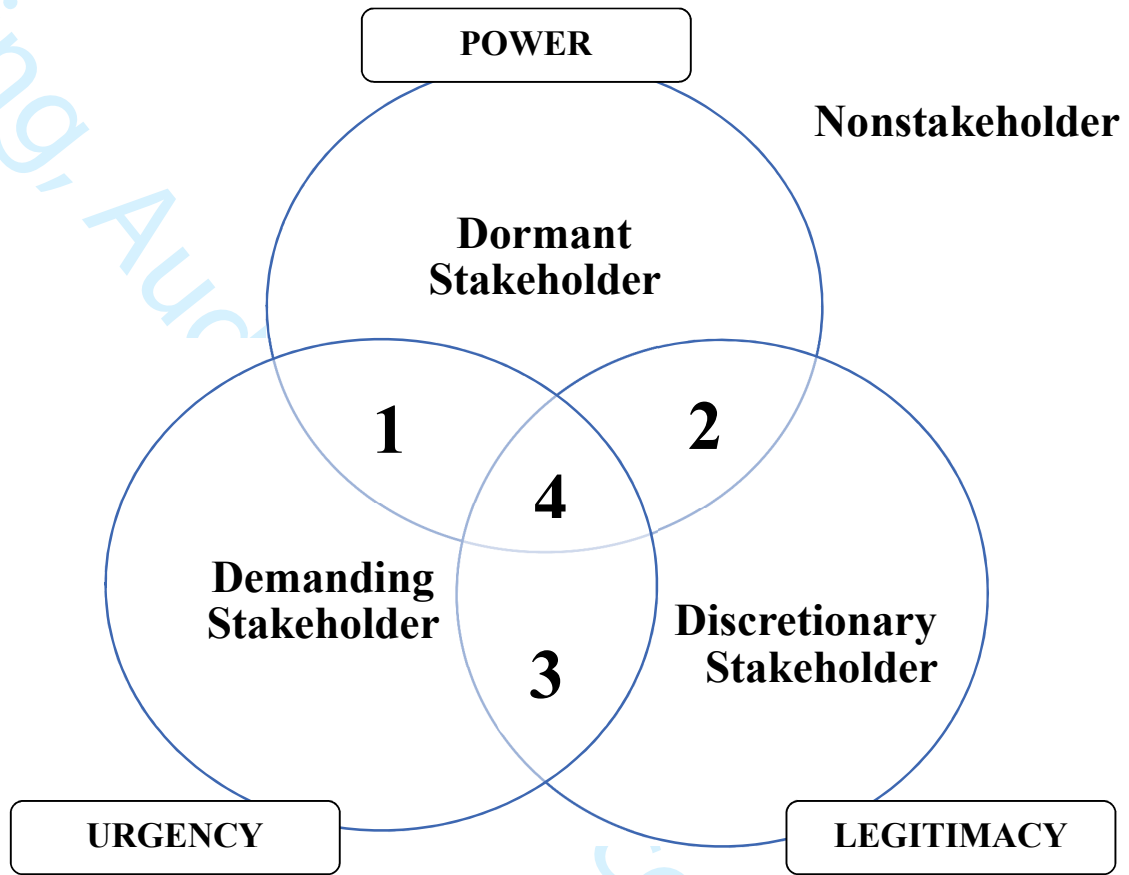
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3 [Appendix 1: Detailed list of interviewees, about here]
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6 [Appendix 2: Major Mining Company operations in Zambia, about here]
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Figure 1: Stakeholder Typology



- 1 - Dangerous Stakeholder
- 2 - Dominant Stakeholder
- 3 - Dependent Stakeholder
- 4 - Definitive Stakeholder

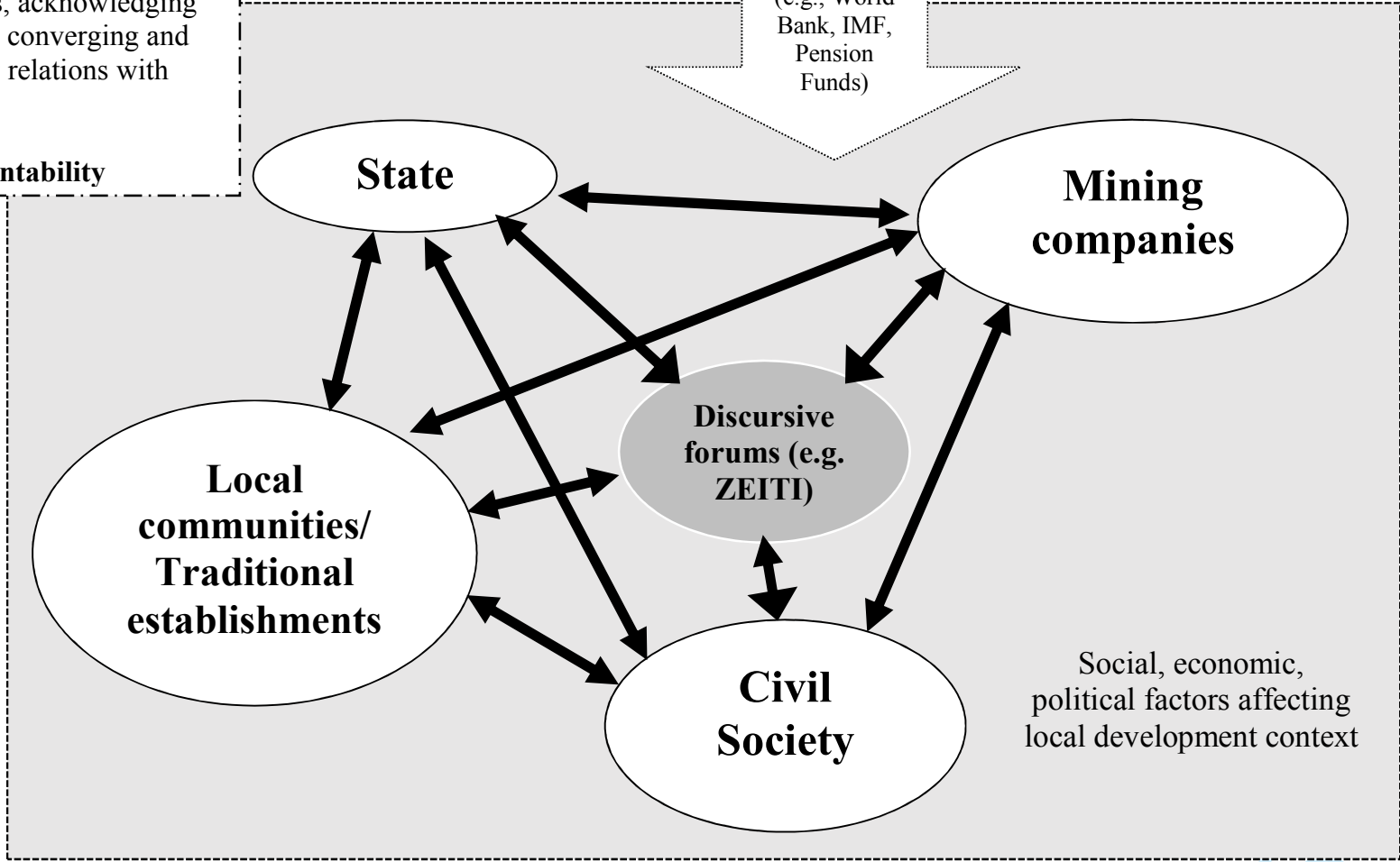
Source: adapted from Mitchell et al. (1997, p. 874)

Figure 2: Stakeholder interaction in the copper mining sector in Zambia

Stakeholder interactions are conditioned by:

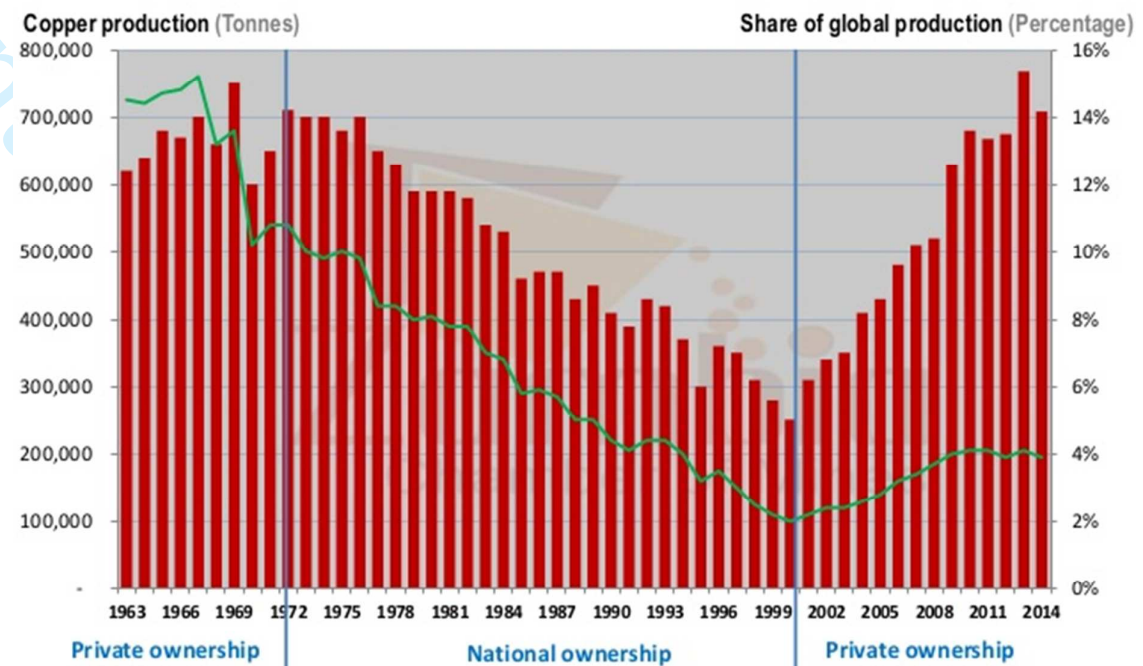
1. Stakeholder salience
[Power, legitimacy, urgency]
2. Potential of critical collaboration
[Balancing power asymmetries, acknowledging critical rights, negotiating both converging and conflicting interests, managing relations with stakeholder constituencies]
3. Path dependence
4. Potential for surrogate accountability

External groups
Parent companies, international NGOs, international financial institutions and donors (e.g., World Bank, IMF, Pension Funds)



Arrows depict formal and informal interactions or relationships among stakeholders

Figure 3: **Zambian Copper Production 1963 – 2014**



Source: International Council on Mining and Metals, 2014; Zambia Chamber of Mines, 2014

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Table 1: Mining contribution to Zambian economy (2012)

	Zambia	Typical share in other mineral dependent countries
Foreign exchange earnings	80%	30%-60%
Gross domestic product	>12%	3%-10%
Foreign direct investment	86%	60%-90%
Government revenue	>25%	3%-20%
Direct employment	1.7%	1%
Formal sector employment	8.3%	
Private sector formal employment	25%	

Source: International Council on Mining and Metals (ICMM), (2014); Oxford Policy Management (OPM), (2013)

APPENDIX 1: DETAILED LIST OF INTERVIEWEES

<i>Civil Society Organisations</i>			
<u>Interview No.</u>	<u>Nature of Civil society</u>	<u>Network</u>	<u>Position of interviewee</u>
C1	Transparency/corruption	International	Chapter President
C2	Dialogue	Local	Executive Director
C3	Transparency	International	Chairperson
C4	Education/Advocacy	Local/Regional	Programme Officer
C5	Human development	Local/International	Program Officer/Coordinator
C9	Economic policies	Local	President
C10	Accountancy body	Local/International	Chief Executive Officer
C11	Media	Regional	Programme Officer-Media
C12	Environment	Local	Executive Director
C13	Poverty	International	Country Director
C14	Local community	Local	Head - Researcher
C15	Trade policies	International	Programme Officer
C16	Dialogue	Regional	Executive Director
<i>Mine Workers Union</i>			
C6	Workers union	Local	President
C7	Workers union	Local	Director
<i>Mining companies</i>			
<u>Interview No.</u>	<u>Country of origin</u>	<u>Position of interviewee</u>	
M1	Continental Europe, Canada	Manager- HSE	
M2-1	Europe, Other Asia	Community Development Officer	
M2-2		Group Manager- SHE	
M3	China	Chief Service Officer	
M4		Deputy-Chief Executive Officer	
M5-1, M5-2		Mine Manager	
M6	Canada	Community Development Officer	
M7	Canada	CSR Coordinator	
M8	Canada	Environmental Manager	
M9	Canada	Director-Corporate Affairs	
M10-1	Zambia	Head-Human Resources	
M10-2		Environmental Manager	
M11	South Africa	Company Geologist	
M11	South Africa	Chief Executive Officer	
<i>Government ministries, regulatory agencies and municipal councils</i>			
<u>Interview No.</u>	<u>Ministry/department</u>		
G1, G2-2, G2-3	Ministry of Mines and Minerals Development		
G3-1, G3-2, G3-3	Ministry of Labour and Social Security		

G4-1, G4-2	Zambia Environmental Management Agency (ZEMA)	
G5	Ministry of Finance and National Planning/Bank of Zambia	
G6	Zambia Revenue Authority (ZRA)	
G7	Ministry of Justice	
CC1	Mufulira Municipal Council	
CC2	Kitwe City Council	
<i>Academia</i>		
<u>Interview No.</u>	<u>Organisation/Nature of organisation</u>	<u>Position of interviewee</u>
A1	Copperbelt University	Professor
A2	University of Zambia	Senior Lecturer
<i>Supranational organisations</i>		
W1	Supranational financial institution	Sector Specialist
<i>Other organisations/Initiatives</i>		
O1-1, O1-2	Extractive Industries Transparency	Vice Chairperson-ZEITI Head-EITI
O2	Sustainable livelihood organisation	Executive Director
C8	Mining Association	General Manager

APPENDIX 2: MAJOR MINING COMPANY OPERATIONS IN ZAMBIA

Name of Mine	Output percent*	Ownership	Country of origin	Commodities Mined
Kansanshi Mining Plc	35.07%	First Quantum Minerals Ltd (80%); ZCCM Investment Holding Plc (20%)	Canada	Copper, gold
Lumwana Mining Plc	21.92%	Barrick Gold Corporation (100%)	Canada	Copper, cobalt, gold
Konkola Copper Mines	20.73%	Vedanta Resources Plc (79%); ZCCM Investment Holdings Plc (21%)	United Kingdom and India	Copper, cobalt
Mopani Copper Mines	14.75%	Glencore Xstrata Plc (73%); First Quantum Minerals Ltd (17%); ZCCM Investments Holdings PLC (10%)	Switzerland; Canada	Copper, cobalt
NFC Africa Mining Plc	3.29%	China Non-ferrous Mining Corp Ltd (85%); ZCCM Investments Holdings Plc (15%)	China	Copper, cobalt
Chibuluma Mines Plc	2.66%	Jinchuan (85%); ZCCM Investments Holdings Plc (15%)	China	Copper, cobalt
CNMC Luanshya Copper Mines	1.58%	China Non-ferrous Mining Corp Ltd (80%); ZCCM Investments Holdings Plc (20%)	China	Copper, cobalt

* This is based on 2010 copper production figures (Source: Ministry of Mines and Minerals Development (MMMD), 2010)

Authors' Response to the Editor's Comments

Journal: Accounting, Auditing & Accountability Journal

Manuscript ID: AAAJ-04-2016-2540

Title of Paper: Stakeholder interaction and Corporate Social Responsibility(CSR) practices: evidence from the Zambian copper mining sector (revised title)

Date Sent: 21/11/2017

Comment 1:

The contribution of the paper needs to be clearer. It is not enough to say that oh, no such a study has been done on Africa (though the special issue is on Africa). What is the gap in the literature that this paper is trying to fill beyond the African context? What is it about stakeholder interaction and CSR that we do not know? Why is studying this interaction important? The authors have tried to engage with this issue somewhat in section 2.1 and this material must be moved to the fore more forcefully to demonstrate that there is a contribution the paper is making. I do not believe that this will be difficult to do.

Response 1:

We appreciate the editor's comment and, in the revised manuscript, have made the contributions clearer.

In particular, in the first paragraph of the introduction we discuss the motivations of the study, acknowledging the increasing research interest in accounting and CSR in Africa (e.g. Rahaman, 2010).

In the second paragraph, we identify the literature that focuses on the interaction of stakeholders in the CSR arena in developing countries (e.g. Jamali and Keshishian, 2009, Lauwo and Otusanya, 2014; Newell, 2005; Siddiqui and Uddin, 2016). These studies focus on the problematic business-state nexus perpetuating human rights violations by MNCs in developing countries, and the interactions between other stakeholders such as NGOs and businesses. The latter interactions are found to be mostly symbolic and so fail to qualify as successful or substantive. Importantly from the perspective of the current paper, stakeholder interactions are characterised by inequalities of power and resources (Newell, 2005).

In the third paragraph of the introduction we introduce the Zambian copper mining sector, a critical case given the country's high dependence on the industry economically. Importantly, the existing literature on Zambia reviewed in section 2.2, has a limited focus and does not provide insights on stakeholder interactions.

Moreover, CSR disclosures in Zambia are limited and driven by MNCs attempts to build their public image. More importantly from our perspective however, CSR outcomes are also limited and so largely irrelevant to local communities' needs. Given all of this, a major contribution of the paper lies in its focus on the local processes and dynamic interactions of the multiple actors that drive, enhance or restrict CSR outcomes in one developing country.

In summary for the purposes of clarity, the paper's contributions are set out in paragraph 4 of the Introduction as follows:

'Our first major contribution, therefore, lies in our focus on CSR in the Zambian mining sector with its complex political economy terrain composed of multiple actors, such as

political elites, underdeveloped civil society and powerful mining companies all seeking to pursue their interests through strategic interactions. However, rather than focusing on the interaction between individual actors (such as, NGOs-business and state-business interactions) or placing the companies at the centre of analysis, the multiple stakeholders are seen as being interrelated and as constituting part of a dynamic web of complex local relationships. The different stakeholders have competing interests, varying degrees of salience (Mitchell *et al.*, 1997; Neville and Menguc, 2006; Neville *et al.*, 2011) and collaboration potential with other groups (Covey and Brown, 2001; Hamann *et al.*, 2005). With regard to our second contribution, we critically engage with the role of the state as an important stakeholder in enhancing CSR, something that has received limited attention in CSR studies in developing countries (Idemudia, 2011; Jamali and Karam, 2016). A third major contribution is that we refine Mitchell *et al.*'s (1997) stakeholder salience framework which has been criticised as being static and short-term in orientation (Baba and Raufflet, 2017) by situating stakeholder interactions within a complex system of irregular, non-linear and path dependent (Hamann *et al.*, 2005) actions taking place over time, with consequences for the evolution of stakeholder power. As a fourth contribution, is that within these stakeholder groups, we find a lack of homogeneity as there are competing voices within each group, so affecting CSR outcomes.. This lack of homogeneity is particularly marked within the mining companies as a stakeholder group which includes Chinese State-Owned Enterprises (SOEs). Finally, our fifth contribution which is highly significant given the stark power asymmetries existing between the state and the corporates, lies in the subtlety added to understanding the state-business nexus (Siddiqui and Uddin, 2016) and the potential of 'surrogate accountability' to hold powerful stakeholders into account, so strengthening the position of less powerful stakeholders (Belal *et al.*, 2015; Rubenstein, 2007).'

Comment 2:

The theoretical framing of the paper is also not well developed. For example, we critique stakeholder and legitimacy theories and then say, this is what our paper is about. A discussion of stakeholder salient theory is then provided. A discussion of these theories and a clear placement of the study within a coherent chosen framework is needed.

Comment 3:

The framework seems to be an extension of both stakeholder and legitimacy theories, but its attempt to mobilise notions of power, for example, needs to be critically examined. What notion of power are the authors looking at, i.e., how is power conceptualized? Foucault, Marx? How is power to be studied? Issues of accountability also arise. How is accountability to be understood and studied? Transparency? Points 2 and 3 are in my view the area of greatest concern.

Response 2 and 3 (we have chosen to respond to these two comments together as they are interlinked):

We greatly appreciate the editor's comments in this regard and have revised the analytical framework section (2.1.) so as to make it clearer and more coherent with the study situated better within this framework.

Stakeholder theories and legitimacy theories are widely used in CSR research in both developed and developing country contexts. Whilst the current study acknowledges the theoretical value of these approaches and explores the interactions of stakeholders, which are

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3 partially influenced by their attempts to gain legitimacy, we argue that by themselves, these
4 approaches do not capture the complexity of stakeholders' interaction in the particular
5 Zambian context.

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7 Instead of a narrow stakeholder theory approach which places companies in the centre of
8 analysis and which focuses on the way companies use CSR to manage their relationship with
9 other stakeholders and establish congruence between companies' values system and that of
10 key stakeholders (as in legitimacy theory approaches), the study explores the role of
11 stakeholders embedded in a complex web of relationships. Importantly however, apart from
12 companies in particular seeking legitimacy, stakeholder interactions more generally are
13 permeated by power asymmetries.

14
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16 Given these considerations, a broad stakeholder salience framework together with elements
17 from a 'critical collaboration' approach, such as the concept of path dependence, enable us to
18 explain better the dynamics of stakeholder interaction. Both approaches integrate notions of
19 legitimacy and power. Stakeholder salience theory (Mitchell et al, 1997) draws on Etzioni's
20 (1964) concept of power such that

21
22 "..."a party to a relationship has power, to the extent it has or can gain access to
23 coercive, utilitarian, or normative means, to impose its will in the relationship. [...] this
24 access [...] is a variable, not a steady state, which is one reason why power is
25 transitory: it can be acquired as well as lost" (Mitchell *et al.*, 1997, p. 865-866).

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28 Stakeholder salience is defined as the accumulation of three characteristics: power,
29 legitimacy and urgency, while prerequisites for stakeholder collaboration involve the
30 balancing of power asymmetries and the legitimacy of the leadership of the different
31 stakeholder groups. Our analytical framework focuses on the role of power which has been
32 insufficiently explored in previous studies on CSR in developing countries (Lauwo et al,
33 2016).

34
35
36 In order to clarify further the framework, the assumptions shaping analysis of the interview
37 evidence are set out in 'Figure 2: Stakeholder interaction in the copper mining sector in
38 Zambia' (please see Response 4).

39
40 We agree with your comment that issues of accountability and transparency also arise
41 although these do not constitute the key focus areas of our paper. With regard to
42 accountability, our analytical framework and in particular critical collaboration theory
43 recognises as a prerequisite of stakeholder collaboration (Haman et al., 2005 Covey and
44 Brown, 2001) that the 'leadership of the different stakeholder groups is seen to be legitimate
45 and accountable.' Indeed, much of the paper is concerned with attempts by the various non-
46 corporate stakeholder groups to hold the mining companies to account. These attempts
47 include discussion of the potential of civil society to exercise surrogate accountability by
48 making powerful stakeholders accountable for their actions.

49
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51 Such attempts include drives for greater transparency on the part of the companies. The paper
52 includes a major example of such drives, the creation of the Zambia Extractive Industry
53 Transparency Initiative (ZEITI), albeit that its creation came about at the behest of the World
54 Bank, and that it operates at an industry as opposed to a firm level. ZEITI is discussed in
55 sections 4.2. and 5.2., where according to one participant, the organisation's potential to

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3 promote real transparency is hampered by the rigging in the choice of civil society
4 representatives, the one stakeholder group with the potential to push for real change.
5

6 Finally, in our section 6. Discussion and conclusions section, we suggest areas for further
7 research including: 'Considering the importance of transparency and stakeholder
8 accountability in the context of developing countries, further research could study in more
9 detail the different aspects of accountability of the mining companies in particular vis-à-vis
10 other marginalised stakeholders (Jamali and Karam, 2016).'

11
12
13 **Comment 4:**

14 Related to this issue is the question of methodology: how does this theoretical framework
15 inform the data collection and analysis of the same? How was coding done, how were the
16 themes identified? There is a statement about relying on interviewee interpretations, but this
17 gesture to phenomenology is undeveloped. How does the empirical section relate to the
18 theoretical framework? Or research questions? This requires some clarification.
19

20
21 **Response 4:**

22 Following the editor's comments, we have revised section 3. Research approach in order to
23 add more information about collection of the data and its analysis.
24

25 Our analytical framework focuses on the interaction of key stakeholders in the CSR arena in
26 the Zambia mining sector. Given this focus, the empirical material is based on semi-
27 structured interviews with individuals representing the key stakeholder groups (mining
28 companies, various relevant state authorities and ministries, a wide range of NGOs, trade
29 unions and local chiefs representing local communities) together with other stakeholders,
30 such as a supranational financial institution and a number of higher education institutions.
31

32
33 **Coding:**

34 The interview transcripts were first read by the authors, notes taken and ideas/extracts
35 relevant to the analytical framework and aims of the study highlighted. Subsequently, these
36 ideas and recurrent themes were discussed and a general coding scheme developed. The key
37 themes identified included importantly, the salience of the various stakeholders in their
38 interactions with other stakeholder groups and the specific nature of the power asymmetries.
39

40
41 **Structure of analysis:**

42 Discussion of the findings revolved around the interactions of multiple stakeholders (e.g.
43 interaction of mining companies with other stakeholders, interaction of the state with other
44 stakeholders etc.). Interpretation of the empirical evidence was guided by the analytical
45 framework which focused on issues such as stakeholders' desire for legitimation, the varying
46 degrees of stakeholder salience and power asymmetries over time, as well as potential
47 conflicts within stakeholder groups and their respective capacity constraints.
48

49 Finally, as regards the statement about relying on interviewee interpretations, this has now
50 been deleted as not being of primary relevance to the paper, given that this limitation is
51 inherent in much research based on participant interviews.
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