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CORPORATE SOCIAL RESPONSIBILITY IN MALAWI

CASE STUDIES OF THE MINING AND AGRICULTURAL INDUSTRIES

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Thesis Submitted to the University of Huddersfield for the Degree of Doctor of Philosophy

JULY 2012

Declaration

This is to certify that this thesis is entirely my own work and that none of the materials has previously been presented for a higher degree at any University.

Signed :

Date   :

ABSTRACT

This thesis reports on an exploratory study of corporate social responsibility (CSR) in a developing countries context and with special reference to the mining and agricultural industries in Malawi. CSR in Malawi is progressively becoming a significant and complex area of investigation not only for business ethics scholars, but also to development scholars and practitioners. It is considered a crucial issue not only because of the complexity of the social, economic and political environment in which companies operate, but also because of the many social and environment impacts which business activities have on Malawian society.

Whereas it is generally accepted that firms have moral responsibilities to respond to societal issues, crucially, evidence suggests that there has been lack of consensus on the nature of the responsibilities which a company should assume in a given society. Hence, the enlightened self-interest and stakeholder theories are critically examined to provide insights and inform the exploratory but empirically based CSR research which is fundamental to this thesis. Using a qualitative interpretative based case study strategy, this study examined the CSR agenda pursued by two firms operating in the mining and agricultural industries in Malawi. Findings from this study suggests that the current form of the CSR agenda practised by the case study companies in Malawi is largely guided by instrumental rationality rather than the normative perspective; the perspective some CSR theorists consider to associated with the CSR agenda pursued by companies in the developing countries. As such, this viewpoint can be understood to have a profound influence on the extent to which these companies make decisions about the CSR initiatives and stakeholder engagement practices they pursue as part of their CSR agenda in Malawi.

This study makes the following contributions to the wider CSR literature. Firstly, it has provided an empirically based investigation of the CSR agenda in Malawi, and has directly

contributed to attempts by scholars to develop an in-depth understanding of the nature of CSR in a developing country context; an area which is currently under-researched. Specifically, it has not only provided insights into managerial and stakeholders' perceptions about CSR and about CSR drivers, but has also attempted to explore the link between the CSR agenda and the stakeholder engagement practices which the case study companies pursued. Secondly, this study pushes the normative frontier by showing that stakeholder engagement can be strategic, and can be used by companies in developing countries to pursue long-term corporate interests. It has done so by showing that corporate stakeholder salience patterns are a reflection of a series of complex interactions between instrumental influences (business case) and industry influences on firm. Finally, by having a combined focus on the stakeholder and the enlightened self-interest theories, this thesis has addressed the dearth of CSR research that draws insights from both perspectives in order to have a better understanding of variations in corporate orientations towards societal issues.

LIST OF ACRONYMNS

AICC	African Institute of Corporate Citizenship
AIDS	Acquired Immuno-Deficiency Syndrome
ARPANSA	Australian Radiation Protection and Nuclear Safety Agency
BAAC	Business Action Against Corruption
CCI	Corporate Community Initiative
CEO	Chief Executive Officer
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
EMA	Environmental Management Act
EPM	Eastern Produce Malawi
ETP	Ethical Tea Partnership
FGD	Focus Group Discussion
GoM	Government of Malawi
GTZ	Gesellschaft für Technische Zusammenarbeit
HIV	Human Immuno-Deficiency
IAEA	International Atomic Energy Agency
ILO	International Labour Organisation
IoD	Institute of Directors
KANREDA	Karonga Natural Resources Development Association
MBS	Malawi Bureau of Standards
MDG	Millenium Development Goals
MIDCOR	Mining Investment and Development Corporation
NGO	Non-Governmental Organisation
SSI	Semi-Structured Interview
TAML	Tea Association of Malawi Limited
UK	United Kingdom
UNDP	United Nations Development Programme

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Acknowledgements

DEDICATION

I dedicate this piece of work to my late mother, Jessie Oline Nyaunthali, and my father Laston Andrew Mzembe, my late grandmother Ruth Tuwepo Tchuwa who instilled in me a spirit of perseverance and hard work at a very young age.

CHAPTER ONE

CORPORATE SOCIAL RESPONSIBILITY IN MALAWI: AN INTRODUCTION

1.1 INTRODUCTION

1.1.1 Theoretical Background

This thesis reports on an exploratory study of corporate social responsibility (CSR) in the developing countries' context with a special reference to the mining and agricultural industries in Malawi. In the business and development literature, the role of business in societal issues is commonly known as corporate social responsibility (CSR) (Blowfield, 2005; Edward and Tallontire, 2009; Moon, 2007). The theoretical debate about CSR has largely polarised scholars into two major schools of thought namely: on one hand, those scholars who support the enlightened self interest approach, and on the other hand, those scholars who argue for a normative stakeholder orientation in firms. The proponents of enlightened self interest argue that although businesses are expected to engage in societal issues, such an engagement should only take place when there is a strong business case, i.e. when such a pursuit can help the business achieve its long-term interests (Carroll, 1979; Porter and *van der* Linde, 1995; Wood, 1991). Hence, these scholars argue that firms have to respond to the interests of stakeholders who are crucial to their survival (Freeman, 1984). In contrast, the proponents of normative stakeholder perspective posit that businesses ought to engage in social issues because they are a creation of society hence it is morally right for them to participate in actions that would ensure the wellbeing of the society (Greenwood, 2007 & 2010; Lucas, 1998 Phillips, 1997). Normative theorists argue that firms ought to respond to

the interests of all stakeholders regardless of their significance in the achievement of long-term interests. Certainly, this argument is based on the fact that each stakeholder has its own intrinsic value, especially given that the impact of the firm's activities go beyond the immediate and critical stakeholders. Hence, managerial attention to the needs of the less salient stakeholders may largely be construed as managers' attempts at upholding social justice (Kaler, 2002; Lucas, 1998; Phillips, 1997).

Clearly, both the normative stakeholder and enlightened self-interest theories have their own strengths and limitations – implying that the influence of each perspective on firms' social behaviour needs to depend on the situation. Various scholars have suggested that the normative stakeholder perspective is an appropriate basis or foundation for the CSR agenda pursued by companies in the developing countries, where the social and environmental impacts of capitalist production are profound and social governance is weak (Visser, 2006; Amaeshi et al., 2006). Evidence is emerging, however, that the enlightened self-interest perspective, which dominated the western world, may understandably be seen as the basis on which the CSR agenda of the majority of multinational companies operating in developing countries tend to draw on (Fox, 2004; Kambalame and De Cleene, 2006; Lingreen et al., 2009). Hence, like in the developed (western) countries, enlightened self-interest may provide the most suitable perspective for understanding the notion of business – society relations in developing countries.

The implementation of the CSR agenda in developing countries continues to attract strong criticisms from various quarters (Christian Aid, 2004; Hamann and Kapelus, 2004). Fundamental to these criticisms, is whether the CSR rhetoric of companies matches CSR practices on the ground. Critics have argued that CSR is often used by companies as a 'greenwash' to build their image with influential stakeholders. Such a position by companies, as argued by the critics, results not only in piecemeal CSR interventions, but also encourages

a lack of corporate accountability for the misdemeanours. This position is supported by Wilenius (2005) who argues that despite the popularity CSR tends to attract in both professional and academic circles, only a small proportion of companies put CSR at the heart of their core values and corporate strategy. Indeed, for developing countries, unlike developed countries, the market for CSR is usually weak, leaving adoption of the CSR agenda only to companies that export their products and services to the western world and which are under pressure from western stakeholder activism.

Theorists have viewed CSR implementation in developing countries in the light of the two theoretical viewpoints which have dominated the CSR literature. These viewpoints or perspectives are: the self-regulation and accountability perspectives. Although the fundamental issue across these perspective is the achievement of desired CSR outcomes, each of these viewpoints provides its unique insights regarding a particular firm's position on the notion of CSR and the agenda which it pursues.

First, the self-regulation or the voluntary perspective views CSR as a voluntary initiative which companies need to undertake within their society (Graham and Wood, 2006; Lynch-Wood et al., 2009; Newell, 2002; Utting, 2008; Williamson et al., 2006). This view is critical of the fact that implementation of CSR should be governed by mandatory regulation. Importantly, such theorists are supportive of the increasing role of government in incentivising companies to increasingly show good behaviour and take a role in societal welfare provision. This proposition implicitly supports the notion that firms should be driven to engage in social actions only when there is a strong business case for such case – of which in this case – in the form of incentives from the state (Carroll and Shabana, 2010). Notwithstanding the fact that CSR regulations in some respect can stifle business efficiency and could render the notion of CSR weak, this perspective does not take into account the fact that the market for CSR may not be developed in other parts of the world. Clearly, whereas in

the developed western nations firms may recognise the need to engage in societal issues in terms of enhancing the financial bottom-line, some firms operating in developing countries where the 'markets for virtue' are not fully developed, may find engaging in societal issues to be a costly undertaking. Indeed, in such situations, as recent corporate scandals in the developing countries may reveal, the absence of regulations related to CSR may only reduce the likelihood of firms upholding good ethical practices.

Second, the accountability perspective views CSR as fundamentally ingrained in the notion of enhancing shareholder value. Proponents of this view argue that when firms are faced with competing demands between enhancing shareholder value and societal obligations, managers of such firms would be inclined strongly to choose profitability over the pursuit of social initiatives, particularly when such initiatives would not directly benefit the firm (Blowfield, 2005). However, although shareholders are arguably understood as the principal beneficiaries of the firm's activities, various stakeholders are also affected by the impact of firms' activities (Kaler, 2002; Phillips, 1997). Hence, firms' consideration of shareholders' interests at the expense of other stakeholders arguably may be viewed as fundamentally against the notion of fairness and social justice (Crisps, 1998; Rawls, 1971). The only option, as noted by the proponents of the accountability viewpoint, could be through CSR related legislation which could promote firms to become more accountable to wider stakeholder groups (Bendell and Murphy, 1997; Graham and Wood, 2006). However, critics suggest that such regulations could defeat the voluntary and normative nature of the notion of CSR (Moon, 2007; Zadek, 2007). The critical issue in this debate, however, drawing on each of the two perspectives, is that there is a need for a fine balance between the pursuit of 'hard' or mandatory regulation and 'soft' or self-regulation in order to achieve a healthy relationship between businesses and society (Blowfield, 2005).

This study therefore draws on the enlightened self-interest and the normative stakeholder perspectives to understand the CSR agenda pursued by the two case study companies in Malawi. Both viewpoints highlight the rationale for business engagement in social issues, and how firms respond to stakeholders concerns and certain societal issues. On the one hand, the enlightened self-interest perspective– similar to the business case viewpoint – answers the questions regarding the instrumental rationale for firm's engagement in social issues, and why the interests of certain stakeholder groups are prioritised by firms' managers in corporate decision making, and the nature of CSR initiatives which a company can pursue in order to enhance firms' long-term interests (Carroll, 1979; Donaldson and Preston, 1995; Lantos, 2001). On the other hand, the normative stakeholder perspective deals with moral reasons why businesses engage in social actions, such as the upholding of social justice and fairness. Such reasons, to a large extent, can determine the nature of a firm's relationship with its stakeholders and the scale of social initiatives which a firm pursues within its host society (Greenwood, 2007; Noland and Phillips, 2010). In this respect, this study will provide an analysis of the CSR agenda in Malawi, by using case studies of two companies, from both the enlightened self interest and normative stakeholder perspectives; a direct departure from previous analysis of CSR in the developing world that has either been examined from a single viewpoint: either the enlightened self-interest or the normative stakeholder perspective. Such an approach would, therefore, be crucial in making a contribution to the debates about CSR in the developing countries.

1.1.2   Justification of Study

CSR in Malawi is progressively becoming a significant and complex area of investigation not only to business ethics scholars, but also to development scholars and practitioners. It is

considered a crucial issue not only because of the complexity of the social, economic and political environment in which companies exist, but also because of the many social and environment impacts business activities have on the Malawian society. Whereas the majority of managers and stakeholders in Malawi generally accept that firms have moral responsibilities to respond to societal issues, crucially, evidence suggests that there has been lack of consensus on the nature of the responsibilities a company may assume.

As a result, a relatively small number of companies in Malawi are understood to be engaging in various forms of CSR, with the multinational companies driving the CSR movement in the country The majority of these companies pursue CSR to build their image amongst their stakeholders. Clearly for many stakeholders, it is the gap between CSR rhetoric and actual CSR practices and outcomes, that is an issue of a major concern.

Nonetheless, in recent years, in Malawi, there has been a rapid evolution of the wider agenda from 'philanthropy based' to an inclusive CSR, particularly in the light of various global development agenda (Hamann et al., 2008). While the general perception is that CSR represents a business response to societal governance failures, in recent times, it is undeniable that CSR is gradually becoming a crucial business issue. A significant majority of managers, whose companies are engaged in CSR, are increasingly recognising a business case for CSR beyond mere philanthropy (Kambalame and De Cleene, 2006).

It is such developments that have heightened interest, within various quarters, in understanding the role of business in development. Certainly, the global development agenda such as the World Summit on Sustainable Development, United Nations' Millennium Development Goals and the Global Compact, which have been ratified by the Government of Malawi and a segment of the private sector, have also revitalised corporate interests in sustainable development. Crucially, these international initiatives are largely viewed as a

significant driver for businesses to increasingly widen the scope of their CSR activities beyond paternalistic philanthropy. Nevertheless, the pace at which firms in Malawi are embracing inclusive CSR agenda still remains a major concern in this area.

The rise of CSR in Malawi, like anywhere else in the world, has often been characterised by polarised debate about the instrumental and ethical merits of the pursuit of a CSR agenda (Kambalame and De Cleene, 2006). Despite recent surges in interest in CSR issues, academic research still lags behind developments that have occurred in the field of business and society in Malawi. Empirical evidence about the nature of business responses to social issues, and the drivers of such responses in Malawi is certainly lacking (Hamann et al., 2008; Kambalame and De Cleene, 2006; Lindgreen et al., 2009).

Moreover, in the broader context, Taneja et al. (2011) while recognising a skewed research trend towards qualitative CSR research over the past decades, are quick to point out that the focus of such research has been on descriptive studies largely based on the reviews of secondary data. Similarly, Lockett et al. (2006) in their study examining CSR research trends and focus argue that, as a result of many years of failed attempts by scholars to come up with a unified theory, CSR research has remained 'fragmented' and skewed towards a non-normative theoretical knowledge based dimension.

Clearly, it can be argued that there is an urgent need for undertaking rigorous empirical research such as the one reported in this thesis. Certainly, such a lack of empirical qualitative based studies on CSR in general and in Malawi presents a greater opportunity for this study because there is still much scope to advance knowledge in such an interesting but complex area. The current study explores the CSR agenda of selected companies in Malawi's core sectors of the economy. Considering that no single, rigorous empirical study has been conducted on CSR in Malawi, the current study therefore, does not intend to approach the

investigation of the phenomenon with a broad brush analysis of all CSR issues in Malawi. It makes an analysis of responses, direct observations and documentary evidence to address gaps in the body of knowledge. Specifically, the study:

- Creates a better understanding of the perceptions managers and stakeholders of the firm hold about CSR;

- Develops a better understanding of the external and internal drivers of CSR agenda, while cognizant of the polarisation of debate between instrumental and moral dimensions about the motivation of companies' response to social actions;

- Provides distinctive insights into CSR practices, taking into consideration the doubts critics of CSR hold about the commitment of business to societal wellbeing;

- Provides insights into the nature of stakeholder engagement processes that determine the firm's ability to produce CSR benefits or outcomes to its stakeholders.

1.2   Research Objectives and Questions

1.2.1   Research Objectives

This study aims to examine CSR in Malawi, using two case study companies. Specifically, it:

- investigates perceptions managers and stakeholders hold about CSR;

- examines the prevalent CSR practices by the selected case study companies;

- investigates the factors that shape the CSR agenda pursued by these two case study companies;

- evaluates the nature of stakeholder engagement processes used by the selected case study companies;

- draws appropriate lessons and implications for public policy and practice in Malawi.

1.2.2 Research Questions

The current study therefore, answers the following four questions:

- How do firm managers and stakeholders perceive the notion of corporate social responsibility?

- What drives the selected case study firms to engage in CSR?

- What are the CSR practices of the selected case study companies?

- How does stakeholder engagement influence the CSR agenda of the case study firms?

1.3 Thesis Outline

This thesis contains eleven chapters. The first chapter provides background information to the study, and makes a case for the relevance of the study. Subsequent to the setting out of background information and justification of the study, is the outline of research objectives and questions. Finally, logical presentation and sequencing of the thesis is done by providing a brief description of the contents of each chapter.

Chapter 2 provides a conceptual foundation of the notion of CSR. It considers the critical elements, from a broad range of literature, that underpins the theoretical debate about CSR. Specifically, a critical review of the nature of social responsibilities, and how these responsibilities vary in various geographical regions is undertaken. It can be argued that CSR still remains elusive; implying that determination of the precise nature of firm's responsibilities in the society will remain a challenging task for CSR scholars as well as practitioners. In the final section, a critical examination of the business case for CSR is done.

Chapter 3 critically examines the notion of stakeholder engagement, in particular how it can influence the degree to which a firm can achieve CSR outcomes crucial to the firm as well as its stakeholders.

Chapter 4 presents a conceptual framework for this research. The conceptual framework provides a link between various components of the thesis, and draws out themes that are central to this study. In this chapter, a description of key concepts or terminology used throughout this thesis is provided.

In Chapter 5, the methodology used in the study is explored in detail. Crucially, philosophical paradigms (epistemological and ontological positions) and research methods used in investigating CSR are explored and justified. On the basis of the research questions this study answers, interpretative and inductive research was considered more appropriate than the deductive and positivist research paradigm. The suitability of interpretative and inductive approaches over the deductive and positivist paradigm is also explored. Following the explanation of philosophical positions and research methods, details about the choice of sampling strategy, data collection tools and the analytical procedures employed in the thesis are provided.

The political economy within which CSR is undertaken is examined in Chapter Six. In particular, the chapter presents the relevant socio-economic situation and an historical and trajectory of economic development, and how these factors have shaped the wider CSR agenda in Malawi. The relationship between the state and business is also examined. This is followed by a critical review of policies and regulations, and the role of other institutional actors in the development of state policy and regulatory frameworks and civil regulation.

Chapter 7 – 10 present the empirical findings of this study. Each of these chapters, despite dealing with two of the four study questions, is organised differently with the examination of

CSR in the mining company and the tea producing company being the subject of chapters 7 and 8, and 9 and 10 respectively. Whereas the organisation of these chapters differs considerably, particularly in recognition of the emergent issues in the course of data analysis, attention has equally been paid to ensure consistency in the presentation of the study findings. Such an approach is considered appropriate especially when the study is comparative in nature. While each of the four empirical chapters deals with certain study questions, these chapters do not only provide background information about the case study organisations in terms of their identity and values, but also critically review the industries in which these organisations operate. Most importantly, consideration is given to the link between such organisational issues and their approaches to CSR and ethical issues.

The final chapter (Chapter 11) discusses the major study findings. It also draws implications for policy and practice, and makes recommendations for further research. The thesis concludes by presenting the study's contribution to knowledge.

CHAPTER TWO

PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY

2.0   Chapter Overview

This chapter reviews the theoretical debates about the critical issues underpinning the notion of CSR. This review situates some research questions (in particular, the first three research questions) highlighted in the introductory chapter into a broader CSR literature. This chapter particularly draws on arguments advanced by key theorists such as Carroll (1979), Carroll and Shabana (2010), Post and Preston (1975), Sethi (1975), Visser (2008), Wartick and Cochran (1985) and Wood (1991). The first section of the chapter begins by a review of CSR definitions. This is followed by a critical analysis of the theoretical debates about the nature of social responsibilities which a firm is expected to assume, and the context within which a firm may respond to societal issues. A critique of the dominant CSR models, in particular, their suitability in understanding the cross-national variations of CSR agenda is then presented A critical review of theoretical perspectives on the business rationale for pursuing CSR is also included. The chapter concludes by drawing further implications for the current research. Crucially, this chapter serves to provide a theoretical basis for significant proportion of the issues addressed in chapter four and the empirical chapters seven and nine.

2.1 Conceptualising corporate social responsibility

2.1.1 Defining CSR: What An Elusive Concept!

CSR is a highly complex concept which has been the subject of academic debate for over seven decades. It remains one of most 'contested' concepts in the contemporary field of business and society (Moon, 2007). Crucial to the contested nature of CSR is the multi-disciplinary nature of CSR (Crane et al., 2008). Essentially, CSR is understood to span across a number of disciplines ranging from business ethics, through environmental governance, management to political science. As such, it is not surprising that constructing a unified definition of CSR is problematic (Cramer et al., 2004; Dahlsrud, 2008). This has rendered CSR to be interchangeably used with other concepts such as corporate social investment (AICC, 2004); corporate social performance (Wartick and Cochrane, 1985; Carroll, 1979); corporate sustainability (Visser, 2007); corporate citizenship (Matten and Crane, 2005); sustainable development; business ethics; and corporate social responsiveness (Wood, 1991).

The contested nature of the concept of CSR means that it is difficult to find a universally accepted definition of CSR (Rodriguez et al., 2006). According to Frederick (1960, p. 60), CSR refers to ' a public posture towards society's economic and human resources and a willingness to see that those resources are utilised for broad social ends and not simply for the narrowly circumscribed interests of private persons and firms.' For Davis (1973, p.70), CSR means 'the firm's consideration of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm'. The most durable and commonly used definition comes from Carroll (1979, p.499). Carroll defines CSR as the social responsibility of business that encompasses the 'economic, legal, ethical, and discretionary categories of the business performance' at a given point in time.

The task of constructing a unified CSR definition has not been a sphere limited to CSR theorists only. In recent years, there has been a proliferation of interest by some governments and various industry bodies to come up with a working definition of CSR. The European Commission defines CSR as a 'concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.' For the United Kingdom, CSR refers to 'the voluntary actions that business can take over and above compliance with minimum legal requirements, to address both its own competitive interests and the interests of wider society'. On the other hand, the WBCSD (2000,p.3)[1] defines CSR as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.' Essentially, these definitions demonstrate the fact that CSR has both moral and instrumental dimensions; and therefore the influence of each of these dimensions may depend on the value generated from CSR actions (Karnani, 2011). Yet, although such definitions may be diverse, they seek to address salient questions regarding not only the nature of the responsibilities which companies have to the wider society, but also the instrumental and normative case of business engagement in societal issues (Carroll and Shabana, 2010). Furthermore, as CSR is a socially constructed phenomenon, its interpretation may vary depending on what one values and the motivations of their CSR actions (Carroll and Shabana, 2010; Dahlsrud, 2008; Moon, 2007; Sethi, 1975). This is crucial given that the values between various stakeholders and firms are bound to vary considerably because each actor may view CSR outcomes in terms of meeting their self interests.

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[1] WBCSD stands for World Business Council for Sustainable Development. The 2000 report entitled 'Meeting the Expectations: Corporate Social Responsibility provides a definition of CSR

2.2 Social Responsibilities of Business: Virtue or Enlightened Self Interest?

In the early years of CSR conceptualisation[2] and indeed, in recent times, the debate about CSR was not about whether firms have social responsibilities, but about what form should such responsibilities be. Such a discourse about social responsibilities has for four decades been dominated by attempts to address not only the meaning of CSR, but also the nature of social responsibilities which companies are expected to assume in society (Carroll, 1979 & 1991; McGuire, 1963; Sethi,1975; Wartick and Cochran, 1985; Windsor, 2006; Wood, 1991). As argued above, such attempts have been limited by the lack of a unified definition of CSR.

The 1970s, however, saw increasing interests by theorists in the field of business and society in understanding the nature of responsibilities which firms may rightly assume in the society (Carroll, 1979; Sethi,1975). Seth (1975) laid down a three part model of corporate social performance. The model comprised: a.) social obligations; b.) social responsibility; and c.) social responsiveness. Sethi defines *social obligations* as the 'corporate behaviour in response to market forces or legal constraints' (p.65). On the other hand, he defined *social responsibility* as ' bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values and expectations of performance' (p.66). Finally, he defined *social responsiveness* as 'the adaptation of corporate behaviour to social needs'(p.66). The central argument of Sethi's model however, is that the central tenets within each of these three components of his model may be amenable to change with changing societal expectations, legal and market forces. As such, firms may have to constantly develop capacities to such changes if they are to manage both economic and ethical risks (Sethi, 1975:62).

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[2] Although in the 1962 and early 1970s, Milton Freedman spiked the debate about whether businesses have social responsibilities or not, the significant attention was accorded to debating about the nature of social responsibilities.

However, the weakness with this model is that it fails to explicitly identify social actions that could be considered as the responsibilities of the firm in the model society, although the model implicitly calls for congruence between social actions and societal expectations. Nonetheless, just like previous models of CSP, Sethi's model leaves a broad leeway for different interpretations of the nature of responsibilities which a company may assume in the society (Moon, 2007). As the boundaries between the three levels of Sethi's model become increasingly blurred, the chances are that an unethical firm would more likely to hide under the banner of being a socially responsible firm (Wood, 1991), especially when their actions draw heavily on the social responsiveness perspective of the model.

Nonetheless, the strength of the Sethi's model is that it considers both the economic and ethical implications of firm's behaviour on the wider society. As such, Sethi's model may have been a turning point in the debate about the corporate role in society, and undoubtedly is considered as the forerunner of the present day models of corporate social performance (CSP), including Carroll (1979)'s model.

Carroll (1979) in his seminal article entitled: 'A Three Dimensional Conceptual Model of CSP' attempted to identify the various types of responsibilities that companies may assume in the society. This model, based on a pragmatic foundation, has been considered as the most influential model in CSR discourse and research for over three decades. In his model, he identified four principal responsibilities, organised in a hierarchal order, which firms may assume within the society. These include: economic, legal, ethical and philanthropic (discretionary) responsibilities. He referred to this hierarchal order of social responsibilities as the 'Pyramid of CSR'.

The primary level of the pyramid of social responsibilities is concerned with the economic responsibilities. For Carroll (1979), a firm meets its economic responsibilities when it

increases shareholder wealth by performing economic activities such as the production of goods and services that are required by the society. This view is generally propagated by neo-classical theorists such as Friedman (1962), although the very same activities are more beneficial to the firm itself. A view that economic responsibility can be an end in itself, as propagated by neo-classical theorists, is seriously flawed (Carroll, 1991 and Carroll and Shabana, 2010). It is misleading because it does not consider the negative externalities the pursuit for such activities (which are intended to increase profits for shareholders) may have on the wider society in the long-term (Barnett, 2007). However, for Carroll, an emphasis on the economic responsibilities represents a balance between the instrumental and normative perspectives of CSR. Arguably, integration of the economic responsibilities in Carroll's model is the recognition of the fact that the ability of the firm to fulfil other levels of responsibilities; in particular, those that have a strong focus on philanthropy, is largely contingent on the ability to make profits (McWilliams and Siegel, 2001).

The second level of responsibilities in Carroll's pyramid concerns the legal responsibilities that firms are obliged to assume in society. Carroll understands that, apart from fulfilling their economic obligations, firms are required to meet their legal obligations to the wider society in their pursuit for profits and production of goods and services. Normally, legal responsibilities are a product of stakeholder or societal pressure, usually in the wake of corporate misdemeanour (McCloskey and Maddock, 1994). Certainly, such obligations are derived from the legal frameworks of the countries where firms operate. Essentially, such frameworks may be viewed as the explicit social contract governing the relationship between a firm and the society in which it operates (Schwartz and Carroll, 2003; Wartick and Cochrane, 1985). The crucial issue with such a contract is that it has explicit terms that place minimum obligations on the firm to comply with. Failure to comply with minimum legal obligations is

normally associated with punitive sanctions, and may threaten the legitimacy of a firm to operate in a particular country (Sethi, 1975:61).

Aligning corporate behaviour with the laws of the lands can also be viewed from the accountability perspective (Murphy and Bendell, 1999; Newell, 2002; Utting, 2005). This perspective posits that the firm's compliance with the legal frameworks of the country in which they operate is the principal mechanism by which companies may be accountable to the society. The critical question, however, is whether CSR should be regulated or not in order to guarantee the firm's accountability to the society (Carroll and Shabana, 2010; Murphy and Bendell, 1999).

Proponents of CSR regulation argue that CSR should be regulated because the self-regulation of CSR and markets have actually failed to encourage corporate accountability to society (Murphy and Bendell, 1999; Lynch-Wood et al., 2009; Utting, 2005). For the proponents of CSR regulation, their argument is it would be necessary to ensure that the wider society derives as much benefits as possible from corporate actions. The work by Williamson et al. (2006) confirms this view by showing that, apart from business performance, corporate environmental regulations were a significant driver for the adoption of sound environmental practices by SMEs in their study. Their findings imply that in the absence of regulations, SMEs in this study would have found little motivation to incorporate sound environmental practices.

On the other hand, critics of CSR regulation argue that CSR should remain voluntary, and that governments should, rather than regulating CSR, incentivise companies to embrace good socially responsible behaviour (Moon, 2007; Zadek, 2007). This perspective assumes that CSR may be instrumental in the achievement of a firm's core objectives, and that its adoption by companies would be inevitable (Vogel, 2005; Waagsten, 2011). However, this perspective

fundamentally ignores the problem of free-riding, which many CSR regulations serve to prevent. The other criticism of CSR regulation is that it can potentially create a situation where companies would be more inclined to demonstrate their compliance to such regulations by 'doing good' while in effect they are protecting their image. The case in point is the British Petroleum (BP)'s record of compliance with environmental standards and regulations and a reputation for being the most 'green oil corporation'. It is only soon after the recent disaster in the Gulf of Mexico that the legal system in the United States of America (USA) has come to terms with the reality that reliance on regulations is not sufficient to protect public interests, as some companies may be using their 'green' record /as an insurance to reputation risks (Minor and Morgan, 2011).

The third level of corporate responsibilities in the CSR Pyramid is concerned with the ethical responsibilities. Ethical responsibilities, according to Carroll (1991) and Carroll and Shabana (2010), include 'standards, norms or expectations that reflect a concern for what consumers, employees, shareholders, and the community with the respect or protection of stakeholders' moral rights'. For Carroll and Shabana (2010), ethical responsibilities reflect in general terms societal perceptions of what is considered good for the society. Essentially, ethical responsibilities represent actions that a firm undertakes to align its business practices to laid-down societal norms and values which are ideally supposed to govern business behaviour in a given society. As such, compliance with ethical obligations may not necessarily be in the expectation of improving the financial bottom line (Mintzberg, 1983; Windsor, 2006), but in the meeting of societal expectation (Sethi, 1975:62; Sethi, 1979; Suchman, 1995).

Central to ethical responsibilities are the principles of social justice (Crisps, 1998; Rawls, 1971). The principle of justice presumes that through their actions, firms may negatively impact upon society; in which case, it is only morally right for the firm to internalise their negative impacts. For firms, the benefits of assuming ethical responsibilities can be

remarkable. Although ethical responsibilities are seldom legally binding on the firm, and in most cases, do not provide a direct economic benefit to the firm, it would usually be in the long-term interest of a company to fulfil such obligations. There are two reasons for this.

First, firms seen to operate with high ethical standards are likely to be regarded in the society where they operate as champions of 'public interest', and are also much more likely to establish positive relationships with its society (Jones and Wicks, 1999). Secondly, in modern society, where it is quite common for ethical responsibilities to be regarded as a precursor of legal frameworks [3] (Lucas, 1998:60), companies that are already fulfilling ethical responsibilities are likely to achieve first mover advantage in the event that such responsibilities become legally binding (Porter,1996).

The final level of social responsibilities in Carroll's pyramid is concerned with philanthropic (discretionary) responsibilities. Carroll (1991) defines philanthropic or discretionary responsibilities as 'those actions that are in response to society's expectations that business be a good corporate citizen'. These expectations, as Carroll (1991) notes, include a firms' engagement in the provision of public goods, which some firms fulfil through donations and developing employee community programmes. However, undertaking such responsibilities is a bone of contention between the neo-classical theorists and the proponents of CSR [4]. Certainly, the increasing popularity of philanthropic responsibilities, despite critical views, suggests that firms view such philanthropic actions as instrumental to the achievement of their corporate objectives (Lucas, 1998; Porter and Kramer, 2006).

Carroll's novel typology of social responsibilities of the firm undoubtedly reflects changing societal expectations about the roles of business. It strikes a balance between competing

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[3] Essentially, the extent to which an ethical obligation becomes a legal responsibility of the firm is dependent on how the society perceive the issue to be crucial to the welfare of the society (Carroll and Shabana, 2010).
[4] Essentially, undertaking CSR is viewed by neo-classical theorists as misappropriation of shareholders' funds while CSR proponents suggests that it is morally right for companies to engage in CSR.

demands on the firm: economic responsibility versus philanthropic actions, and raises a number of implications. First, it suggests that it is essential that companies meet their economic obligations by operating profitably in order to meet all the other levels of responsibilities. Secondly, although these responsibilities are organised in a hierarchical order, such responsibilities should largely be seen as a reflection of the wider societal expectations (Strand, 1983). Societal expectations, essentially, are determined by norms and values embedded within a given society to which modern businesses are expected to align their corporate strategies (Suchman, 1995). Finally, the model implies that while both economic and legal responsibilities may, in most cases, be considered in the institutional frameworks (legal and non-legal) in many countries[5], ethical and philanthropic responsibilities should be left for managerial discretion. This is, however, a fundamental issue that Carroll's model could have considered given the fact that these two categories of responsibilities are drawn from the normative perspective – a foundation for the notion of CSR (Donaldson and Preston, 1995).

Both Carroll and Sethi's model of CSP are not without their critics. The fundamental criticisms of these models is that they fail to consider the processes and policies through which companies could fulfil their responsibilities in their society (Wartick and Cochran, 1985). Wartick and Cochrane in 1985, while recognising this gap, developed a framework that builds upon Carroll (1979)'s and Sethi (1975) model. Through their model, Wartick and Cochran (1985) demonstrated how the notions of economic responsibility, social responsiveness and public responsibility, although incompatible in many ways, may be integrated in a single model to provide a better understanding of corporate social performance.

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[5] While the legal responsibilities are covered in many regulatory frameworks in most countries, in recent years there has been a proliferation of codes of conduct related to corporate governance. In most cases, these codes are aimed at protecting the interests of shareholders.

Essentially, they incorporate the issue management perspective into the existing model of CSP.

Under issues management, Wartick and Cochran (1985) considered policies and strategies companies are required to develop in anticipation of unplanned and serious societal and business risks to which firms may be exposed. Such policies and strategies may include: issues identification; issues analysis; and response development. For Wartick and Cochran, policies and strategies within issue management are intended to move the corporate response to social issues beyond the mere 'reactive' and public relations management exercise.

Wood (1991) is one of the prominent CSR scholars who have attempted to define the nature of social responsibilities which a firm can assume in the society. She defines corporate social performance as 'the configuration in the business organisation of principles of social responsibility, processes of responses to social requirements, and policies, programmes and tangible results that reflect the company relations with society'. Recognising the weaknesses which previous CSR models had, she developed a broader and more integrative approach to the understanding of the responsibilities that firms may assume in the society. As such, she constructed a three part model which included: a.) the principles of social responsibility (at institutional, organisational and individual levels; b.) processes of social responsiveness (environmental assessment, stakeholder management and issues management); and c.) outcomes of corporate practices (social impacts, programmes and policies). Drawing on Preston and Post (1975)'s public responsibility thesis, Wood (1991) suggested that businesses are required to solve not only those societal problems that are vital for their long-term interests, but also the negative externalities of their operations. This argument highlights the influence of the principles of social justice in the discourse about the nature of social responsibilities which a firm may assume (Lucas, 1998).

2.3   CSR as a 'One Size Fit All? Questioning the Dominant Models of CSR

Understanding cross-national variations of CSR has been a dominant feature in recent discourse about CSR (Freeman and Hasnaoui, 2011; Gond and Matten, 2007; Matten and Moon, 2008; Visser, 2006). The recent surge in interest in understanding cross-national variations demonstrates the fact that the dominant models of CSR have failed to inspire CSR scholars to examine the implications of CSR beyond the western or developed countries' sphere (Sethi, 1975). Notwithstanding the contribution existing CSP models have made to the business and society literature, these models are largely based on western values and expectations (Sethi, 1975). It is clear that western multinational companies are increasingly transferring CSR to other geographical regions which have values and expectations totally different from those in western or developed countries. As such, the dominant models have fundamentally overlooked the influence of various institutional and cultural factors on business practices within a variety of geographical regions in which today's firms now operate (Crane and Matten, 2004:46; Gond and Matten, 2007; Matten and Moon, 2008; Visser, 2006).

Wood's model (1991) is a typical example of the CSP models that fail to consider such cross-national variations in institutional factors. For example, she argues that firms should take responsibility for social problems that are not only caused by their operations, but also those problems that are vital to their long-term interests. This argument clearly reflects the liberal and western values in which businesses are largely the private property of the shareholders (Friedman, 1962; Logsdon and Wood, 2002). This argument also holds in the contexts where the state is able to provide the basic social rights to its citizens, but is less valid in certain geo-political regions where societal governance failures by the state are a prominent feature (Moon et al., 2005; Visser, 2008).

Just like Wood's model, Carroll's model has also attracted criticisms from various scholars about its suitability in understanding CSR in developing and non-western regions. Visser (2006 & 2008) has questioned the applicability of the existing models of corporate social performance, in particular Carroll's pyramid of CSR. He tested the cross-national applicability of Carroll's model in particular, within the Sub-Saharan African context. The most significant contribution he made was that he reordered Carroll's CSR priorities to reflect the unique prioritisation of corporate responsibilities within the societies he studied.

Whereas Carroll's pyramid of corporate social responsibilities[6] places emphasis on economic and legal responsibilities over ethical and discretionary responsibilities, the primary responsibility in Visser (2006)'s model is economic responsibilities followed by discretionary, legal and responsibilities. Such prioritisation is a strong reflection of the cultural traditions[7] and societal expectations that require businesses to contribute towards socio-economic needs of the communities where they are operating to maintain the social licence to operate (Visser, 2008).

2.4   The Business Case for CSR: A Theoretical Review

Establishing the business case for CSR has been at the core of recent academic debate on the role of business in societal issues. The pressure to establish the rationale for the business response to social issues originates from the criticisms CSR has attracted from the neo-classical theorists. Critics view CSR as an avenue by which managers can misappropriate

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[6] economic responsibility is the most important responsibility that the firm has to the society, followed by legal, ethical responsibilities, and finally the least important social responsibility – discretionary or philanthropic responsibilities

[7] In the Sub-Saharan Africa, there is a strong cultural traditions embedded in the Ubunthu (South Africa) and Umunthu (Malawi and Zambia and other banthu countries) that promotes reciprocity and determines human relations in this part of Africa. Such a tradition is evenly seen to have profound influences on the relationship the society makes with companies.

shareholder funds. As a result, proponents of CSR are increasingly searching for evidence which could demonstrate that CSR can serve a firm's long-term interests (Brammer *et al.* 2006; Burke & Logsdon 2008:420; Orlitzky *et al.* 2003; Waddock and Graves 1997).

In the United Kingdom, the concerns to justify spending of shareholder funds on social causes are fundamentally covered by the new company laws (Companies Act, 2006). For business executives and directors, evidence of enhanced profitability from investment in CSR initiatives can provide them with adequate justification to their shareholders and regulators, of the firm's expenditures on societal issues (Carroll and Shabana, 2010; Companies Act, 2006). However, studies conducted to establish the business case for CSR have produced mixed results, to the discomfort of CSR proponents. The next sub-sections provide a critical review of the various relationships between performance measures and CSR. These sub-sections, which draw heavily on insights from various CSR scholars, are organised into three principal themes: a.) cost and risk reduction; b.) reputation and legitimacy; c.) competitive advantage, following the framework proposed by Kurucz et al. (2008).

2.4.1   Cost and Risk Reduction

The cost and risk reduction category includes arguments that consider CSR as an integral part of the firm's profit maximisation and risk management strategies. The basic assumption is that by engaging in CSR, businesses are much more likely to establish a positive relationship with stakeholders (Freeman, 1984). Clearly, by fostering a positive relationship with stakeholders a firm can reduce business risks whilst improving its bottom-line.

2.4.1.1   The link between Corporate Social Performance (CSP) and Financial Performance (CFP)

The end of the 1970s and the beginning of the 1980s witnessed a surge in the volume of CSR literature that strove to establish evidence of a positive relationship between corporate social performance and corporate financial performance (Carroll, 1979; Cochran and Wood, 1984). In recent years, such a relationship remains a widely debated issue in the field of business and society. Despite such an overwhelming interest from CSR theorists, evidence to establish a causal relationship remains mixed and inconclusive.

McGuire et al. (1988) and Orlitzky et al. (2003) examined the relationship between financial performance and social performance of 131 and 52 firms respectively in the United States of America (USA). Similarly, Griffiths and Mahon (1997) conducted a meta-analysis of previous studies to examine the causal relationship between CSP and CFP[8]. Regardless of the type of performance measures such studies adopted, these scholars find evidence from these studies, that showed a causal relationship between CSP and CFP. On the other hand, separate empirical studies conducted by Arkan and Theobald (2005) and Brammer et al. (2006) showed a negative relationship between CSP and CFP. Such a mixed pattern of evidence, as Griffiths and Mahon (1997) and Orlitzky et al. (2003) suggest, reflects fundamental flaws in the methodologies adopted by previous studies. Essentially, the financial performance of any firm can be measured by using two major parameters: a.) profitability; and, b.) share price movement (Vogel, 2005). Both parameters are distinct from each other, and are likely to show different relationships with CSR. Whereas profitability is considered a measure of the financial health of the firm, share price movement is clearly a market parameter that is influenced by signals from the stock markets. As such, studies that do not take into

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[8] It has to be noted that the empirical studies that these authors used in their respective studies to examine such a causal relationship produced mixed evidence of the relationship between CSP and CFP.

consideration such a distinction in establishing the causal relationship between CSP and CFP are more likely to produce mixed results (Vogel, 2005).

The relationship between CSP and CFP can also be examined from a 'slack resource or available fund' perspective (Cheng and Kenser 1997; Waddock and Graves 1997:312), although it is an area that is currently under-researched. The 'slack resources or available funds' perspective posits that firms are motivated to invest in social issues only where there is a strong indication of a strong financial performance (Waddock and Graves, 1997).

Firms drawing on this perspective view their response to social issues as 'giving back to the community part of the profits' (Kurucz *et al.* 2008). However, the major criticism with this perspective is that firms that draw on the slack resources perspective are likely to consider their engagement in social issues as a cost (Kurucz et al., 2008), and a discretionary activity (Carroll, 1991). Such a view implies that, in economically turbulent times, firms that draw on the slack resources perspective are likely to abandon their social initiatives as they increasingly minimise costs in order to survive (Financial Times, 2008).

2.4.1.2   CSR as a Risk Management Strategy

Recent developments have shown that firms are increasingly subjected to complex and ever-changing demands in their operating environment. Such demands can pose significant risks to the survival of businesses especially when the firm does not have a robust risk management strategy to respond to changes in its operating environment. As a result, firms are increasingly developing capacities to understand and strategically respond to any risks that they may be exposed to in their operating environments (Zadek, 2007). Among the several strategic options available to firms is the development of capacities in learning and

understanding the needs and concerns of their stakeholders (Bowie and Dunfee, 2002; Castells, 1996). CSR offers such a platform through which stakeholders' expectations are addressed, and associated business risks are minimised (Kurucz et al., 2008).

There are several business risks that firms can avoid and sustainably manage by pursuing CSR (Husted, 2005; Reinhardt 1995:48;). Such risks can include: risks of reputational damage (Orlitzky and Benjamin, 2001; Wright and Rwabizambuga, 2006); risk of litigation and strict regulatory regime (Orlitzky, 2008:121), social risks (Kiljian, 2005; Samskin and Lawrence, 2005 & 2007; Rosen et al., 2003); risks of legitimacy loss (Suchman, 1995) and risks of fraud.

Orlitzky and Benjamin (2001) examined the relationship between a firm's social performance and exposure to reputational risks in the stock markets. They found that firms with better social performance were significantly able to achieve a rise in the stock prices as a result of their positive reputations as socially responsible firms (p.388). For public companies, the ability to minimise social and environmental risks through CSR can send strong market signals (to socially aware investors) that can have a remarkable impact on share prices (Vogel, 2005; Zadek, 2007).

Firms that operate in global supply chains are exposed to risks of reputational damage that usually attract stakeholder activism (Millington, 2008). Such risks are particularly common in western companies, which are increasingly outsourcing production to developing countries' producers – the majority of which do not embrace minimum social and environmental standards in the production processes (Barrientos and Gorman, 2007). As Millington (2008) notes, western firms that do not manage their supply chains in accordance with the minimum ethical standards are at an increased risk of not only attracting consumer boycotts, but are also at risk of attracting shareholder activism and strong government regulations.

Clearly, firms that operate in global supply chains can reduce such risks by embracing sound ethical practices within their supply chains (Jenkins, 2001; Tallontire, 2007). Such actions and pressure on the southern suppliers can been achieved by collectively or unilaterally developing and enforcing compliance with various standards and codes for these southern suppliers (Barrientos and Gorman, 2007).

2.4.2   Reputation and Legitimacy

The underlying argument within the '*reputation and legitimacy'* category of the business case is that firms can develop a good reputation with their stakeholders, and ultimately enhance their legitimacy within society by undertaking CSR related initiatives. This is because, as Zinkin (2004) shows, firms with a strong reputation for being socially responsible are likely to be more trusted by their stakeholders than those that are socially irresponsible. Hence, to achieve legitimacy and build reputation capital, firms need to respond to the expectations of their stakeholders by engaging in CSR (Kurucz et al., 2008; Lynch-Wood, 2009).

2.4.2.1 Corporate social responsibility as a reputation building tool

Reputation, as defined by Fombrun (1996:72), is ' a perceptual representation of a company's past actions and future prospects that describe the firm's overall appeal to all its key constituents when compared to other leading rivals.' For businesses, it is now increasingly being accepted that the ability to align their practices (behaviour) with stakeholders' expectation can enhance their reputation capital. Conversely, non-congruence of corporate practices with societal (stakeholders) expectations may potentially damage a

firm's reputation and its relationship with its stakeholders (Bowie and Dunfee, 2002; Lynch-Wood *et al.* 2009; Wood 1991:697).

The relationship between CSR and reputation has been an issue of academic research since the turn of the century (Brammer and Pavelin, 2004 & 2006; Dowling, 2004; Hendry, 2006; Lynch-Wood et al., 2009). Several CSR scholars have examined the relationship between CSR and a firm's reputation. For instance, studies conducted by Brammer and Pavelin (2004 & 2006); Dowling (2004); Fombrun and Shanley (1990); Hendry (2006) and Lynch-Wood et al.(2009) suggest that a firm can build good reputations by pursuing CSR actions.

However, such a relationship is not clear cut; it is mediated by several factors including the firm size (Brammer and Pavelin, 2004 & 2006; Greening and Gray 1994:478; Hendry, 2006; Lynch-Wood et al. 2009) and industry effects (Bhattacharya et al., 2009; Brammer and Pavelin, 2004 & 2006). For example, it is understood that, for small firms, a reputation of socially irresponsible behaviour is less likely to attract stakeholders' protests than it could have been for a large firm (Hendry, 2006). Understanding such a perspective however, needs one to draw on a firm resource based view (Pfeiffer and Salancik, 1978). Since big firms can have the ability to commit huge resources towards influencing stakeholders and building a positive image, they are more likely to be vulnerable to scrutiny and potential reputational damage than the small firms (Hendry, 2006). Clearly, from a positive angle, large firms that are considered more visible to stakeholders can significantly enhance their reputation by engaging in CSR.

On the other hand, evidence suggests that the ability of a firm to develop a good reputation with its stakeholders through CSR actions is to a certain extent determined by the nature of the industry it operates in. Bhattacharya et al. (2009) noted that the perceptions which stakeholders may hold about a firm, and the reputation they may attach to a given firm, may

be influenced by the degree to which stakeholders perceive the firm's operations to have social and environmental risks for society. Essentially, firms that are considered to have high social and environmental impacts are more likely to have poor ratings amongst their stakeholders than companies with activities that have low impacts on society.

Transcending the relationship between CSR and reputation is the value reputation (based on being socially responsible) can bring to the firm. First, Turban and Greening (1996) examined the relationship between a firm's CSR performance and various human resource management performance measures. They contend that companies with strong reputations for socially responsible behaviours are more likely to attract and retain high quality employees than firms that have a poor record for social performances. For Blowfield and Murray (2008) a firm's strong reputation for CSR can provide a positive signal to prospective employees that their prospective employer is likely to provide good working conditions.

Thus, a firm's CSR reputation becomes a vital tool for decision making by prospective employees, particularly when they are faced with inadequate information about their prospective employer. Furthermore, drawing on the social identity perspective (Ashforth & Mael,1989), Drumwright (1996) and Dutton et al. (1994) argue that some individuals can derive pleasure by being seen to associate with a CSR reputable firm.

However, the argument that better CSR performance is associated with a firm's ability to attract and retain high quality employees, cannot be generalised (Smith 2008). In practice, poor social performers can attract and retain high quality employees, especially when they can demonstrate to potential and existing employees the prospects of high financial gains and good career development (Vogel, 2005).

The reputation which a firm has for being socially responsible is in some quarters considered to be positively related to consumerism (Bhattacharya and Sen, 2004; Maigan and Ferrell, 2001; Smith, 2008). This suggests that socially responsible firms are more likely to attract customers than those companies that are considered unethical. On the other hand, socially irresponsible companies are more likely to be vulnerable to product boycotts or protests than ethically responsible firms. However, such a relationship is not linear; it is to a large extent mediated by a number of factors such as product attributes (quality and price), consumer perceptions about CSR and their personal values (Trudel and Cotte, 2009; Vogel, 2005), and also consumer purchasing power (Murphy and Bendell, 1999).

Finally, a firm's reputation for CSR is positively related to its ability to attract investment. In recent times, investors are increasingly seen to make their investment decisions on the basis of the reputation of a prospective firm for managing the social and environmental risks (Wright and Rwabizambuga, 2006). Essentially, investors are less likely to invest in a firm that is perceived to be at a high risk of litigation and/or stakeholder activism for its unethical practices.

Although such decisions by prospective investors may be made on the basis of pragmatism, the personal ethical values of the investors are likely to have a significant influence on the investment options (Cowton and Sparke, 2004). It is not surprising therefore that in recent years, there has been an increasing trend in demand by large stock markets towards socially responsible stocks or investment (Cowton, 2004). In the light of widespread unethical corporate practices, these stock markets are gradually recognising the need to manage reputation risks in their dealings with prospective and listed companies (EIRIS, 2009). Crucially, these stock markets are beginning to re-examine their listing rules and requirements to conform with the highest ethical standards (Wright and Rwabizambuga, 2006).

2.4.2.2 CSR and the License to Operate

The licence to operate is central to a firm's survival within a particular society. It is generally accepted that firms can attain the legitimacy of their operations in a particular society when they are seen as aligning their practices with both explicit and implicit societal expectations (DiMaggio and Powell, 1983; Dowling and Pfeffer, 1975; Meyer and Rowan, 1977; Pfeffer and Salanck, 1978; Sethi, 1975; Suchman, 1995). CSR is therefore viewed by some scholars as the principal avenue by which firms can meet societal expectations (Carroll and Shabana, 2010; Sethi, 1975; Suchman, 1995; Wood, 1991). Clearly, CSR can help the firm foster strong relationships with its various stakeholders (Donaldson and Preston, 1995; Freeman, 1984). As a result, stakeholders can be more willing to provide support to such firms in the form of extending the licence to operate in a particular society (Pfeffer and Salancik, 1978; Suchman, 1995:575). Conversely, failure to meet stakeholder or societal expectations may lead to strenuous relationships which could further threaten the legitimacy of a firm in a particular society (Eweje 2006).

2.4.3   CSR as a quest for firm's competitive advantage

Studies of the relationship between CSR and competitive advantage have drawn insights from a number of theories. Such theories include: the theory of competitive advantage (Porter 1996; Porter and *van der* Linde, 1995; Porter and Kramer, 2006); natural capitalism (Lovins *et al.* 1999), natural resource based view (Hart 1995), sustainability framework (Hart 2001), the base of pyramid theory (Prahalad and Hammond, 2002), and eco-efficiency (Elkington 1997; Hart 2001; Reinhardt 2001; Welford, 2001).

Porter and *van der* Linde (1995) in their seminal article in the *Harvard Business Review* show how firms can take advantage of the opportunities which CSR provides to enhance their competitive advantage over non – CSR rivals in the marketplace. The underlying argument in their article is that in an increasingly competitive environment, firms with a better social performance, embedded within their core competences - are more likely to become more competitive than their non-socially responsible competitors. By developing innovations and practices that enhance resource productivity and reduce waste, firms can not only reduce operational costs[9] (Elkington, 1997; Hart, 2001; Lovins et al., 1999; Welford, 2001), but also foster good relationship with various stakeholders including regulatory institutions, communities and civil society (Porter and Kramer,2006). However, some of the benefits are not realised immediately, rendering the business case weaker.

In practice, the majority of managers regard the pursuit of sound environmental management practice as a significant cost burden for their operations, which would normally provide their firms with competitive disadvantages over their non-CSR oriented rivals. Porter and Kramer (2006) challenge this argument, and argue that such a perspective may be valid if the CSR initiatives or environmental management practices implemented are to a large degree disconnected from the strategic business of the firm. Porter and Kramer's argument suggests that firms may be able to achieve competitive advantage over their non-socially responsible rivals through CSR, only when the CSR initiatives implemented are related to the core business.

The other area where a firm can achieve competitive advantage is corporate philanthropy. Clearly, companies can achieve competitive advantage from philanthropic actions only if such actions are strongly tied to the economic interests of the firm (Carroll and Shabana,

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[9] These costs may include litigation costs, costs arising from boycotts and protests and costs associated with production processes

2010; Porter and Kramer, 2006). As shown elsewhere in this chapter, it is the pursuit of such actions that may strengthen a firm's relationship with its stakeholders (Donaldson and Preston, 1995), and eventually help the firm to gain a competitive advantage over its rivals in the marketplace. Nevertheless, failure to align philanthropic actions with the firm's core business is likely to attract the popular criticisms that philanthropy is the conduit for misappropriation of shareholders' funds, and is an added-cost to the operation of the business.

Finally, the Base of the Pyramid (BoP) is another area by which companies can achieve competitive advantage over their rivals. Through the BoP approach, firms can create superior value and achieve competitive advantage by turning societal problems into opportunities for both the firm and society (Prahalad and Hammond, 2002). Essentially, firms that draw on the BoP perspective are seen to be increasingly developing adaptive strategies to reach out to the least served and poorer sections of the world's population (developing markets) to achieve the 'first movers' advantages such as increased market shares (Hart and Christensten, 2002). From a different but traditional sustainability perspective, the BoP approach may be viewed as a business innovation for managing social and environmental risks whilst enhancing the financial bottom line of the company (Halme and Laurila, 2009; Hart, 2001).

Although BoP's popularity has grown over these years, other scholars have doubted the feasibility of such a perspective in the regions where poverty and market failures are widespread (Olsen and Boxenbaum, 2009). Such a critical view is valid, given that the ability of the firm to create value and achieve competitive advantage is strongly influenced by the existence of an enabling environment[10], and the existence of necessary infrastructure. As such, the degree to which BoP can be seen to create value for the company as well as the wider society could depend on how likely it is that strong government policy interventions will spur growth of trade and protection of property rights.

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[10] This include: better government policies that support growth of trade and property rights.

2.5   Conclusion and Implications for Research

This chapter has examined the dominant issues about the notion of CSR, and has showed that while CSR is currently a popular concept that links business and society, it is a highly complex concept that has been subjected to multiple interpretations. This has made the task of establishing the specific nature of firms' responsibilities extremely challenging, and highly complex in particular when one considers the cross-national variations of CSR. Furthermore, given the complexity in establishing the exact nature of firms' responsibilities, this chapter has established that the motivations of firms to engage in CSR are likely to be varied, and largely dependent on the value a firm may derive from their CSR actions. Crucially, a significant proportion of those motivations are instrumental to the achievement of the long term interests of the shareholders.

As a result of the contested nature of CSR, the determination of CSR practices which a company undertakes in the society is likely to vary between companies and across geographical regions. Certainly, the degree to which stakeholders may view a CSR initiative as effective in solving their societal problems is likely to vary and is contingent upon how they (stakeholders) perceive the social responsibilities of a firm to be.

Finally, the perceptions which a firm and its stakeholders hold about CSR are considered to have a significant influence on the nature and quality of firm – stakeholders relationships. As such, the next chapter will consider the notion of stakeholder engagement and its implications for the CSR agenda a firm pursues.

CHAPTER THREE

CORPORATE SOCIAL RESPONSIBILITY: A STAKEHOLDER PERSPECTIVE

3.0   Chapter Overview

Having set out the theoretical debates about the nature of firms' responsibilities and the business case for CSR in Chapter 2,   this chapter provides a critical examination of stakeholder theory; a theory that is considered central to the current study. Since the notions of stakeholder engagement and CSR are traditionally considered as mutually exclusive in the area of business and society, this chapter aims to explore the critical issues that are fundamental to the relationship between CSR and stakeholder engagement. Just like Chapter two of this thesis, this chapter is intended to provide a theoretical basis or foundation for supporting subsequent empirical chapters of this thesis.

3.1   Stakeholder Engagement: An Overview

Stakeholder engagement remains a central issue in both the academic and mainstream literature that deals with CSR (Mitchell et al., 1997; Noland and Phillips, 2010). Stakeholder engagement became a mature concept within the management discipline in the early 1980s, when Freeman published his seminal book '*Strategic management: a stakeholder approach'* in 1984. He developed the stakeholder theory by drawing theoretical insights mainly from the systems and organisational theories.

Although Freeman is considered the pioneer of the stakeholder theory, various theorists have contributed to its maturation. Crucially, these theorists have created a better understanding of the notion of stakeholder engagement. Greenwood (2010, p.315) defines stakeholder engagement as 'practices that the organisation undertakes to involve stakeholders in a positive manner in organisational activities'. Clearly, Greenwood's definition implies that stakeholder engagement, despite its moral foundation, is a morally- neutral concept, especially when one considers that not all companies that engage with stakeholders are necessarily ethically – oriented companies.

The notion of stakeholder engagement is increasingly understood to be integral to the achievement of a firm's objectives. The need for companies to engage stakeholders becomes more crucial, especially when business activities are seen as posing serious social and environmental risks to the society (Noland and Phillips, 2010), and are subjected to increased pressure for accountability and responsibility for such risks. The basic premise is that by engaging stakeholders, firms can not only have a better understanding of stakeholders' needs and expectations, but also enhance communication with their stakeholders about their CSR activities (Pater and Lierop 2006). Firms that engage their stakeholders are likely to foster a healthy relationship with them which may be vital for its survival (Frooman, 1999).

3.1.1 Defining 'Stakeholder': A Quest to Unmasking The 'Salience' Question

Freeman (1984, p.46) defines the term 'stakeholders' as 'any group or individuals who can affect or are affected by the achievement of the firm's objectives'. Freeman however, has continued to re-examine the meaning of stakeholder, and as recently, as 2004, he redefined 'stakeholder' as 'those groups who are vital to the survival and success of the corporation. Both definitions in a significant way reflect an orientation strongly grounded in an

instrumental perspective (Donaldson and Preston, 1995). Clarkson (1995) on the other hand, defines stakeholders as those groups that 'have or claim, ownership, rights or interests in a corporation and its activities'. Such a wide range of definitions and interpretations suggests that the concept 'stakeholder', just like many concepts in management, is considered to be contested, and subjected to multiple interpretations (Donaldson and Preston, 1995; Mitchell et al., 1997).

For Post et al. (1999), primary stakeholders include those groups that can be crucial to the survival of the firm. This category includes: suppliers, government, shareholders, management, employees. However, within this group, there are certain groups of stakeholders with whom the company has fiduciary duties and obligations to serve their interests. These stakeholders include: shareholders and employees. On the other hand, secondary stakeholders comprise those stakeholders with whom the firm has no fiduciary obligation to respond to their needs and expectations, although such stakeholders may affect or may be affected by the activities of the company (Freeman, 1984). Stakeholders in this group include: civil society organisations, consumers, creditors and the general public. Such a broader perspective extends the notion of stakeholding beyond those groups that have a direct claim in the firm to those groups that may not have explicit stakes or interests in the firm (Mitchell et al., 1997). It is not surprising that Post et al. (1999)'s typology remains popular amongst theorists who are interested in the definition of stakeholder.

3.1.2   Stakeholder Identification and Prioritisation: A Review of Stakeholder Salience Frameworks

The notion of stakeholder identification and prioritisation has been at the core of the stakeholder theory and CSR debate since the early 1980s. Yet, it was not until the mid 1990s,

that stakeholder theorists started constructing stakeholder salience frameworks to bridge the existing research gap with respect to managerial behaviour towards a firm's relationship with various stakeholders (Agle et al., 1999; Jawahar and McLaughlin, 2001; Mitchell et al., 1997; Parent and Deephouse, 2007; Weber and Marley, 2011). It was Mitchell et al. (1997) and later, Agle et al. (1999) who pioneered stakeholder theorists that have provided a better understanding of the managerial perspective of stakeholder salience.

3.1.2.1 A Review of Mitchell et. al.'s (1997) Stakeholder Salience Framework

Mitchell et al. (1997) developed a framework for understanding the attributes which managers consider not only in identifying stakeholders, but also in prioritising stakeholders' competing needs and interests, in the light of the finite resources available to the firm (Pfeffer and Salancik, 1978). For Mitchell et al. (1997), stakeholders are prioritised on the basis of the three major attributes which collectively determines what they call stakeholder salience. Mitchell et al. (1997:854) define stakeholder salience as 'the degree to which managers give priority to competing stakeholder claims'. Certainly, the higher the ratings a stakeholder achieves on the salience scale, the higher the priority managers are likely to give to such stakeholders. The three principal attributes employed in this framework include: power, legitimacy and urgency.

According to Mitchell et al.'s (1997)'s framework, a stakeholder group may be considered powerful when it can influence the other entity (less powerful or powerless) to change its actions in order to align any actions with its (powerful actor) own interests. Pfeffer and Salancik (1978) and Frooman (1999), from the resource exchange perspective, argue that an organisation may be considered powerful if it has the ability to control resources that other actors may require for their survival. Considering that it is not practically possible for

organisations to possess all the requisite resources, organisations enter into relationships in order to acquire such resources. Thus, organisations which enter into such relationships may derive some benefits from them by acquiring distinctive organisational capacities for their survival (Barney 1991; Porter 1996). However, the balance of power in such relationships tends to favour organisations that have control over access to vital resources by other organisations (Frooman, 1999). For CSR, the relative power that exists between the firm and its stakeholders is considered to have a significant influence on how CSR policies and strategies are delivered in practice (Bondy, 2008).

The second attribute within Mitchell's framework is legitimacy. Suchman (1995,p.574) defines legitimacy as 'a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions'. A stakeholder is, therefore, considered to have legitimate claims if its relationship with the firm is guided by both implicit (moral rights, at risk status) (Neville et al., 2011) and explicit contracts (exchanges, legal titles, legal contracts) (Agle et al., 1999).

However, the ability of the firm to respond to legitimate claims by stakeholders may depend on the ability of stakeholders to possess other attributes such as power and urgency. Stakeholders which are considered legitimate and powerful but whose claims are less urgent are more likely to have their claims prioritised for managerial attention. Crucially, for the powerless stakeholders, but which have legitimate claims, fostering cooperation with the powerful stakeholders such as the government and advocacy NGOs would be important and even necessary in order for their claims to be prioritised by the firm.

Finally, urgency can be defined as the extent to which a firm perceives that the claims made by a certain group of stakeholders are 'time sensitive and critical' and need 'immediate managerial attention' (Mitchell et al., 1997; Parent and Deephouse, 2007). For managers,

clearly, the prioritisation of the needs of stakeholders whose claims need an urgent response is critical for the sustainability of the flow of resources critical to the survival of the firm (Frooman, 1999; Pfeffer and Salancik, 1978). Nevertheless, just like the other stakeholder attributes, the urgency with which the firm responds to the interests of any given stakeholder is dependent on the perceptions managers may hold about the collective influence of the two stakeholder attributes of power and legitimacy.

Despite the popularity Mitchell et al. (1997)'s framework has attracted amongst stakeholder theorists and firm managers, some scholars have recently noted weaknesses in the application of Mitchell's framework of stakeholder salience. Neville et al. (2011) argue that in the framework, urgency may not be as crucial in the identification of stakeholders as previous scholars may have thought, but it may be an important factor in the determination of the time it takes for a particular stakeholder's claims to be responded to by the firm.

Mitchell et al.(1997)'s stakeholder salience framework was tested two years later by Agle et al. (1999) on a group of eighty chief executive officers of large US firms. Their work drew on social cognitive and organisational theories, and confirmed the contribution of the framework in understanding the criteria managers can use in identifying stakeholders and their needs and interests. Essentially, they argue that the perceptions CEOs hold about stakeholders' salience is also influenced by the three stakeholder attributes (of power, legitimacy or urgency). Their findings suggest that these attributes, whether considered individually or collectively, may have some significant influence on how managers prioritise divergent interests or claims of different stakeholders.

However, Mitchell et al.'s framework is particularly vulnerable to two major criticism. First, it fails to articulate the various strategies managers would pursue to address the interests of less salient stakeholders which is addressed by Jawahar and McLaughlin's (2001)'s

framework. Secondly, by strongly focusing on the significance of meeting the needs and interests of the more salient stakeholders, the application of Mitchell et al.'s framework is likely to be problematic for the firm. Oliver (1991), and lately, Pater and *van* Lierop (2006), contend that such a posture could potentially lead managers into taking non-strategic and short-term options for short-term gains. The impact of such a view may be that, in the long-run, firms may be more vulnerable to stakeholders' pressures.

3.1.2.2   Jawahar and McLaughlin's Organisational Life Cycle Framework of Stakeholder Salience

Jawahar and McLaughlin (2001) developed a stakeholder salience framework which largely draws on resource dependence theory, prospect theory, stakeholder theory and organisational life cycle theory. The framework postulates that any organisation has to go through four stages of development during its life cycle. These stages include: a.) start-up; b.) emerging growth; c.) mature stage and finally, d.) decline / transition stage. As such, the managerial perceptions about a particular stakeholder's salience are influenced by the stage at which the firm is in the organisational life cycle.

The fundamental assumption in this framework is that as organisations go through each of these stages, they will usually seek to acquire the critical resources they require from those entities that have such resources in order to survive. In the light of this, Jawahar and McLaughlin make three fundamental propositions in their model:

a.) At any stage of the organisational life cycle, certain stakeholder groups are likely to be more salient than others because of their capabilities to provide the organisation with the requisite resources for survival;

b.) The degree of salience various stakeholder groups acquire will tend to vary as the firm moves from one stage of development to the next;

c.) Consistent with the two propositions above, the strategic actions an organisation pursues in its relationship with any of the stakeholders may depend on the relative salience each stakeholder group may have.

According to this model, organisations in the start-up stage are usually heavily dependent on other entities for their success in their new business environment. These organisations, depending on the industry in which they operate, are more likely to require increased access to financial resources and markets for their products and services. Clearly, managers in such organisations are more likely to see the shareholders, creditors and consumers and buyers as highly salient stakeholders to which claims and interests need urgent responses. Hence, a firm would normally choose to pursue a proactive strategy in responding to claims by such stakeholders.

On the other hand, although a pro-active strategy may be viewed as a predominant strategy for responding to stakeholder claims, it can be argued that the strategies organisations may adopt are not uniform, and may vary depending on the stakeholder salience. Organisations at this stage of their development can also pursue three principal strategies as they respond to the needs of stakeholders with varying salience. Such strategies may include: accommodation, defensive and reactive strategies. First, Jawahar and McLaughlin (2001) suggest that, the organisation in the start-up phase would be inclined to pursue a defensive strategy when dealing with stakeholders such as regulatory institutions and local communities that confer the organisation with legitimacy of its operations. Such a strategy would normally be associated with the firm's quest to meet minimum legal and societal obligations to fend off sanctions from both the government and the local communities. On the other hand, organisations are likely to pursue an accommodation strategy when responding to claims

made by certain stakeholders such as customers, suppliers and employees. This is because such stakeholders are essential for their future success and competitive advantage . Finally, organisations at this stage would be more tempted to pursue reactive strategies in response to the interests of certain stakeholders such as NGOs that may not be critical to either organisational success or survival, but tend to be confrontational in their relationship with the organisation or firm.

The second stage of organisational development in the organisational life cycle is the emerging growth. Organisations at this stage, according to Jawahar and McLaughlin (2001), do not consider survival as a significant concern in their relationship with stakeholders. Clearly, for such organisations, certain stakeholders may be considered highly salient if they are able to provide the firm with critical resources needed for their growth. Such stakeholders may include: suppliers, creditors and employees, because they are vital to a firm's continued access to 'inputs for product development' and innovations and workforce necessary for achieving a firm's competitive advantage. Given that, at this stage, the manager's goal may be to pursue organisational growth, it is more likely that organisations would be persuaded to pursue a proactive strategy in responding to the needs of the more salient stakeholders in order to gain access to critical resources for its success. On the other hand, organisations would be compelled to pursue an accommodative strategy in responding to claims of stakeholders[11] that are considered less salient at this stage.

The third stage is the mature stage. At this stage, organisations may be stable, and have adequate access to finance and market opportunities. As the organisation's financial position continues to improve, the organisation would become more readily able to respond to divergent stakeholder interests. As such, an organisation in this phase, would be more attracted to pursue a proactive strategy when dealing with diverse stakeholder constituencies.

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[11] These stakeholders may include: government, shareholders, communities, NGOs.

Finally, the decline phase is characterised by decreasing growth in the company and its slack resources. As this stage, organisations are likely to re-examine their strategy for responding to divergent stakeholder claims in an attempt to access critical resources for survival. Such organisations are likely to pursue different strategies when dealing with certain stakeholders. Given that organisations at this stage may require access to critical resources, as Jawahar and McLaughlin (2001) note, organisations may find it attractive to pursue a proactive strategy when dealing with more salient stakeholders (such as shareholders, customers and creditors) that are critical for their survival. On the other hand, depending on the stakeholder group and the resources an organisation may require, it may pursue either a reactive or a defensive strategy in dealing with its less salient stakeholders in order to protect its reputation and to sustain its legitimacy.

However, Jawahar and McLaughlin (2001) are quick to point out the key weakness about their model. They note that their framework fails to consider the industry-effects when making a prescription of actions managers can consider when faced with varying stakeholder salience. Essentially, such an issue becomes critical, especially in the high social and environmental impact industries where certain stakeholders perceived by managers as less salient at any given stage in the organisation life cycle, may be crucial to the firm's survival (Greening and Gray, 1994).

3.1.2.3 Criticisms of Stakeholder Salience Frameworks

While Mitchell et al. (1997), and later on Jawahar and McLaughlin (2001), may be considered to have made significant contributions to the understanding of the managerial perceptions about the salient stakeholders, it would be wrong to assume that their models are

water-tight without any weaknesses. Such perspectives, however, are characterised by fundamental weaknesses, and have attracted criticisms from various stakeholder theorists.

The principal criticism which is common for both frameworks is that they are strongly seen as managerially focussed (Hill and Jones, 1992; Jones and Wicks, 1999). Clearly, by virtue of their positions in an organisation, in circumstances that demand a firm's response to competing stakeholders' needs and interests, managers may be more inclined towards allocating organisation's resources to the needs of stakeholders which they consider highly salient.

Furthermore, since these frameworks view managers as at the centre of decision making in terms of identifying organisational stakeholders and allocation of resources to manage them, it can be argued that such frameworks are to some extent problematic. Under such circumstances, non-virtuous managers are much more likely to take advantage of the notion of stakeholder salience to pursue their self interests (Logsdon and Yuthas, 1997). Clearly, self-interested managers would be attracted to strongly respond to the interests of some stakeholders' group, which they perceive to be beneficial to their long-term interests, at the expense of the other stakeholders who are perceived by managers as less salient (Donaldson and Preston, 1995; Noland and Phillips, 2010; Marcoux, 2006). Moreover, such managers can potentially mask their self-serving behaviour by advancing an argument that it is difficult to balance the competing stakeholders' claims, and that some of their actions are indirectly representing the best possible efforts to respond to diverse stakeholders' interests (Buchholz and Rosenthal, 2004).

3.2   Varieties of Stakeholder Management

3.2.1   Stakeholder Management: A Review of Typology

Since the notion of stakeholder management was introduced by Freeman in 1984, there have been vigorous academic debates about stakeholder theory and the practice of stakeholder engagement, which at present is polarised between competing perspectives (moral versus instrumental perspectives) (Clarkson, 1991; Goodpaster, 1991; Hill and Jones, 1992). Consequently, Donaldson and Preston (1995) clarified the stakeholder theory by developing a three – part framework of stakeholder management. The distinct parts of the framework include: normative, descriptive / empirical and the instrumental stakeholder management. These three parts of the framework are discussed in turn in the subsequent sub-sections.

3.2.1.1   Instrumental Stakeholding

Instrumental theory establishes the link between a firm's pursuit of stakeholder engagement and the achievement of the long term interests of the firm. The fundamental issue is that by responding to stakeholders' needs, firms can have the ability to achieve strong performance, holding other things constant (Jones et al., 2007; Sillanpa, 1998). Certainly, this perspective, as other theorists have stated, can be regarded as the enlightened self-interest where long term corporate interests can be achieved by responding to the needs and interests of highly salient stakeholders (Stoney and Winstanley, 2001). Firms drawing on this perspective view stakeholders as a 'means to an end' (Jones et al., 2007; Noland and Phillips, 2010). Essentially, the instrumental perspective represents a balance between the achievement of corporate long-term interests and the need for firms to respond to its stakeholders.

Greenwood (2007) argues that stakeholder engagement represents a significant mechanism by which managers may demonstrate their control over influential stakeholders, which may pose serious business risks as well as providing the firm with critical resources. The major problem with this perspective, however is that, it lacks 'stakeholder democracy' (Matten and Crane, 2005). In general, the extent to which all stakeholders are granted space for genuine participation in the firm's strategic decision making process remains a critical issue.

Crucially, the instrumental perspective has been criticised not only for its failure to provide adequate space for less salient stakeholder participation in the decision making process, but in responding to the individual interests of this group of stakeholders (Crane and Livesey, 2003; Matten and Crane, 2005). Nonetheless, in exceptional cases, certain stakeholders may be accorded some space for engagement only if such an action guarantees a firm a strong performance (Sillanpaa, 1998).

3.2.1.2   Normative Stakeholding

The normative perspective of stakeholder management is concerned with the prescription of the actions which managers of the firm ought to undertake to align firms' interests with the ethical or moral expectations of the wider society. As such, it is considered the foundation of the notion of stakeholder engagement upon which other stakeholder management perspectives tend to draw on (Donaldson and Preston (1995). This perspective is grounded in the Kantian moral philosophical position which posits that it is morally right to treat each individual (in this case, stakeholders) as ends in themselves rather than instruments to the end (Phillips, 1997; Lucas, 1998).

Consistent with its moral connotations, normative stakeholder theory considers stakeholders, irrespective of their salience, as having legitimate claims on the activities of a firm. The distinct feature with stakeholder claims, according to this perspective, is that they have an intrinsic value, and therefore need to be considered in their own right. Crucially, firms can demonstrate their moral obligation in practice, by involving their legitimate stakeholders, regardless of their salience, in key decision making processes (Evan and Freeman, 1988).

3.2.1.3 Descriptive Stakeholding

A review of extant stakeholder literature suggests that descriptive stakeholder theory has not received as much scholarly attention as the instrumental and normative stakeholder theories (Agle et al., 1999; Berman and Cochran, 1991; Berman et al., 1999; Donaldson and Preston, 1995; Mitchell et al., 1997). Berman and Cochran (1991) are credited for being the pioneers of descriptive stakeholder theory. They stipulated that descriptive stakeholder theory describes 'the nature of an organisation's stakeholders, their values, their relative influence on decisions and the nature of situations are all relevant information for predicting organisational behaviour' (p.465).

In the latter years, descriptive stakeholder theory, according to Donaldson and Preston (1995, p.66), describes what the 'firm is, in terms of its behaviour and how they are managed' and what firm's stakeholders are. Furthermore, Donaldson and Preston describe the corporation as 'a constellation of cooperative and competitive interests possessing intrinsic value'. In general terms, the Berman and Cochran (1991) and Donaldson and Preston (1995) frameworks suggest that the central feature of the descriptive perspective of stakeholder theory is the nature and values of relationships a given firm fosters with its stakeholders in a given time period.

3.2.2 Stakeholder Management: A Review of Communication Perspective

Recent calls for increased corporate accountability for the social and environmental impacts firms' operations have on the wider society have led to a consensus about the need for stakeholder dialogue that moves beyond the shareholders (Freeman 1984:25; Hughes and Demetrious 2006). Essentially, stakeholder dialogue may be regarded as stakeholder management largely based on two – way symmetrical communication (Noland and Phillips, 2010). Similarly, Zadek (2007) defines stakeholder dialogue as a two-way process between a company and everyone who has legitimate interests in the company. These definitions imply that stakeholder dialogue may encompass a vast range of activities: from information sharing to formal consultations (Payne and Calton, 2002; Waddock, 2001).

3.2.2.1 Why Stakeholder Dialogue

Literature on stakeholder dialogue suggests that organisations engage in stakeholder dialogue for a variety of reasons (Burchell and Cook, 2004 & 2006 & 2008; Cumming, 2001; Zadek, 2007). For pragmatists, stakeholder dialogue is viewed as a necessary business process for achieving the long-term interests of the firm. Certainly, if well executed, it can provide opportunities and capabilities for firms to creatively align stakeholder expectations with their objectives (Burchell and Cook, 2004; Cumming, 2001; Zadek, 2007).

For firms, stakeholder dialogue offers an opportunity for better organisational learning and business risk management. First, firms engage in dialogue with its stakeholders because the dialogical process provides a conducive environment in which new knowledge is generated by actors that may have totally different values from their own. The knowledge created is

then fed into the strategic decision making of both the firm and its stakeholders for value creation (Burchell and Cook, 2008; Lawrence 2002; Cumming 2001; Payne and Calton 2002; Zadek, 2007). Furthermore, stakeholder dialogue can provide an organisation with opportunities to innovate and achieve a competitive advantage (Porter and van der Linde, 1995). Firms that increasingly place a primary emphasis on stakeholder dialogue are more likely to respond more effectively to stakeholder needs and interests than those that do not undertake stakeholder dialogue. By undertaking stakeholder dialogue, such firms are not only likely to be supported by their stakeholders, but are also likely to acquire strategic capabilities which their non-stakeholder dialogue oriented competitors may not possess (Porter, 1996).

Secondly, there is no doubt that stakeholder dialogue can provide firms with capabilities to mitigate some business risks. Certainly, stakeholder dialogue can help firms anticipate and develop better risk mitigation measures (Zadek, 2007). Burchell and Cook (2004) found that by undertaking stakeholder dialogue, firms developed a better understanding of the perceptions which the wider society holds about their role in society. Clearly, innovative firms may take advantage of such a process and the knowledge generated to build a good image thus fending off any potential stakeholder activism.

3.2.2.2 'Strategic or Instrumental' Stakeholder Dialogue

The normative-instrumental dichotomy remains a central issue underpinning the debate about stakeholder dialogue. On the one hand, the normative dimension of stakeholder dialogue posits that firms are guided by moral values and standards when undertaking dialogue with their stakeholders. Such a view implies that when considering whether to undertake stakeholder dialogue, firms should not take into account the salience of the stakeholders

(Greenwood, 2007; Phillips, 1997). On the other hand, instrumental stakeholder dialogue posits that firms pursue stakeholder dialogue when such a process has a high likelihood of contributing to its long-term interests (Noland and Phillips, 2010).

However, Greenwood (2007) argues that stakeholder dialogue or stakeholder engagement, as it is currently conceptualised, is a 'morally neutral' concept. This suggests that stakeholder dialogue or engagement can either be used morally or immorally depending on the context. For Greenwood, stakeholder dialogue may be regarded as 'moral' when it is done on the basis of a mutual relationship, and that such a practice may lead to shared benefits. On the other hand, firms may be considered as pursuing 'immoral' stakeholder dialogue when such practices are employed to manipulate and deceive stakeholders in order to achieve their objectives. Nevertheless, instrumental stakeholder dialogue remains the most dominant perspective of stakeholder dialogue on which managers draw as they engage with their stakeholders (Burchell and Cook, 2008; Burchell and Cook, 2004).

Strategic engagement or instrumental dialogue, according to Noland and Phillip (2010), is the interactive process initiated by managers to advance the long-term interests of the firm. It is therefore not surprising that strategic dialogue is usually framed within public relations issue management (Greenwood, 2007; Wartick and Cochran, 1985). Essentially, issue management can be defined as the practice and process of identifying potential business risks and the development of strategies to minimise their impact on the business or organisation (Wartick and Cochran, 1985). The danger with issue management in stakeholder dialogue is that it is more prone to abuse and 'greenwash'. Certainly, unethical firms can exploit the notion of issue management and use excessively manipulative forms of dialogue to change the perceptions of influential stakeholders (Greenwood, 2007; Noland and Phillips, 2010).

Although strategic or instrumental dialogue is considered a dominant perspective of stakeholder dialogue, it can be argued that strategic dialogue as a practice and process is fundamentally problematic. Noland and Phillip (2010) state that strategic dialogue, irrespective of its benefits to the firm, can facilitate the exclusion of non-influential and resource deprived stakeholders. Crucially, such stakeholders may lack capacity to effectively engage in dialogical processes with firms, which may be powerful (Phillips, 1997).

In exceptional circumstances, when firms are coerced to engage with such stakeholders, dialogue is usually a one-way asymmetrical communication, done in the form of piecemeal consultations. Such a dialogical process, as Bowen et al. (2010) note, is characterised by three distinct features: a.) limited interactions between the company and its stakeholders; b.) limited trust between the firm and its stakeholders; and, c.) limited organisational learning as a result of one-way communication, which is largely firm-led.

3.2.2.3   Preconditions for Instrumental Stakeholder Dialogue

Stakeholder dialogue represents a crucial process by which firms can maintain a healthy relationship with stakeholders. However, the degree to which dialogue can cement good relationships depends on a number of preconditions, one of which is trust. Trust as defined by Swift (2001, p.19) is the 'confident expectation and predictability of another party's behaviour and goodwill, that one's interests will be protected.' Clearly, the trust a firm establishes with its stakeholders underpins the nature and outcomes of stakeholder dialogue (Swift 2001; Zadek 2007).

On a more practical level, the importance of trust on the nature and outcomes of stakeholder dialogue is evidenced by the quality of relationships organisations[12] foster. Central to this argument is the notion of perceived risks by the stakeholders and firms that by engaging in dialogue, they may be exposing their values and other strategic capabilities to external actors – a situation which may pose serious threats to their survival in the event that such a dialogue (and/or relationship) falters (Burchell and Cook, 2004; Elkington and Fennell, 2000; Swift, 2001).

Clearly, the general perception among the public interest institutions and other stakeholders has been that self-interested companies use stakeholder dialogue as an effective shield from negative publicity for their actions, but also to co-opt and control powerful stakeholders and critics (Burchell and Cook, 2008; Bendell and Murphy, 1999; Hughes and Demetrious, 2006). Likewise, companies tend to be sceptical about stakeholder dialogue because they view the process as presenting significant risks to their survival, especially when it involves exposing corporate values and internal organisational culture to external actors who traditionally have had an adversarial relationship with private companies. Crucially, such an exposure of values and organisational capabilities may render the firms more susceptible to reputational damage than when they had not engaged in stakeholder dialogue (Elkington, 1997). Nevertheless, such arguments demonstrate the fact that cultivating stakeholder dialogue based on trust between such previously adversarial parties is likely to remain a challenge (Cumming, 2001).

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[12] These institutions may include: government and NGOs or community based organisations

3.3 Conclusion

This chapter has examined stakeholder engagement, and how it can influence the quality of relationships a firm fosters with its various stakeholders in its pursuit of its CSR agenda. The major facets of stakeholder theory and associated stakeholder literature were critically reviewed. Based on this review, it is clear that although stakeholder engagement has been studied theoretically for over two decades, less attention has been given to its empirical application, and this remains a major concern for scholars. Of particular interest to this study is whether stakeholder engagement influences the CSR agenda of the case study companies. Hence, the present study, drawing on insights from stakeholder theory, aims to critically investigate the institutionalisation of stakeholder engagement processes and strategies, and also its influence on the CSR agenda of the case study companies.

This chapter started with a definition of key concepts such as stakeholder, stakeholder engagement and stakeholder salience. The major focus of the first section of this chapter was on the critical examination of literature and theoretical perspectives related to the notion of stakeholder salience. Crucially, stakeholder salience is at the centre of stakeholder engagement, and significantly influences the quality of relationships which a company fosters with its various stakeholders.

A review of stakeholder theory however, revealed that stakeholder theory exhibits a range of dimensions. As such, the second section of this chapter dealt with the principal dimensions or perspectives of stakeholder theory (descriptive, normative and instrumental stakeholding). Whereas literature on stakeholder theory is replete with propositions that the normative perspective is a foundation of stakeholder theory, it is the instrumental theory, and to a limited degree, descriptive theory, that firms have tended to draw on in pursuit of their CSR agenda. The significance which each of these perspectives may have on the strategies and

processes firms adopt as they manage their relationships with their stakeholders is the subject of the empirical chapters 8 and 10 of this thesis.

Finally, this chapter critically reviewed the processes and strategies which firms adopt in managing their relationships with various stakeholder groups. It was generally argued that the processes and strategies a firm pursues in engaging their stakeholders can be a crucial determinant of the outcomes of its CSR agenda. However, the choice of strategies and processes is to a large extent determined by a number of factors including: the stakeholder salience and the value a firm can derive from stakeholder engagement. The next chapter pulls together and links different strands of this thesis in a conceptual framework for understanding CSR. It is largely grounded on the theoretical perspectives in Chapters 2 and 3. It particularly considers fundamental arguments from both the enlightened self-interests theorists (Carroll, 1979 & 1991) and Wood (1991) and the stakeholder theorists (normative and instrumental) such as Freeman (1984), Mitchell et al. (1997) and Preston and Donaldson (1995) to develop an understanding about the CSR agenda pursued by case study companies in Malawi.

CHAPTER FOUR

CONCEPTUAL FRAMEWORK FOR UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY IN MALAWI

4.0   Introduction

This chapter largely draws on theoretical insights from chapter two and three of this thesis to develop a conceptual framework (shown in Figure 4.1) for understanding the notion of CSR in the two study cases. It draws particularly on the insights of the stakeholder theorists such as Freeman (1984 & 2004), Preston and Donaldson (1995) and Mitchell et al. (1997), and the theoretical perspectives of Carroll (1979) and Wood (1991) who have informed the debate about the nature of social responsibilities which a company can assume at any given period. It largely brings together the instrumental and normative perspectives of CSR. The conceptual framework links various components that are central to the thesis, and delineates the significance of each of these components to the study of the CSR agenda within these two cases.

As stated in Chapter 1, CSR has grown from being a predominantly western concept and issue to being increasingly popular in developing countries. As most of the developing economies become increasingly connected to the global economy, there has been an influx of western multinational companies which are investing in various sectors of these economies. Rugman and Doh (2008) note that these companies are bringing into these countries new ways of doing business such as ethical business practices. CSR is one such practice that is popularly being transferred by these companies into the host developing countries. Therefore,

there is an increasing need to understand the nature of the CSR agenda which these companies are pursuing in their host countries in these regions. An understanding of the CSR agenda which these companies pursue would therefore consider initially the perceptions that stakeholders and managers of these firms may have on the notion of CSR, and how variations in the perceptions may influence the CSR agenda in general. Furthermore, there is need to understand how various actors and factors influence these companies to engage in social actions as well as the various strategies and processes which the companies use to engage their stakeholders in order to realise the outcomes of their CSR agenda. Finally, such an understanding would consider whether the CSR agenda pursued by companies is grounded in a narrow perspective of achieving the long term interests of the firm or is grounded in a broader social justice perspective.

Having examined theoretical developments on CSR in developing countries, the initial understanding was that companies pursue CSR as a normative issue given a plethora of socio-economic challenges and societal expectations for companies to alleviate such challenges (Visser, 2008). However, a recent study by Lindgreen et al. (2009) suggested that, contrary to the widely held viewpoint that CSR in a developing country is largely normative (Amaeshi et al., 2006), CSR in Malawi is constructed predominantly in instrumental terms. So, if the CSR agenda in Malawi, as Lindgreen et al. (2009) puts it, is seen as a 'means to achievement of long-term interests', it became inevitable that the conceptual framework reconsiders the forms of the stakeholder engagement and the perspective which companies are likely to draw on as they pursue their CSR agenda. Hence, the notion of stakeholder salience was later incorporated into the 'stakeholder' component to reflect such a development. Furthermore, as the decision to engage in CSR is usually strategic, the relationship between the firm's CEOs and the company boards was later taken into consideration in the conceptual framework.

Thus, as shown in Figure 4.1 below, the conceptual framework has five principal components:
a.) firm; b.) stakeholder; c.) stakeholder engagement; d.) CSR agenda and finally, e.) the CSR
drivers. These five components are discussed in turn in the succeeding sub-sections.
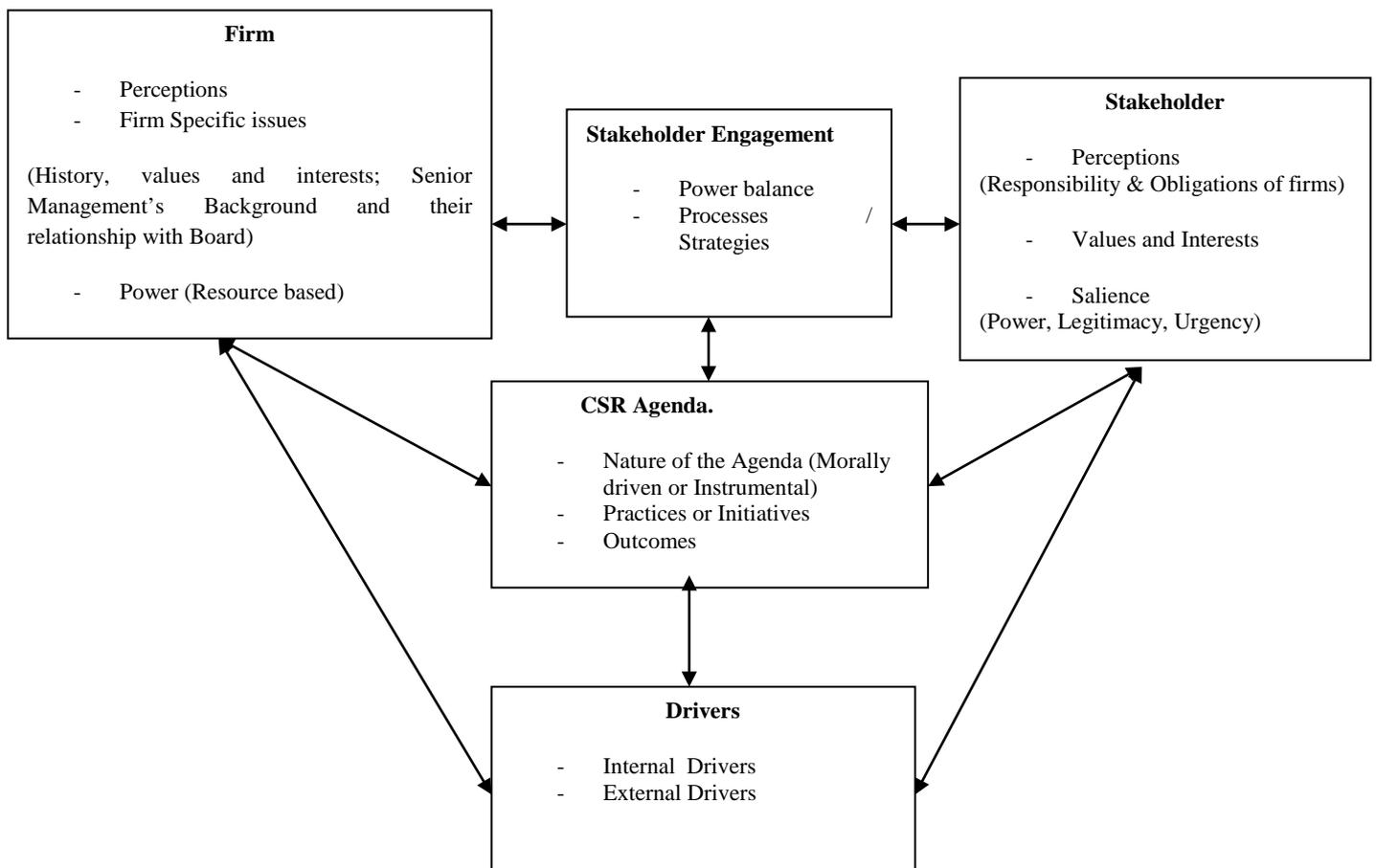
Figure 4.1   A Conceptual Framework For Understanding CSR in Malawi

4.1 Firm

Preston and Donaldson (1995) define a corporation or a firm as 'a constellation of cooperative and competitive interests possessing intrinsic value.' The organisational studies literature is replete with many theories of the firm. As such, in relation to CSR, various theories of the firm are considered suitable for investigating strategies a firm's towards social issues. The most influential theories have been: the resource-based (Wernerfelt, 1984) and dependence (Frooman, 1999; Pfeffer and Salancik, 1978) theories. Such theories can provide clues regarding the extent to which firms can pursue social goals (Bowen, 2007).

Certainly, the initial step in the analytical framework of this study, a focus would be on understanding the policy and values that guide the case study companies' CSR orientation. The key questions in this case would be: a.) too what extent do the firms' values and CSR policy guide the case study companies to pursue the CSR agenda; b.) to what extent does the background of the companies and their senior management teams and their relationship with the boards influence the firms' position on societal issues.

The degree of access to critical resources is one of the many organisational aspects that shape the CSR agenda and the nature of the stakeholder engagement which a firm pursues. For firms that are well endowed with strategic resources, it can certainly be easy to position themselves as socially conscious and stakeholder orientated firms in the public eyes (Barney, 1991; Cheng and Kenser 1997; Waddock and Graves, 1997). However, for other firms, such a resource-endowment can significantly tilt the balance of power in their favour in the course of their relationships with their stakeholders (Millington, 2008). Conversely, for less endowed firms, their influence over their resourceful stakeholders may be weak. Instead, the ability of such stakeholders to withhold or deny access to vital resources for the poorly resource endowed firms can provide resourceful stakeholders with the leverage to strongly

influence a firm's activities (Frooman, 1999). Hence, the resource-deprived firms are more likely to pursue a CSR agenda that responds to the stakeholders' interests and needs, than their resource-endowed firms.

The relationship between the firm and the wider society has been a focus of academic debate in organisational studies (Carroll and Shabana, 2010; Henderson, 2005; Karnani, 2011; Moon et al, 2005; Scherer and Palazzo, 2011). Of particular interest is that this debate has been polarised between two schools of thoughts: one school that supports the concept of an expanded role of business in society, and the other school that strongly opposes corporate involvement in the provision of social goods (Karnani, 2011; Henderson, 2005; Moon et al., 2005). The direction or position a firm takes regarding its social responsibility within any given society depends on a number of factors. These factors include: a.) managerial personal values and discretion; b.) resource endowment and power; c.) perceptions about the social responsibility of business; firm's values and interests.

Central to the understanding of a firm's behaviour towards societal issues is the mediating role of managerial values and levels of discretion (Hemmingway and MacLagan, 2004; Muller and Kolk, 2010). Hemingway and MacLagan (2004) show how personal values of managers can have a significant influence on the organisational moral development. They argue that, since managers are at the core of the decision making process in a firm, managers with strong ethical values are likely to spur their firms towards a position where ethical considerations are fundamental to firm's decision making (Heugens et al., 2008; Swanson, 1999; Weaver et al., 1999).

Managerial values and discretion in CSR is directly related to the slack resources viewpoint (Cheng and Kenser, 1997). Certainly, depending on managerial discretion and personal values, managers who draw on the slack resources view are likely to adopt corporate social

strategy when there is a guarantee of the availability of firm resources (Waddock and Graves, 1997). Such a view is believed to be prevalent among managers who consider CSR as an 'add-on', detached from their core business (Bhattacharya et al., 2009). This suggests that in firms where policies are predominantly guided by market values or ideologies, CSR is much more likely to be seen as a cost and an optional activity that managers can easily overlook in difficult economic climate (Williamson et al., 2006).

Similarly, the perceptions managers hold about the social responsibility of businesses are fundamental to the overall social behaviour which a firm exhibits in a particular society. However, the underlying issue is that these perceptions are largely determined by how important engagement with CSR is seen in terms of the survival of the company (Sharma, 2000; Whitehead, 2006). In turn, these perceptions influence how they communicate and relate to various stakeholders, and most importantly, how they spur issues of morality or ethics within their firms. Hence, the existence of any perception gaps between the managers and its stakeholders can easily allow conflicts between these parties to emerge (Calvano, 2007). Similarly, for many companies, the CSR perceptions of managers are considered a significant determinant of corporate policies and strategies within their CSR agenda (Whitehead, 2006).

Related to the notion of managerial perceptions of CSR are the two central issues: firm's values and interests (Sharma, 2000). Values can be defined as an individual or an organisation's tendency to favour certain actions and outcomes (Swanson, 1999). For organisations, values, largely normative in nature, are regarded as a foundation for organisational objectives. Essentially, values can play an important role in determining the various practices firms can pursue in order to achieve their objectives. Moreover, since values contain some normative aspects, they are much more likely to have a significant bearing on organisational moral development (Yuthas and Logsdon, 1997). As such, the values an

organisation stands for not only determine the organisational culture which differentiates the organisation from other organisations, but also provide clues as to how an organisation responds to environmental stimuli such as societal issues (DiMaggio and Powell, 1991; Porter and van Linde, 1995; Sharma, 2000).

For CSR, the values a firm embraces, when they interact with the context, become significant when they form the basis upon which a firm's ethical behaviour and its responses to stakeholders' concerns are determined (Trevino, 1986). Essentially, values become a crucial issue, particularly for firms that operate in an environment where there are relatively low levels of ethical expectation, but where business responses to societal issues are vital (Heugens et al., 2008).

However, given that in most cases, a firm's response to societal issues depends on being in the 'going-concern' status, the values that a particular firm embraces as they pursue social issues are to a large extent underpinned by the economic rationality and interests (Windsor, 2006; Rodriguez et al., 2006). Thus, managers are much more inclined to view CSR in a positive light, and take part in societal issues when there is a strong business case to do so (Carroll and Shabana, 2010).

Despite the popularity of such a view, critics have identified possible conflicts between the firms' economic values and their social values (Hine and Preuss, 2009). Such an orientation by firms can, in most cases, give rise to conflicts with stakeholders who are driven by social justice values. Clearly, in such cases, managers are much more likely to favour the pursuit of economic objectives at the expense of social values (Calvano, 2007).

Finally, the relationship between the management of companies and their boards has been a subject of intense scholarly debate (Reed, 2002;Rossouw et al., 2002). This relationship is seen fundamentally in terms of corporate governance, which according to Smerdon (1998:1),

is the 'system by which companies are directed and controlled'. Crucially, corporate governance revolves around the relationship between the owners (shareholders), the board of directors and top management of the firm in particular the Chief Executive Officer. As such, the critical issue in this relationship is concerned with the sharing of various roles and powers in the running of the affairs of the company. The roles and powers of these stakeholders tend to vary, however, depending on whether the firm adopts a shareholder model of corporate governance or an inclusive (stakeholder oriented) model. Certainly, such a relationship between the three stakeholders tend to have significant implications for the direction a company may take in its response (or non - response) to wider societal issues (Companies Act, 2006; Reed, 2002; Rossouw, 2002).

In Malawi, the relationship between the three stakeholders with respect to the control and direction of the affairs of the company has since 2001 been considered principally in the Code of Corporate Governance which was adapted from South Africa's Kings II Code, but produced and implemented by the Institute of Directors Malawi Chapter. Although the legal framework governing the running of company affairs is largely based on the outdated UK Companies Act of 1984, issues of corporate governance in Malawi are normally aligned to the Code of Corporate Governance which is stakeholder focused. This reflects a change in focus from a predominantly shareholder model in which the Companies Act is based on an inclusive model of corporate governance.

On the other hand, consistent with the shareholder model which is practiced in the English speaking countries (Reed, 2002; Rossouw, 2002), Malawi uses single-tier boards which are dominated by members who are geared primarily towards serving the interests of shareholders. As such, boards of directors are empowered to make strategic decisions that serve the interests of their shareholders. Furthermore, the board plays a supervisory role to company management and guarantees that these managers run the affairs of the company in

the interests of shareholders. However, the extent to which the boards of certain groups of companies play such functions in Malawi has been a subject of concern (World Bank, 2007). Clearly, as the World Bank (2007)'s assessment of corporate governance in Malawi shows, there have been marked variations regarding the effectiveness of the boards. Of particular significance here are the boards of state run companies and foreign owned companies, with regard to performance of their management oversight functions. For example, for the Malawian subsidiaries of foreign companies, as their chief executives are appointed by the parent companies, there have been concerns that the role of the boards - based in Malawi – in providing the companies with strategic direction has been reduced fundamentally to mere 'rubber-stamps' of decisions made at the parent company level. On the other hand, there have been doubts about the effectiveness of the boards of state run companies in supervising the management of the companies. Importantly, such boards are generally weak in performing their supervisory roles, leading to what other commentators term 'empire building' by management (Munthali, 2008). As the World Bank (2007) states, such a weakness is manifestation of the fact that these boards are usually appointed by the Head of State, and they tend to lack professionalism in the execution of their functions.

4.2 Stakeholder

The concept of stakeholder remains one of the most contested and elusive concepts in the field of organisation and management studies. The elusive nature of the concept of 'stakeholder' gives rise to a number of important managerial implications. First, since it is conceptually difficult to define 'stakeholder', the actual identification of stakeholders with whom the firm can interact is likely to be a controversial issue (Donaldson and Preston, 1995; Mitchell et al., 1997). This is especially controversial when the approach which a firm

undertakes in identifying its stakeholders and their claims has a strong influence on the nature of the relationship which it fosters with its stakeholders. Secondly, in a broader sense, the elusive nature of the stakeholder concept reveals a conceptual divide between scholars who view it as morally laden (Kaler, 2002; Noland and Phillips, 2010; Phillip, 1997) and those viewing the concept as largely instrumental (Freeman, 2004).

For those that advocate moral considerations in stakeholder identification, the firm is seen to have an obligation to respond to the concerns of stakeholders who are affected by its activities regardless of their salience in the eyes of the managers. It is considerations of fairness and justice that are expected to guide the relationship a firm fosters with such stakeholders and those it considers powerful (Kaler, 2002; Lucas, 1998; Phillips, 1999).

On the other hand, given that certain stakeholders can pose a risks to a firm's survival, pragmatists argue that firms should work towards responding to the interests of any groups of stakeholders if through their (stakeholders') actions, a firm's survival and success could be jeopardised. Mitchell et al. (1997) in their seminal paper draw upon this perspective, and argue that the process and strategy of stakeholder identification by managers should consider stakeholder salience as a central issue in determining the allocation of resources for meeting stakeholders' concerns.

One of the most important features about CSR is that stakeholders interact with firms in order to satisfy their self-interests which are strongly influenced by the values they espouse (Weiss, 2008). Covey and Brown (2001) define interests as 'needs, desires or fears of the parties in a negotiation' or relationship. In CSR, it is generally accepted that stakeholder interests and values are not always congruent with those of the firm which they intend to foster a relationship with (Covey and Brown, 2001). Hence, in certain circumstances, such relationships are established after extensive negotiations to resolve any potential conflicts that

can emerge later in the relationship (Bhattacharya et al., 2009; Calvano, 2007; Kemp et al., 2011).

The perceptions stakeholders hold about the role of business in modern society are perhaps one of the most critical aspects in understanding the notion of CSR. Fundamental to stakeholders' perceptions are the notions of ideologies and values which a particular stakeholder group embraces (Bhattacharya et al., 2009; Calvano, 2007). Related to the notions of values and ideologies of the stakeholders are their expectations about the outcomes of any CSR agenda (Bhattacharya et al., 2008). These tend to play a crucial role in stakeholders' perceptions about business's role in the modern society. Certainly, an evaluation of CSR outcomes by stakeholders against a set of objectives – whether CSR initiatives pursued by a given firm lead to positive change in the society or not can shape the way stakeholders can be committed to the firm's CSR agenda.

Having looked at the key conceptual issues regarding 'stakeholders', the most critical analytical issue is to critically analyse the key stakeholders of the firms in terms of their influences on the CSR agenda, and their interests or stakes in the firm's operations. Such an analytical process would consider using the following questions as a guide:

- Who are the key actors or groups who are affected by the company operations or who can affect the company's operations?

- Which group of stakeholders are involved and which ones are not involved in the company's operations?

- What interests does each of these groups or individuals have in the company's operations?

- How do companies' managers respond to the interests of each stakeholder?

- What influence do they have on the company?

- What is the source of their influence on the company?

4.3   Stakeholder Engagement

Greenwood (2007) defines stakeholder engagement as 'the practices that an organisation undertakes to involve stakeholders in a positive manner in organisational activities'. In theory, stakeholder engagement involves firm responses to the needs of a diverse set of stakeholders including those who have moral and legitimate claims in a firm, but do not have power (Jones and Wicks, 1999; Kaler, 2002). Theorists are divided over their opinions about the objective of stakeholder engagement. On the one hand, theorists who draw on a managerial perspective argue that stakeholder engagement helps firms to achieve firms' long term interests – managing risks posed by powerful stakeholders (Agle et al., 1999; Frooman, 1999; Michelle, 2007; Mitchell et al., 1997). On the other hand, stakeholder engagement is a mechanism by which firms are accountable to their stakeholders and for achieving fairness (Kaler, 2002; Phillip, 1997). In this study, the analysis under the notion of 'stakeholder engagement' will involve an examination of the strategies which firms employ in engaging their stakeholders. Crucially, the key issue to look at in the analysis would be whether the choice of a given engagement strategy depends on the salience of each stakeholder group to be engaged or firms' consideration of fairness.

The quality of a firm's stakeholder engagement to a greater degree depends on the extent to which its CSR agenda is capable of addressing the various stakeholders' interests (Donaldson and Preston, 1995). Central to the good quality relationship between a firm and its stakeholders are the notions of processes or strategies and the negotiation of power and interests a firm uses to engage its stakeholders. First, a stakeholder engagement strategy can be defined as a set of activities that a firm undertakes to address the concerns of its

stakeholders (Bowen et al., 2010). In other words, strategies are a set of actions through which managers are able to provide benefits to firm's stakeholders.

For firms which are engaged in CSR, a stakeholder engagement strategy is a crucial part of the overall CSR agenda that a firm pursues. Essentially, it can signal to stakeholders, the level of commitment a firm can have in addressing their interests (Bowen, 2007). Bowen (2007), drawing on the resource – based view, argues that stakeholder engagement can potentially be considered by firms as a strategic capability through which it can build reputational capital, and attain a competitive advantage over its rivals who do not possess such capabilities. However, achievement of such strategic capabilities largely hinges upon the stakeholder engagement strategy a firm uses in its CSR agenda. Bowen et al. (2010), while drawing on a wide range of relational and organisational studies literature, identify three principal kinds of engagement strategy which are available to a firm as it fosters a relationship with its stakeholders. Such strategies include: transactional, transitional and transformational strategies.

The choice of any particular engagement strategy in turn may depend on the underlying motives of its overall CSR agenda, and managerial perceptions about the salience of a given stakeholder (Amaeshi and Crane, 2006; Mitchell et al., 1997; Rwabizambuga, 2007). For instance, for firms that view CSR as reputation risk management and a legitimacy issue, transactional strategy is likely to be a useful strategy for relating to their stakeholders (Bowen et al., 2010). Through this strategy, firms can engage with their stakeholders through philanthropic initiatives which in most cases tend to be short-term (Rwabizambuga, 2007). Clearly, this strategy is paternalistic in nature, and characterised by inadequate or no dialogue between the firm and its stakeholders ((Muthuri et al., 2009). As such, a firm would normally use a transactional engagement strategy when dealing with legitimate but less powerful claimants (Mitchell et al., 1997).

By contrast, firms that perceive CSR as both a moral and instrumental issue have a high propensity for adopting a transformational engagement strategy (Bowen et al., 2010; Crane and Livesey, 2003). For such firms, the identification of issues and implementation of CSR initiatives with their stakeholders, regardless of their salience, are a common and distinctive feature of their stakeholder engagement strategy (Aguilera et al., 2007). Clearly, by involving stakeholders in crucial decision making processes, firms can have a greater ability to progressively empower and meet the concerns of stakeholders while enhancing their sustainability.

Finally, firms may pursue a transitional strategy driven by instrumental reasons, while being aware of the moral nuance of stakeholder engagement (Crane and Livesey, 2003). Considering that the process of engagement can be viewed as a continuum, transitional engagement strategy can be understood as a blend or a midpoint between transactional and transformational stakeholder engagement. Although adoption of this strategy may demonstrate a firm's commitment to a dialogue as a process of identifying stakeholder concerns and interests to be addressed, such a strategy allows stakeholder engagement to be seen as a one-off symbolic activity. Clearly, the participation of stakeholders in decision making processes is usually done in a piece-meal manner (Bowen et al., 2010). Such a strategy, by virtue of the inadequate involvement of stakeholders in the identification of their interests, may be considered weak in terms of sustainability.

4.4 CSR Drivers

Various scholars have studied the drivers of CSR (Aguilera et al., 2007:837; Rodriguez et al., 2006:740). The model presented by Aguilera et al. (2007), that classified CSR drivers into three groups (instrumental, relational and moral) is currently one of the principal models that

various scholars are drawing on in understanding the drivers of CSR. Despite the theoretical developments in this area, few empirically based studies have been conducted to test these theoretical models.

The scant empirical studies about the drivers of CSR is undoubtedly polarised between the internally generated drivers and the externally driven CSR motivations (Lynch-Wood et al., 2009; Muller and Kolk, 2010). However, literature suggests that there is a bias towards externally generated pressures (Aguilera et al., 2007; Lynch-Wood et al., 2009; Mezner and Nigh, 1995). This is not surprising given that a large majority of such pressures are generated by stakeholders who certainly provide the firm with crucial resources for survival (Lynch-Wood et al., 2009).

Hence, in this study, a fundamental issue for analysis will be to examine the various influences of firms' behaviour towards social action. Crucially, such an analysis would identify to what extent the case study companies are driven by external influences from the external stakeholders or by those pressures which are generated by internal stakeholders.

Muller and Kolk (2010) make a distinction between these major types of CSR drivers. First, they define 'external drivers' as pressures generated from the firm's external environment which have a strong influence over its responses to societal issues. These drivers are grounded in the instrumental perspective, and are considered as being undertaken in the best and long-term interests of the shareholders. These drivers are closely associated with external stakeholders' expectations and institutional (contextual) demands for ethical behaviour (Freeman, 1984; Suchman, 1995; Weaver et al., 1999).

However, the degree to which these externally generated pressures influence different firms' behaviour varies significantly across firms and industries. Central to the industry and the firm perspectives is the visibility of the industry and firm in terms of the issues the particular firm

and industry is involved in and its size (Bowen, 2000). Certainly, firms that operate in an industry that is perceived to have high social and environmental risks are more likely to have a higher visibility to their stakeholders than those that have low risks. Similarly, big firms are more likely to have high visibility to stakeholders than small firms operating in the same industry (Brammer and Pavelin, 2006; Hendry, 2006). By virtue of their high visibility, such industries and firms tend to have a higher likelihood of attracting strong stakeholder activism than those that are small and considered to have low social and environmental risks (Brammer and Pavelin, 2004).

To some extent, the context within which the firm operates and the degree to which external stakeholders can influence a firm's behaviour can crucially reflect variations by which external pressures can exact influence over the firm (Lynch-Wood et al., 2009). This argument is particularly true for multinational firms which are increasingly operating in geographical regions which are different from their origins (Rugman and Doh, 2008). For example, while MNCs' behaviour in developed countries is subject to heavy scrutiny by external stakeholders, MNCs in the developing world where external stakeholders' activism is limited are less likely to be influenced by external pressures (Zinkin, 2004). Such variations are a reflection of relativism in societal norms and expectations. Stakeholders in different cultures tend to have different views about what constitutes acceptable corporate behaviours (William and Zinkin, 2008).

On the other hand, internal drivers can be viewed principally as morally laden forces embedded within the firm's structures and systems which motivate it to position itself as ethically aware (Heugens et al., 2008; Logsdon and Yuthas, 1997). Such pressure broadly emerges from internal constituencies such as management and employees who may have strong ethical personal values, but also have their self-interests. Such issues may in turn influence these constituents to spur moral development within their firms (Trevino, 1986).

Prothero (1990) and Menon and Menon (1997), support this argument and reported that although firms pursued an environmental agenda in an attempt to influence powerful stakeholders, this was in part a direct response to internally generated pressures such as commitment to social welfare and innovations.

Nonetheless, the fundamental weakness in the majority of studies that have focused on the drivers of CSR is that they have underestimated the interactions that exist between various drivers or pressures (Muller and Kolk, 2010). Thus, the present study shows the various interactions between external and internally generated drivers.

4.5   CSR Agenda

The central issue in this framework is the CSR agenda pursued by case study companies in a developing country - Malawi. The analysis of the CSR agenda which a case study company pursues will dwell on the following analytical question: which perspective(s) do the case study companies pursue their CSR agenda from? Specifically, the study will try to establish whether the CSR agenda is value driven - pursued as enlightened self-interest or because the firm views CSR as its response to its moral duty. Crucial to this understanding, will be the examination of the various practices that the two case study companies are implementing through their CSR agenda. Following an examination of the CSR practices in the companies will be the evaluation of the CSR agenda in the final chapter of this thesis. To understand the CSR agenda better, this framework seeks to use the notions of social responsiveness and social performance as proposed by Wood (1991) which draw largely on Carroll's (1979) model of social performance.

Theorists view the CSR agenda a particular firm can pursue either in terms of *social performance* or *social responsiveness* depending on whether the agenda is pursued for the achievement of long term interests of the firm or as a moral obligation to the society (Preston and Post, 1985; Sethi, 1975; Wood, 1991). These two concepts are of particular interest to this study because they encompass the practices or initiatives and outcomes that are central to the CSR agenda pursued by the case study organisations. On one hand, social responsiveness reflects in practice the CSR initiatives which a firm undertakes in addressing societal issues, while on the other hand, the outcomes of a firm's CSR agenda are sometimes referred to in CSR literature as social performance.

Furthermore, Karnani (2011) makes a distinction between a 'socially desirable CSR agendas that are profitable and those CSR agendas that are unprofitable for the firm involved. For Karnani, a CSR agenda is considered morally right if the company can implement CSR programmes which may not necessarily bring positive outcomes to it. On the other hand, he argues that it would be morally wrong for a company to only pursue CSR agenda that can be instrumental in achieving the long-term interests of the firm.

Such a perspective, however, contrasts sharply with Bhattacharya et al. (2008)'s argument. Bhattacharya et al. (2008) state that the CSR agenda of any given firm could be considered effective when the CSR initiatives implemented have an ability to provide outcomes that are beneficial to both the company and its stakeholders. Bhattacharya et al. (2008)'s view is largely pragmatic, and suggests that CSR can either be looked at in terms of being a 'means to an end' or 'an end in itself'. For Minor and Morgan (2011), the CSR agenda and the initiatives within it are largely considered as a 'means to end' particularly when the firm views CSR as an insurance to its reputation. What Minor and Morgan (2011) suggest is that CSR can be considered as ineffective by the managers when it provides minimal reputational benefits to the firm. Such a lack of consensus about the nature of a genuine firm's CSR

agenda confirms claims made by various scholars that it is extremely difficult in practice to determine the exact activities or initiatives that would constitute socially or ethically responsible behaviour (Preston and Post, 1975; Sethi, 1975; Wood, 1991).

Notwithstanding the above perspectives, the CSR agenda a firm pursues can be judged as effective and morally right when such an agenda is seen by stakeholders as a true reflection of the wider societal expectations about the role of business in the society (Carroll, 1979; Sethi, 1975). In other words, the CSR agenda may be considered successful in achieving the intended outcomes when there is evidence of a strategic fit between the CSR initiatives undertaken and the context within which the CSR agenda is pursued (Bowen et al., 2010).

4.6   Implications for Research and Conclusion

The conceptual framework has established the linkages between various components of this thesis, and brings to light issues of particular interest in the subsequent empirical chapters 7, 8, 9 and 10. First, it has been argued that the perceptions managers and stakeholders hold about CSR are moderated by firm specific and stakeholder contingency factors. Second, this chapter has shown that the relationship which a firm fosters with its stakeholders is determined by various factors including: a.) stakeholders' evaluation of extent CSR initiatives and the overall agenda a firm undertakes meet stakeholders' interests; b.) the perceived salience of a given stakeholders' group in relation to other stakeholders which is often manifested by the power balance between the firm and stakeholders. The degree to which a firm responds to social issues tends to vary depending on whether a firm's CSR policy is influenced by the internal or external drivers or both. The next chapter will discuss the philosophical position and methodology adopted in this study and why they are appropriate in the investigation of the key issues and themes discussed in this chapter.

CHAPTER FIVE

RESEARCHING CORPORATE SOCIAL RESPONSIBILITY IN MALAWI:

A METHODOLOGICAL FRAMEWORK

5.0   Chapter Overview

The notion of CSR in a developing country context is becoming a significant issue for organisational research. It is being recognised increasingly that CSR research in this context has been overly non-normative and theoretical, and less empirically rigorous (Lockett et al., 2006). Such a gap in CSR research certainly demonstrates the need for empirically based research strategies that do not only offer normative directions, but are also empirically oriented.

Fundamentally, in order to bridge this gap, there is a need for CSR researchers to re-examine the existing positivist-grounded methodological frameworks, and increasingly incorporate methods that can be suitable for empirically, but normatively grounded research. Such a normatively slanting research (unlike the positivist research, which tends to favour quantitative based research methodological tools such as surveys) is likely to adopt highly interactive tools that are appropriate for qualitative based research (Fineman, 1996).

This chapter serves to provide a methodological framework guiding this research study. It begins by explaining the epistemological and ontological positions on which the current study is based. It achieves this by briefly reviewing the existing work on CSR and business ethics that draw upon such positions. Secondly, it describes the overall research design, and

particularly focuses on the choice of the research strategy, data collection and analytical tools. Finally, it sets out measures by which the validity and reliability of the research findings may be guaranteed.

5.1   Research Philosophical Paradigms

Researching CSR and other business ethics concepts is a rigorous task that demands a researcher to take a particular philosophical position that could guide the research process. Cowton (1998) argues that, for such research to make a significant contribution to business ethics, issues of quality control becomes a paramount undertaking. However, given the nascent stage at which empirical business ethics and CSR research is presently at, the pace of development of such research is likely to be painstakingly slow. In particular, research of this nature can potentially leave the researcher with the critical challenges of translating the traditional and non-empirical dimension of CSR research into a more practical and empirically grounded research (Cowton, 1998).

For Malawi, despite CSR being identified as a growth area central to ethical decision making within organisations, there has been dearth of empirical research to create a better understanding of these issues. Such challenges mean that the researcher in such contexts may be left with a number of options regarding methodological tools to undertake such ethics related studies, which by themselves may either be qualitative or quantitative. In such circumstances when the researcher is faced with a number of options, the choice and utility of a particular methodological technique may to a large degree depend on the ontological position of the researcher (Bryman, 2004).

A significant proportion of organisational research draws on Burrell and Morgan's (1979) philosophical views of research. They have extensively written about the philosophy of research in organisational studies by uniquely establishing the relationship between epistemological considerations with those of ontological perspectives. Essentially, they delineate organisational research broadly into two philosophical paradigms: the interpretative and functionalist paradigms.

The functionalist perspective is traditionally premised on the view that reality and truth about a social phenomena could be unravelled by increasingly using scientific models and methods (Bryman, 2004; Denzin and Lincoln, 2005). Inevitably, such a position implies that researchers that draw on a functionalist perspective are more likely to favour positivist methods of inquiry that are 'value-free' and 'objective' in their pursuit of social reality.

The focus of research within this perspective is predominantly quantitative, in which case such research may extensively be oriented towards establishing the causality associated with social facts. Such a positivist and scientific orientation of such research is exclusively demonstrated by a strong focus on research instruments or tools that are suitable for the collection of extensive measurable data; although such instruments, as Cowton (1998) notes, have fundamental flaws with respect to the collection of data for business ethics and CSR studies.

The work of several scholars confirm how CSR research has over the years valued positivist approaches. Indeed, empirical studies that apply positivist approaches (surveys and meta-analysis) assume that commitment to CSR and business ethics can be measured by understanding the causal relationship between managerial values and perception and key firm performance measures such as financial performances (Lockett et al., 2006).

Studies by Griffiths and Mahon (1997) and Orlitzky et al. (2003) for example, have attempted to establish the causal effects of social performance on the financial performance of the firm exclusively based on readily quantitative and measurable firm level data[13]. Such studies, although appropriate for establishing trends and causality, can provide the researcher with limited understanding not only about the CSR agenda of the firm, but also the meanings or perceptions social actors apply to ethical issues in a given society (Cowton, 1998). Hence, as Robertson (1993) points out, it is only by adopting interpretative approaches that empirical research can explicitly reveal specific ethical behaviour expected in a given organisational or social setting.

The scope and focus CSR research studies can take is likely to be modelled on the contextual meanings social actors associate with certain ethical issues (Schoenberger, 1991). As a result, such studies tend to favour subjective interpretation of the truth and reality rather than drawing objectively on the basis of hard scientific evidence (Bryman, 2004; Jackall, 1988; Sarantakos, 2005). Hence, interpretative approaches can uniquely provide researchers with an opportunity to understand individuals' perceptions about ethical issues and CSR (Robertson, 1993). It is because of such issues that qualitative and interpretative approaches are considered fit for the present study because the major tasks in this study are to examine a phenomenal issue – CSR, and to investigate complex but dynamic interrelationships between firms and various stakeholders. Moreover, by virtue of its flexibility, such approaches are more likely to enhance the interaction between the researcher and the study respondents (Bansal and Corley, 2011; Sarantakos, 2005; Schoenberger, 1991). Crucially, respondents in interpretative based research are given adequate opportunities to articulate their understanding of specific organizational issues such as the firm's relationships with both the internal and external environments. Not only is the flexibility embedded within qualitative

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[13] For extensive review of such studies, see Chapter two of this thesis

based research important for generating adequate and well articulated responses from the study respondents, researchers find the interpretation and fitting of responses into the researcher's framework a lot easier than when positivists approaches are used.

Several scholars have utilised interpretative approaches in their CSR or green business research (Benerjee, 2001; Crane, 2000; Fineman, 1996; Fineman and Clarke, 1996; Jackall, 1988; Toffler, 1991; Trevino, 1986). Trevino (1986) provides a remarkable example of an empirical study in an organisational setting to confirm the suitability of interpretative approaches to the study of ethical value laden issues. She supports the argument made by other business ethics scholars that interpretative approaches in empirical studies are the most suitable for understanding the complexity of ethical behaviour in a corporate setting.

Such a trend shows that researchers are gradually recognising the suitability of interpretative approaches in business ethics research. However, CSR research which is entirely based on interpretative approaches, remains as literature shows, an underdeveloped area within the business and society field. As argued elsewhere, studies in this growth area have overly favoured the positivist and functionalist perspective approaches. Therefore, the present study aims to largely draw on the insights from the existing interpretative scholarly work, and make a contribution to the development of CSR or ethics oriented research by exploring CSR in Malawi.

5.2   Case Study Research Strategy

Yin (1994) defines a case study as 'an empirical enquiry that investigates a contemporary phenomenon within its real life context especially when the boundaries between phenomenon and context are not clearly evident (p. 13)'. Case studies are generally considered to be

suitable strategy for research that seeks to obtain an in-depth understanding of the 'contemporary' phenomena in a real life setting (Jackall, 1988; Sarantakos, 2005; Stakes, 2005; Yin, 1994).

Certainly, there are several reasons why a case study strategy is considered by various social scientists as more appropriate to the study of social phenomena. First, case studies permit the researcher to discover reality and generate knowledge about CSR and other business ethical issues without necessarily conducting a large scale and time consuming survey (Yin, 1994). Secondly, case studies appeal to researchers whose work tends to be predominantly exploratory in nature, but also involves investigation of complex issues (Silverman, 2005; Yin, 1994). Finally, case studies allow the researcher to draw on multiple sources of evidence[14] to unravel the social reality (Jones et al., 2001; Sarantakos, 2005; Silverman, 2005; Yin, 1994). Inevitably, the exploratory nature of the present research makes the case study approach an appropriate strategy for investigating CSR in Malawi, which is currently understood as a complex issue for academic investigation.

5.2.1   Selection of Cases and Industries

The most contested issue in qualitative research is to ascertain whether a single case or multiple cases would permit generalisation of the study findings over a study population (Bryman, 2004; Eisenhardt, 1989). However, as Silverman (2005) argues, a researcher's decision to use either a single case or multiple cases strategy, is not necessarily a fundamental issue in qualitative research, and does not make either strategy the superior .

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[14] Case study research may also benefit from the use of several sources of evidence such as participant observation, documentary analysis and interviews.

For inductive research, the decision to select a case or a number of cases to study is largely guided by two major factors: a.) the uniqueness and intrinsic value of the case, and b.) the relative contribution the case would be anticipated to make to the investigation of a particular phenomenon (Stakes, 2005). In the present study, the major rationale is to develop an in-depth understanding of the CSR agenda in Malawi within the limited time available. As such, the decision to select two cases for this study was exclusively based on the specific attributes of each of these cases. The underlying assumption was, that by selecting two cases, this study would have generated in-depth insights and developed a broader picture of CSR in Malawi than it would with more cases. Such a decision provided the researcher with more opportunities for an in-depth analysis of the CSR agenda than would have been possible if more cases had been used. Moreover, the selection of two different cases was the only way by which the quality of a comparative analysis of the two case studies would have been guaranteed, considering that these two cases operate in different sectors of the Malawian economy.

Finally, the decision to select two cases was guided by practical and pragmatic considerations in terms of the availability of financial and time resources to the researcher (Yeung, 1995). Given the challenges which the researcher would have encountered in negotiating entry into such organisations with their gate keepers, clearly, involving two case study companies in the current study was considered a cost and time effective way of obtaining an in-depth understanding of CSR. Furthermore, it was inevitable to limit the number of case studies to a manageable size of two companies, while bearing in mind, the need to maintain a reasonable depth for the study. Since external intrusion into companies is not generally seen in a positive light in Malawi, a decision was made to involve two companies that had shown enthusiasm to participate in the study.

Nonetheless, on a positive note, for the researcher, such experiences and challenges encountered in the negotiation of access into the potential case studies only served as a learning ground about the commitment of such companies towards ethical or moral issues in general (Jackall, 1988) or how far an organisation can go in order to build a good image. Moreover, such experiences only reinforce the importance of allowing flexibility in social research. In the present study, such considerations were crucial, given that the study was aimed at investigating realities and the truths about CSR in Malawi; and therefore, companies which were unwilling to participate in the study would be unlikely to have provided a true picture of their CSR agendas.

This study adopted a purposive sampling of cases in order to include companies which were likely to exhibit the attributes relevant to the study questions (Bryman, 2004; Skate, 2005). For example, the selection of Paladin and EPM took into consideration their social performance in relation to other companies within their respective sectors. Apparently, the two case study companies are among the few multinational companies which have an elaborate CSR agenda. However, although Paladin and EPM are considered as CSR leaders, their activities in Malawi tend to be associated with serious social and environmental risks to the wider society. Their contribution to the Malawian economy was the other criteria for including both Paladin and EPM in this study. These companies are among the largest companies in Malawi which make a profound contribution to the Malawi economy. For example, according to recent estimates by the African Development Bank Group[15], Paladin operations contribute about 10% to the total Gross Domestic Product and 25% of the total exports, while EPM produces 38% of the total tea output in Malawi. Furthermore, in the selection of these two companies for inclusion, the researcher took into account the

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[15] Malawi: Interim Country Strategy Paper (2011 - 2012) produced in March, 2011 accessed on www.afdb.org/fileadmin/.../Malawi%20-%20ICSP%202011-12.pdf

contrasting history of Paladin and EPM. Whereas Paladin has been operating in Malawi since the early 2000s, EPM has operated in Malawi for over five decades. Hence, it can be argued that EPM has a much stronger connection with the Malawian society in general than Paladin has. Such a contrast in history provided the researcher with an opportunity to establish the extent to which the variations in both companies' CSR agenda are influenced by history.

As stated above, the present study involved two multinational companies operating in the mining and commercial agricultural sectors. The choice of both agricultural and mining sectors is not arbitrary. There are two main criteria for their inclusion of the two industries: a.) the scale of their social and environmental impacts on the society; b.) their relative contribution to the Malawi economy, first, both sectors generate significant environmental and social externalities into the Malawian society. Both industries, in particular the large scale operations such as Paladin's mining operations in Karonga and EPM's commercial tea production, not only have a huge potential to cause significant environmental pollution, but are also associated with serious human health problems, such as long-term diseases resulting from human exposure to harmful chemicals originating from such operations. Furthermore, by virtue of the nature of their operations, these industries are understood to have caused severe displacement of the people from their land in order to pave the way for the development of the mining and commercial tea production – the land on which the livelihoods of displaced people depend. In addition to the displacement of people from their land, the other social impact of these industries is the disruption of the social fabric in their host communities as a result of an influx of workers and business people from other parts of the country and outside Malawi which are attracted by such developments. Hence, researching CSR in these industries provided a fertile ground for testing how companies are meeting their social obligations and upholding fairness in developing countries.

Secondly, these two industries are considered to make a significant economic contribution to the Malawi economy. Evidence suggests that agriculture accounts for 35 – 39% of total GDP and 90% of total export earnings (World Bank, 2006), whereas the mining industry contributes about 6% of the total GDP before 2009– although its contribution is forecast to rise to over 20% in the next five years (World Bank, 2010). Fundamentally, by virtue of their economic significance, one would argue, *ceteris paribus*, that their contribution to societal welfare in Malawi could be profound.

5.2.2   Data Collection

a.   Data Type

Primary and secondary data – qualitative in nature - were collected using multiple methods. Consistent with the research questions set out at the onset of the study, the researcher's interest was to collect data that would provide a greater opportunity in discovering meanings and truth about the CSR agenda pursued by the case study companies. Furthermore, although the study has a strong focus on the 'within-case' analysis, this study to a certain degree adopts cross-case comparative analysis. Collecting both primary and secondary data was thought as a mechanism that enriched and helped the researcher undertake a cross-case comparative analysis (Miles and Huberman, 1994).

b.   Data Collection Instruments

In this study, several data collection instruments were employed. The primary method for data collection was seventy face to face personal and semi-structured interviews (SSI) with

firms' managers and the selected stakeholders[16] (Robertson, 1993; Schoenberger, 1991). For the case study companies, personal interviews were conducted primarily with the most senior managers, and to a limited degree with a cross-section of employees – necessarily as company's internal stakeholders. While in the majority of the cases, one round of interviews provided a rich source of information, the researcher, in certain instances, undertook a second and third round of interviews to gain an in-depth understanding of particular issues which were not fully understood during the first round interview, but also to triangulate the information. In particular, second and third rounds of interviews conducted with the CEOs of Paladin and EPM helped the researcher to triangulate new evidence obtained from interviews with other respondents and the documents that are publicly available.

Several scholars have argued for the suitability of personal interviews in business ethics research. Robertson (1993), for instance, recommends circumstances under which personal interviews are more appropriate tools for collecting data. She suggests that the use of personal interviews is more suitable for studies that are geared towards obtaining perceptions and interpretations about issues of morality. Essentially, in the current study, personal interviews are considered as the most appropriate tool for data collection because the nature of the data to be collected requires 'close proximity to the situation' (Miles and Huberman, 1994). Consistent with Robertson (1993), the central tasks in this study are not only to establish the perceptions corporate managers and their stakeholders hold about CSR, but also to create an in-depth understanding of ethical decision making processes within organisations or companies. Such an approach was vital to the present study, since it made it relatively easy to appreciate the underlying issues relevant to the CSR agenda pursued by these case study companies (Miles and Huberman, 1994).

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[16] These stakeholders include regulatory institutions (formal or informal), engaged and non-engaged public interest organisations, suppliers, customers, employees, business interest organisations, communities.

While the personal face to face SSIs with single respondents were the principal approach for collecting data, the study also employed four (4) focus group discussions or interviews (FGD/Is) as a data collection tool (Bryman, 2004). These FGIs involved a.) two communities surrounding the case study companies and, b.) two groups of workers at one of the two case study companies[17]. Table 5.1.1 below provides summarised information of the number of individuals who participated in the Focus Group Discussions across the two case study companies.

Table 5.1.1 Number of Participants in the Focus Group Discussions

Case Study Company	Community Focus Groups		Workers' Focus Groups	
	Male	**Female**	**Male**	**Female**
Paladin (Africa) Malawi Limited	7	4	0	0
Eastern Produce (Malawi) Limited	3	9	8[18]	8

FGDs, conducted in the local language, which the researcher speaks fluently, took an average of 84 minutes with the longest FGD lasting for approximately two hours and the shortest FGD lasting for fifty minutes. For community FGDs, the discussions were conducted within the communities affected by the case study companies. A convenient place - normally a school block - was used as a meeting place in order to allow open and free deliberations of issues. The logistical arrangements for the meeting were made by the researcher with the assistance of a community member assigned by the community leader. For the workers at

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[17] These FGD sessions were facilitated by the researcher; but care was taken not to exceed the remit of such interviews.

[18] At EPM, given that male and females face to a certain extent different gender issues in their workplace especially in agricultural chains, two separate focus groups (one for men only and the other for females) were organised to participate in the FGDs.

EPM, the focus group discussions were organised by the workers' supervisors, and were conducted in a school block at one of the estate schools. Although the supervisors took an active role in the organisation of such meetings, the researcher stressed at the outset that they would not participate in the discussions. Such an action was followed in order to guarantee free and open discussions. It has to be pointed out that, cognizant of the gender variations in the issues that agricultural workers face, two separate discussions were held with the workers at EPM. Such an approach ensured that female views of EPM's labour practices were taken into consideration, since women usually make only limited contributions in the presence of men.

FGDs, as a data collection tool, only served to identify and obtain a deeper understanding of complex issues that would otherwise have been difficult to identify when face to face interviews with individual respondents were used (Kamberelis and Dimitriadis, 2005). Essentially, these focus groups centred on particular themes, and permitted highly interactive group discussions (Bryman, 2004).

In general terms, both types of interviews were conducted with the primary objective of obtaining an in-depth understanding of perceptions, the nature of CSR agenda including the CSR drivers and practices; and stakeholder engagement practices of the case study companies. A significant number of these interviews, with the exception of two, were recorded on the audio tape with the permission of the respondents. They were subsequently transcribed manually for preliminary analysis. For those respondents who declined to be tape recorded, efforts were undertaken to make notes of the important issues discussed, which were later electronically stored. The time taken to conduct such interviews tended to significantly vary with the longest interviews lasting for at least two hours (2) and thirty minutes (30) while the shortest one lasted for twenty minutes (20).

While face to face interviews were the principal data collection instruments used in this study, the triangulation of evidence from various sources is fundamental to the achievement of research validity and reliability (Yeung, 1995; Yin, 1994). First, alongside the recorded interviews and FGDs with study respondents, data from other sources including formal professional workshops [19] , informal conversations with opinion formers and passive observations of events related to the research were collected and documented in a field diary or note book. Secondly, respondents from case study companies and institutional stakeholders provided newsletters, mission statements, corporate codes of conduct, strategic plans and reports to supplement the recorded interviews (Pettigrew, 1985) , and in certain cases, helped with triangulation of evidence collected from personal interviews (Silverman, 2005). The final source of evidence was the publicly available data from websites of case study companies and their institutional stakeholders (Chapple and Moon, 2005). A significant proportion of such data were words, which,, just like the recorded interviews, were recorded and immediately subjected to a preliminary analysis to establish thematic issues (Bryman, 2004).

Notwithstanding the potential risks of using such data to make the overall research data rich (Bryman, 2004), adequate care was taken to incorporate data derived from such sources into the main data framework for subsequent analysis (Miles and Huberman, 1994). The first step undertaken, which was consistent with the study interests, but also based on the subjective perceptions of the researcher, was to draw out the meaning of the data in relation to the phenomenon 'CSR'. Following this process, data which was considered as 'glossy[20]' was separated from the data which reflected reality, but not completely discarded because it was

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[19] During fieldwork, the researcher was provided an opportunity to attend a high profile workshop organised by the Business Action Against Corruption which was well attended by corporate executives, civil society organisations, donor agencies and senior government officials

[20] Although not all companies are likely to produce glossy reports for external stakeholders, a possibility that other companies engage in such actions cannot be ruled out in particular those companies that are subjected to heavy scrutiny from their stakeholders.

also instrumental in providing the researcher with insights into firm's ethical values and perceptions. Given that the notion of CSR has in theory both normative and instrumental dimensions, such data were used to distinguish the firm's motivation and organisational commitment towards the CSR agenda. Crucially, presentation of glossy information by the respondents (managers) only shows their attempts to provide socially desirable responses that in many ways could help enhance their firms' image as socially aware firms (Benerjee, 2001).

5.2.3 Positionality of the Researcher and Access to Respondents in this Study

a. Positionality of the Researcher

The positionality of the researcher in the research process and its impact on data collection and any knowledge derived from such research is of utmost importance in qualitative research (Herod, 1999; Mullings, 1999; Visser, 2000). Mullings, for example, argues that a researchers' knowledge can sometimes be subjective depending on how he or she is being perceived within a given society – which will in turn influence how he /she perceives certain things.. It is a significant issue particularly when gaining access to information which is not publicly available to any other researchers (Visser, 2000). In such situations, the researcher is either considered an 'insider' or 'outsider'. Other scholars have also argued that researchers who can be classified as 'insiders' have a comparative advantage over the 'outsiders' in terms of using inside knowledge and accessing 'classified information' held by the elite respondents (Hill and Collins, 1990), although in contrast, Herod (1999), notes that being a foreign academic helped him to gain access to elites within an organisation. On the other hand, Hill and Collins (1990) identify the positive sides of being the 'outsiders' in a particular research situation. They argue that 'outsiders' are more likely to uphold the notion of objectivity in conducting research than the 'insiders'. Smith (1980), examining the notion of

positionality in research from a developing country's perspective, organises the researcher's position into three principal groups:

- Developing countries' researchers conducting research on developing countries;
- Developed countries' researchers conducting research on developing countries;
- Developing countries' researchers based in a developed country conducting research on a developing country.

In this research, the positionality of the researcher was considered fluid – from being an 'insider' to an 'outsider', depending on the type of respondents. When interviewing corporate elites, the researcher's position was largely as an 'outsider' to the corporate sector and developing country researcher based in a developed country but conducting research in his country – a developing country. In contrast, when conducting interviews with community stakeholders, CSOs and NGO leaders and government personnel, the researcher was viewed as an 'insider' to a large degree. As expected, such positions had implications for the researcher's access to the study respondents and the degree to which the researcher showed objectivity in the interpretation of the respondent interviews. First, by being an outsider to the corporate sector in Malawi, one would expect that access to the elite and privileged information they hold would have been a challenging aspect of the research. Second, contrary to this view, the researcher's position as a researcher based in a developed country's university was instrumental in gaining access to the corporate elites in the focus organisations. Clearly, the various positionality that the researcher assumed had implications for the nature of the responses obtained from various interviewees. For example, throughout the interviews with the Chief Executive Officers of the two case study organisations, it was felt that these elites wanted to use my positionality as an 'outsider' and a researcher based in the United Kingdom as their messenger to the external world of their social performance. On the other hand, my positionality as an 'insider', when conducting interviews with the leaders of CSOs

and NGOs and government personnel and community stakeholders, facilitated easy access to these respondents. Like the CEOs of the case study, a significant proportion of these stakeholders felt that, as a Malawian citizen and as a researcher based at a UK university, I would sympathise with their causes and help them with their publicity in western countries, and eventually help them garner support for their campaign against corporate misbehaviour. On the other hand, for these stakeholders, their interest to be interviewed by the researcher was in expectation that the research would make a contribution to public policy and practice.

Given the influence of positionality on the interview process, the researcher made it clear at the outset of each interview that the research was being conducted solely for academic purposes in partial fulfilment of the requirement of a doctoral degree in the United Kingdom, and that the findings from the research would be based on an objective analysis. Such assertions were made to discourage the respondents from giving socially desirable responses, but also from using the research as a vehicle for serving the respondents' self-interests, such as a campaign and advocacy tool for campaigning CSOs and communities.

b.   Negotiating Access to the Study Respondents

Negotiating access for conducting interviews is a crucial step in social science research (Creswell, 2007; Silverman, 2005).   As such, researchers are expected to take into consideration the critical issues involved in gaining access to individuals or organisations. One such issue is to convince gatekeepers to allow access to their organisations (Silverman, 2005). For this study, the principal gatekeepers were the personal assistants of the chief executive officers (CEOs). In order to convince these gatekeepers to allow the researcher to conduct interviews with CEOs, the researcher made initial contacts with these gatekeepers through a series of telephone discussions to seek permission to conduct research within their organisations. Coupled with the initial telephone discussions were the supporting letters from

the University and e-mails which were sent to the potential respondents, from the United Kingdom, three months prior the fieldwork. The researcher was asked to make further contacts with these gatekeepers in order to fix the actual appointments for the interviews. Creswell (2007) notes that building trust and confidence of the potential respondents is crucial in social science research. Accordingly, the researcher made clear through various communications with the gatekeepers the purpose of the study, the reasons for inclusion of their organisations in the study and the potential benefits of their participation in the research, and how the research would be 'reported' and used.

A similar approach was undertaken to solicit participation of communities in this research. For community interviews, permission was sought from the traditional leaders of the village traditional leadership who act as gatekeepers in their communities. The researcher made a number of preliminary visits to the communities to explain to the leaders the purpose of the research and the formats of the interviews and how the findings from the research would be used, but also to solicit their support in sensitising their community members about the research.

However, despite efforts being made to negotiate with the gatekeepers access to all the potential respondents of the study in particular the local employees, the researcher encountered a number of challenges. These challenges became of considerable significance when he asked for permission from Paladin's Country Manager to interview the national staff at their workplace (at the mine). The researcher was informed that in order to visit the company processing plant and observe the employees in their workplace, special permission has to be sought from the central government departments that deal with occupational health and safety. The period taken to obtain such permits however, as the researcher discovered was too long, normally in the range of one month to three months. Such a process, as the researcher discovered, was aimed at discouraging unannounced visits by the various trade

unions to check working conditions in the mining sites. My positionality, as a researcher based in the United Kingdom, in this case put me at a disadvantage since in the eyes of Paladin's top management, I was seen as a potential messenger of their CSR work. Clearly, such a position meant that Paladin management on the other hand saw me as potential threat to their reputation should I had come across some malpractices within workplace. As such, observing the workplace CSR practices in 'real' setting proved challenging, and the researcher had to rely solely on the accounts provided by Paladin management and the employees interviewed. However, interviewing national employees proved difficult as they were unwilling to be interviewed whilst at the mine for fear of losing their jobs in the event that their interview accounts leaked out to management. In an attempt to secure their participation in this study, arrangements were made to interview them in their respective homes when they asked for anonymity.

Identification of respondents is a crucial issue for the success of any social science research (Yin, 2004). The principal factor considered in the selection of the study respondents was the ability of the respondent to provide information related to the research questions and their general understanding about the notion of CSR (Creswell, 2007; Silverman, 2005). Hence, prior to fieldwork, a long list of potential respondents based on telephone and e-mail conversation with the gatekeepers, was drawn up. This was supplemented by a snow-balling strategy which helped to trace respondents who had a better understanding of a particular issue key to the research. This strategy involved asking the respondents to recommend another individual or organisation from which rich information about a particular phenomenon could be gathered (Creswell, 2007).

5.2.4 Consent and Confidentiality Issues

Obtaining consent from the respondents and guaranteeing confidentiality are crucial ethical issues any social science is confronted with in data collection and the analytical procedures that follow (Creswell, 2007). As such, in order to get consent for interviews, respondents, in particular those considered vulnerable, were particularly politely asked for their participation. As with all respondents, the researcher explained to this group of respondents, the purpose of the research, how the research findings would be used and what they would gain from this research and confidentiality of their names[21] would be guaranteed. For those who expressed a willingness to participate, the researcher asked the respondents to sign a confidential agreement with him. However, not all the respondents felt that this was necessary, and stated that they had trust in the researcher to keep them anonymous. In order to guarantee their confidentiality and anonymity, consideration has been made to avoid attributing responses to interviewees who declined to be named. Hence, in this thesis, attempts have been made to attribute quotes to respondents who agreed to be named.

5.2.5 Data Analysis

Data analysis, according to Miles and Huberman (1994), involves performing the following process-based activities: data reduction, data display and drawing of conclusions from the data. In order to perform these activities, Bryman (2004) identifies a variety of approaches for analysing data in qualitative research, but emphasises two approaches: analytical induction and grounded theory. However, the choice of a data analytical strategy in qualitative research depends on a variety of factors (Bryman, 2004; Miles and Huberman, 1994). These factors

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[21] This has been done for those who did not want their names linked to their responses.

include: a.) data type; b.) the purpose of the research process, for example whether its purpose to generate a theory or not; c.) the human factor.

For the present study, two principal factors guided the selection of the analytical strategy used. These include: a) the nature of the phenomenon under study; and b) whether the phenomenon under investigation has been subjected to considerable and thorough theoretical advances. Certainly, for this study, the purpose of conducting selected data analytical procedures had been to develop a coherent story about the drivers, processes and practices of the CSR agenda for the case study companies, while consistently bearing in mind that the unit of analysis is the CSR agenda of the companies.

This study, drawing heavily on the work of Miles and Huberman (1994), followed four principal steps to analyse the study data. These steps include: a.) transcription of interviews and documents; b.) coding; c.) memoing; d.) analysis of major thematic issues and trends. Figure 5.2.1 shows the steps undertaken to analyse data for this study.

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┌─────────────────────────────────────────────────────────────┐
│ Preparation of Interview Transcripts and Notes               │
│                                                               │
│    •  Preliminary review of interviews and notes             │
│    •  Analysis of the transcripts (interviews, documents     │
│       and field notes)                                        │
└─────────────────────────────────────────────────────────────┘
                          ⇕
┌─────────────────────────────────────────────────────────────┐
│ Experts' and Respondents' validation of the interviews and   │
│                documentary transcripts                        │
└─────────────────────────────────────────────────────────────┘
                          ⇓
┌─────────────────────────────────────────────────────────────┐
│ Coding of data and preliminary thematic analysis             │
│                                                               │
│    •  Quotes and sentiments from transcripts labelled  with  │
│       the matching apriori themes                             │
│    •  Quotes and expressions (data) labelled with            │
│       interpretative codes                                    │
│    •  Identification of emergent themes from data set         │
└─────────────────────────────────────────────────────────────┘
                          ⇓
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│                         Memoing                               │
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The first procedure undertaken for the analysis of research data was to simultaneously undertake a preliminary review of the interview recordings and the field notes as the data collection process proceeded. The major purpose of this procedure was not only to obtain an early understanding of meanings attached to CSR, but also to assist in identifying some thematic issues relevant to the study. Following the initial analysis, recorded interviews, texts from publicly available and private documents and some field notes were transcribed. As this stage was considered a preparatory phase for a full-fledged data analysis, this activity permitted, by crafting a body of texts, an easy transition to subsequent data analytical procedures such as coding, memoing and analysis of themes.

Following the transcription of the data was the coding of research data. Coding, as defined by Miles and Huberman (1994, p.56), is 'part of analysis that involves how you differentiate and combine the data you have retrieved and the reflections you make about this data' '. Consistent with the Miles and Huberman (1994)'s definition, the first task in the coding of data in this study involved reviewing the interview transcripts and field notes. These sections of data were further labelled with descriptive codes – the process which Miles and Huberman (1994) refer to as the first-level interpretation[22].

Following the first level interpretation was the process whereby the broken down data; thus, the quotes and expressions related to each apriori theme were then sorted and organised in piles. Analytical codes were then generated from these quotes and expressions. Figure 5.2.2 below provides a vivid example of how 'community expectations and quest for legitimacy', as a sub-theme within the external drivers of Paladin's CSR agenda, was generated from the data.

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[22] Although assigning descriptive codes may be viewed as the first level interpretation, it is the second order interpretation which is characterised by interpretative codes that could earnestly be regarded as interpretative in nature.

Master Code : PEXT for External Driver for CSR (Paladin)

GM We believe that if you are an individual and you ask for a place from a village headman; he gives you a piece of land, and naturally you must give him something and must try to make him comfortable. If he sees you are getting rich and you don't give something to him it means that you are not appreciating. Karonga has this land which has minerals, although our governments and ourselves could not develop, people who are developing it are making a lot of profits otherwise they could not have come. There is alot of money – so we think Karonga people – we have two locals here: local locals and locals. Local locals will be people in Karonga and locals will be anybody in Malawi. So local trivial jobs and supplies of tomatoes etc should come from here – all those that we can't produce should come from elsewhere. If there is a problem with the road we ask them and they will say find a bulldozer and we will put in fuel and they will do it.

Community Expectation
CSR Perception

Community Expectations

SCK Then the Malawi Government came to chiefs, us in Karonga in the late 90s to early 2000 to tell us about the uranium mining project. All the chiefs in Karonga district agreed with government to start the mining in Karonga because we thought the communities in Karonga may be socially and economically well. As you know Karonga has been one of the districts lagging behind socially and economically because uranium mining as we know could bring wealth to our communities. Now Government went on to send what they call agreement or something to Paladin to sign up. And despite all this, civil society still feel certain fears have not fully abated, and are still arguing against this and that the argument is still on on certain areas which the civil society feels as they have not been abated. On our side as chiefs, we feel that the face of Karonga has started changing and appearance, and we attribute it to the starting of uranium mining having some impacts to the betterment of the people – that is how we feel, and if Paladin can help us in this way, then why should we chase them away. May be because we are laymen but anyway this is what we see according to our today's stand socially, economically we feel Karonga is better off than in the 1990s.

Local Leaders' expectations

Legitimacy

Civil Society Pressure

Legitimacy
Local leaders' expectations

NH As to the corporate social responsibility aspect, you need to understand that it is a balance between the expectation of the community and the financial resources of the company and the sense of corporate social responsibility that a company has. It is unrealistic for the people to say before you start mining, you got to give us community projects, and that philosophy needs to be explored with the communities because we said as soon as the mine starts to produce money as in any business, then we can start to put back money into the community. They wanted the projects before we actually started the mine; now that is unrealistic, and needs to be addressed more sensibly and responsibly by agencies that are involved in these things. However, we engaged with the community and

Manager's perceptions of firm's responsibilities

Community Expectations

Figure 5.2.3 shows an example of how analytical codes were generated from data or text

Subsequently, a list and hierarchy of codes matched with apriori themes from literature and research questions were then created in order to ensure consistency in using the codes for subsequent interpretation. Figure 5.2.3 below provides an example of an analytical code list and hierarchy - derived from theory and data - used in the subsequent interpretation of the study finding relating to the drivers of Paladin's CSR agenda.

Drivers of CSR Agenda

1. External Drivers (APT-PEXT)
   a. Civil Society Pressure (ET-CS)
   b. Community Expectations and Quest for Legitimacy (ET-CE)
   c. State Policy and Regulatory Pressure (ET-ST)
   d. Global Private and Public Regulations (ET-GR)
   e. Pressure from Financial Markets (ET-FM)
   f. Reputation and Risk Management (ET-RR)
2. Internal Drivers (APT-INT)
   a. Top Management (ET-TM)
   b. Employee Recruitment and Retention (ET-EP)

Code definition

APT-PEXT denotes Apriori thematic code External driver (Paladin)

ET denotes Emergent theme

APT-PINT denotes Apriori thematic code Internal driver (Paladin)

Figure 5.2.4 showing an example of an Analytical Code List and Hierarchy for Analysing Drivers of Paladin's CSR Agenda

These were subjected to further analysis in an attempt to derive some interpretations and meanings. Crucially, this process involved labelling the partially analysed data with interpretative codes, a procedure referred to by Miles and Huberman (1994) as second-level interpretations.

Nevertheless, given the complex nature of CSR as a social and ethical phenomenon, coupled with the fact that CSR is a relatively new phenomenon in Malawi, coding of research data

proved to be a daunting task, in particular because interviews in certain cases, generated a labyrinth of responses. Clearly, this presented significant implications on how the coding process was to be undertaken. Coding was largely an iterative and reflective process, which was characterised by consistent amendment of codes, concepts and identification of emergent relationships and additional themes from the data (Carney, 1990 cited by Miles and Huberman, 1994). Although such an issue presented challenges to the researcher, it can be argued that they were in many ways, were necessary as they helped the researcher to get engaged in reflection and intimately get connected to the data and the whole research process (Bansal and Corley, 2011).

The third analytical procedure undertaken in this study was memoing. Given that such a second-level interpretations generated significant conceptual frameworks, exploration of relationships and gaps within the data and 'sense-making' was considered an imperative task (Miles and Huberman, 1994). In simple terms, this task involved extensive writing down of some ideas and insights generated from the data, as a foundation for the last stage of data analysis and report writing. Figure 5.2.5 below provides an illustration of a memo – writing of insights - about the analytical code 'community expectations and a quest for legitimacy' in Chapter 7 (section 7.5.1b.).

Memo: <u>Community Expectations and Quest for Legitimacy</u> (19th January 2010) – Karonga, Malawi

The general pattern is that the majority of respondents in particular, those from the community based organisations, community members, local leadership and the local government suggests that there is indeed a huge expectation from the communities for Paladin to increasingly undertake social and economic development activities that can help improve the living standards of the people within its host communities.

It is apparent that this issue will be very crucial for Paladin if it would have to maintain its legitimacy within these communities, especially in the light of continued pressure and opposition from the civil society organisations and their ability to mobilise the communities. Crucially, Paladin's CSR agenda would have to genuinely meet the community expectations if it has to have a guarantee of social legitimacy.

Then, what implications could this have on Paladin's orientation or perceptions towards its involvement in such issues?

   a. Paladin has an option to completely ignore the expectations of these communities, placing hope of their continued legitimacy in the district on the licence granted by the Government of Malawi.
   b. Paladin can, through a number of sustainable community development projects, meet the expectations of these communities, and guarantee themselves legitimacy from both the state and communities.
   c. The final implication is that Paladin can implement piece-meal interventions that would be seen by these communities as if Paladin is committed to their wellbeing, whilst in essence, their interventions do not necessarily lead to sustainable community development.
   d. In the event, that Paladin opted for (a) and (c), the likelihood is that Paladin may have been subjected to criticism of green-wash by CSO critics, and its operations in the district standing on shaky ground of social legitimacy.

The next action would be to interview Paladin officials further, and ask about:

   a. What factors did they consider in the design of the CSR initiatives targeting communities?
   b. How do they expect to meet the community expectations?
   c. What could be the risks of not meeting such expectations to their operations?

Finally, themes and patterns, teased out of the relationships and concepts, had to undergo a further analysis for sense making (Dutton and Dukerich, 1991; Miles and Huberman, 1994). The key themes used in this study were largely derived from the study questions. Fundamentally, the key themes for this study were: a.) CSR perceptions; b.) CSR drivers; c.) Stakeholder engagement. The additional themes from the data involved were generated by looking out for similarities, differences and repetitions of the quotes and expressions (Ryan and Bernard, 2003). These were mainly classified as the sub-themes. Essentially, a particular sub-theme was adopted in the analytical framework when a number of relationships and concepts supporting the theme were observed within and across various coded data (Dutton

and Dukerich, 1991). For such themes that were largely developed from the data, efforts were also taken to match them with the apriori themes in order to tease out a pattern. For example, in Chapter 7, in the case of Paladin, whereas CSR drivers was the apriori theme (thus, derived from theory), sub-thematic issues such as 'community expectations' and the many other sub-thematic issues within the three major themes were largely derived from transcripts generated from interviews with a number of respondents including a community respondent (section 7.5.1b.). Subsequently, preliminary findings of the study, emerging out of this final analysis, were thoroughly checked for accuracy and consistency[23].

5.2.6 Confirming Research Quality

Establishing evidence about the quality within which qualitative research has been executed has been a controversial issue in social research (Beverland and Lindgreen, 2010; Miles and Huberman, 1994; Silverman, 2005). While various scholars have argued that it is difficult to establish quality in qualitative research, Bryman (2005) and Miles and Huberman (1994) state that there are several ways by which a qualitative researcher may guarantee that his / her study meets minimum quality standards. Quality in qualitative research may be achieved by examining the conformability/ objectivity, reliability and validity (internal and external) of the findings and conclusions of the study (Miles and Huberman, 1994; Yin, 1994).

5.2.6.1 Reliability

Reliability, as stated by Yin (2004), aims at ensuring that the 'later investigators conducting a similar study using the same procedures as adopted by the earlier researcher should be able to

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[23] Some respondents and a Malawian academic were asked to check for accuracy and accuracy of the preliminary findings.

come up with similar findings and conclusions.' Although the criteria for assessing research quality suggested by Yin appear to be popular with many qualitative research scholars, such a proposition may be problematic (Silverman, 2005). The problem with Yin's (2004) criteria, largely based on subjective interpretations of social phenomena such as that in the present study, is that it is less likely that another researcher would exactly arrive at similar findings to the previous researcher (Harrison and Easton, 2004).

Lindgreen and Beverland (2010) suggest ways by which reliability of research may be enhanced. They point out that, the reliability of any research may be enhanced when another researcher can easily understand the research process through an audit-trail. Subsequent researchers can apply an audit-trail strategy by reviewing transcripts of data, recordings and the subsequent data analytical procedures followed by the initial researcher. Certainly, the present study, drawing on insights from Lindgreen and Beverland (2010), used data collection instruments that guaranteed the recording of data for analysis using widely accepted academic practices in qualitative research.

Triangulation is one of the significant quality validation mechanisms that have been suggested by qualitative research scholars (Miles and Huberman, 1994; Silverman, 2005; Beverland and Lindgreen, 2010). Triangulation, according to Silverman (2005) and Yin (2004), can be achieved when a researcher uses various sources of evidence to gain an in-depth understanding of contextually based phenomena.

In the current study, in line with Silverman (2005) and Yin (2004), various sources of evidence such as face to face interviews, archival documents, corporate and institutional stakeholders' website, observations and informal and formal conversations with opinion makers, and researchers' participation in a thematic workshop were used. Such an approach ensured that the chances of the study being seen as biased and prejudiced were significantly

eliminated (Miles and Huberman, 1994:263), and also meant that the themes were generated on the basis of coherent and extensive data.

5.2.6.2 Validity

Qualitative research with a focus on only a few cases (less than four cases according to Eisenhardt, 1989) has been a subject of controversy. Critical to this are questions as to whether research findings from such a small sample could be generalised over a large population of companies operating in Malawi. Validity, as defined by Silverman (2005) quoting Hammersley (1990:57), refers to 'the extent to which an account accurately represents the social phenomena to which it refers.'

Although there are various ways by which an interpretive researcher can guarantee the validity of his / her study findings, certain groups of qualitative researchers view such research as fundamentally flawed with anecdotalism; and that findings or conclusions from such research are more likely to originate from inadequate 'critical investigation of all their data' (Beverland and Lindgreen, 2010; Eisenhardt, 1989; Silverman, 2005).

Van Maanen (1979) demonstrates how qualitative research based on a single case can achieve validity of findings or conclusions. According to Van Maanen, a single case study can achieve validity of findings by investigating a social phenomena at various levels and social settings. Such multiple levels of investigation can be regarded as sub-sets of cases entrenched with the principal case. Furthermore, the validity of study findings can be ensured by data triangulation, using various sources of evidence (Beverland and Lindgreen, 2010; Silverman, 2005).

The current study adopted multiple methods of gathering evidence which was also reinforced by investigating the CSR agenda at various levels and social settings. By adopting a strategy that guarantees gathering of evidence from various sources and at different levels (company senior managers, employees, various stakeholders), the study has generated rich data and made a 'critical investigation of such data'. Such an approach should be viewed as an important step towards enhancing the confidence about the accuracy of the current study for future readers and researchers..

5.3   Conclusions and Implications for CSR Research in Malawi

This chapter has explored and made a rational explanation about the choice of qualitative, inductive (interpretive) case study design used for the empirical investigation of the CSR agenda of the case study companies reported in chapters seven to ten of this thesis. The selection of the research design utilised in this study is considered to have wider epistemological implications with respect to the generation of conclusions and the identification of areas for further research; issues which are discussed in chapter eleven of this thesis. The research design adopted in this study represents a marked contribution to changes in research traditions in business ethics: where in a significant majority of cases CSR or business ethics research has been viewed as lacking empirical rigour. On the other hand, the adoption of the positivist approaches could have been viewed as overly inappropriate for this study because it is aimed at obtaining an in-depth understanding of a social phenomenon.

Finally, measures to guarantee quality of the study findings and conclusions have been discussed. In particular, specific measures to ensure validity and reliability in case study research were explored and justified. The next chapter describes the political economy within which the study for this thesis was undertaken.

CHAPTER SIX

THE POLITICAL ECONOMY OF CORPORATE SOCIAL RESPONSIBILITY IN MALAWI

6.0   Chapter Overview

Having set out the study rationale and the theoretical and conceptual perspectives and the methodology for investigating CSR in Chapters 1 to 5 of this thesis, this chapter provides a critical review of developments in the socio-economic and political environment within which the CSR agenda for the case study companies is shaped. Specifically, it starts by identifying key trends in the socio-economic environment, and their impacts on the CSR agenda adopted by companies. Following an exploration of socio-economic patterns, an historical trajectory of economic development in Malawi is described, and its implications for business-state relations is examined. Finally, the role of institutions in shaping the wider CSR agenda in Malawi is critically analysed.

6.1   The Socio – Economic Environment

Malawi is a small landlocked country situated in the south east of Africa. It is considered one of the poorest countries in the world with appalling statistics. According to the World Bank (2006), over 50 percent of the population live below the national poverty line of less than $1 per day, and 20 percent of these people are classified as ultra-poor, unable to meet their basic food requirements. Clearly, the broad picture is that of widespread poverty characterised by relatively high levels of inequality (Government of Malawi, 2006; World Bank, 2010).

Such a poverty status underscores Malawi's current position in the UNDP Human Development Index and other poverty status indices. Malawi is ranked 153rd on the 2010 UN Human Development Index with a Human Development Index of 0.385 (UNDP, 2010). It also ranked Malawi as one of the African countries with highest population growth rates currently estimated at 2 percent (UNDP, 2005), despite high mortality rates caused by the HIV pandemic and other killer diseases such as Malaria and Tuberculosis.

The impact of these diseases and the inadequate basic social and health services has both economic and social dimensions, reflected not only in the decreasing overall life expectancy from 48 years in the 1990s to 37.2 years in 2003, but also in the contraction of the overall economy estimated to be at 1.5 percent per annum (World Bank, 2003). Clearly, such worsening statistics confirm that poverty remains a significant developmental challenge which the Government of Malawi hopes to address by engaging in partnership with the private sector and civil society organisations (Government of Malawi, 2006b).

The Malawi economy, unlike its neighbouring countries which depend on mineral resources, is predominantly agro-based; which means that agriculture sector makes the largest contribution to total GDP. The latest figures of 2004 show that the total GDP was estimated at $1.8 million with a GDP per capita of $150 ($646 in PPP terms). It accounts for 35 to 39 percent of the total GDP output, and over 90 percent of the total export earnings. Tea and sugar produced by the estate sub-sector remain the second and third largest contributors to the total national export after tobacco (World Bank, 2006).

The manufacturing sector in Malawi is relatively small and dominated by firms engaged in agro-processing. The sector accounts for 11 percent of the total GDP, of which less than 14 percent of the manufactured output is exported (World Bank, 2006). The labour market remains uniquely fragile with unemployment still soaring, as evidenced by 10 percent of the

workforce being employed in the formal labour market. The agricultural sector employs about 85 percent of the total labour in the formal labour market.

In general terms, the Malawi's economy remains relatively less diversified that its neighbours, and occasionally fragile and amenable to both internal and external shocks. It is only recently with the coming of foreign investors, that the mining sector has been regarded as a key player in the Malawian economy, contributing about 6% of total GDP before 2009– although its contribution is forecast to rise to over 20% in the next five years (World Bank, 2010).

6.2   The Institutional Context of CSR in Malawi

6.2.1   The Historical and Development Policy Trajectory: A Review of State – Business Relations

The history of Malawi's economic and development has been characterised and dominated by state led economic development strategies for a long time (Kaluwa, 1992; Record, 2007; van Donge,2002). Malawi became an independent state in 1964 after over four decades under British colonial rule. While its independence from the British Government marked a new political era in Malawi and the whole of the Southern African region, the economic future of Malawi looked rather worrisome (World Bank, 1975). The most pressing development challenge at the time of its independence was a lack of mineral resources to propel economic development for such a newly and fragile independent nation (Record, 2007).

Despite such worrisome economic development prospects, the Government of Malawi under the leadership of Dr Kamuzu Banda developed the first economic development blue print in the early 1970s. The blue-print set out the development strategies and programmes for the period between 1971 – 1980 (World Bank, 1975). These development strategies, although emphasising the private sector's leading role in economic development, were really reliant on the public sector driving the economic development agenda (Pryor, 1990). This policy

direction was followed by the rapid establishment of a cadre of 35 state owned companies including two large private companies (Press Corporation and ADMARC) in strategic areas of importance to the achievement of an import-substitution strategy (Booth et al., 2006; Government of Malawi, 1986; Harrigan, 2001).

Given the over-arching social agenda which the new Government of Malawi had at the time, the expectation from this development was that these parastatals[24] were to deliver welfare in areas where the private sector was observed to be inefficient, despite the existence of a shrinking private sector (Record, 2007). For the private sector, such post-independence development policies were to uniquely shape the development of the private sector in Malawi for several decades. Kaluwa (1992) has written extensively about the post-independence development policies. He argues that the disproportionate reliance on the public sector through state operated enterprises (SOEs) to drive economic development was fundamentally misplaced. The impact of such orientation was a serious lack of coordinated and consistent policies to support private sector development.

Alongside the lack of coordinated policies towards private sector development was the introduction of heavy handed state regulatory framework for the private sector. The Government of Malawi's policy on the private sector was seen as progressively oriented towards a strict regulation regime of the private businesses to conform with the government policy of import-substitution and the protection of public enterprises (Record, 2007; Pryor, 1990). These policies only served to create a sense of mistrust between the private sector and the state, and represented a missed opportunity by which the government could have harnessed the private sector contribution to economic development.

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[24] It refers to state operated companies.

Following the implementation of the first phase of the Development Policy (DEVPOL I) was the Second Development Policy (DEVPOL II) which was to guide the implementation of economic development programmes from 1987 to 1996. Just like DEVPOL I, the primary emphasis of DEVPOL II rhetorically was to provide a conducive environment for private sector development (Record, 2007). Such a commitment was however qualified by a clause within DEVPOL II, which instead gave the government power to make regulatory interventions in order to control private sector activities. Record (2007) notes that such an intervention was at odds with the Ministry of Trade and Industry's private sector development strategy which emphasised the government's commitment to creating a conducive environment for businesses as opposed to stringent regulatory interventions.

Such a regulatory intervention may have only advanced the general perception that the private sector is self-serving and 'exploitative' (Agar and Kaferapanjira, 2006). The current and hostile business regulatory frameworks and the 'negative' perceptions the state and other sectors of the Malawian society hold about the private sector's role in society could be understood as a legacy of such post-independence (Banda period) economic development policies (World Bank, 2006).

Such a legacy of strong state intervention presents significant implications for the development of the private sector and its broad relationship with the state. First, given such a record of state intervention, the private sector became generally small, and less organised (World Bank, 2006). It is broadly characterised by a large number of family-owned small and micro-businesses, existing alongside a small numbers of large oligopolistic companies operating in the dominant sectors of agriculture, telecommunications, finance, consumer products, and more recently in the energy and mining sectors (Chingaipe and Leftwich, 2007).

Second, as a consequence of active state involvement in the market through parastatals and the three largest private companies[25], and strict regulations, a huge sense of mistrust between the private sector and government was developed, to such an extent that it was to uniquely shape the state-business relations in the subsequent stages of economic development (Agar and Kaferapanjira, 2006). As a result, there has not only been a limited policy dialogue between the two sectors, but also a lack of shared understanding of each other's role in the socio-economic development of Malawi (Agar and Kaferapanjira, 2006; Goldsmith, 2002).

It is not surprising that the degree to which the private sector has articulated their contribution towards the development agenda has not only been limited and less coherent, but also been guided by self-interests particularly in the later years. With respect to the CSR agenda in Malawi, such a lack of space to engage in policy dialogue coupled with the high cost associated with embracing CSR initiatives distinctively remains a major constraint for SMEs aiming to pursue a robust CSR agenda.

The critical turning point for private sector involvement in the development agenda was when the new democratic government agreed to implement the IMF's Structural Adjustment Programme (SAP), which the previous government had ignored. The most crucial measures within the IMF facility included: the privatisation of state run enterprises and the deregulation of markets. As a result of these measures, Malawi witnessed an upsurge in foreign direct investment (FDI) particularly in the financial service and extractive sectors (World Bank, 2006).

Such an influx of FDI continues to shape the way in which the private sector is expected to contribute to socio-economic development and the wider CSR agenda. The expectation was that the gaps in public service provision left by rolling – back of the state intervention would

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[25] These three companies were run by the Government of Malawi, but operated largely as private entities.

be filled by the private sector. Private foreign firms are increasingly expected to take up roles in Malawian society, which historically were considered to be in the realm of the state. Essentially, these companies, through their CSR programmes, are increasingly providing their host communities with basic social rights (Kamperewera, Personal Communication 2010). Beyond the desire to respond to the needs of their host communities, the majority of these companies are undertaking such initiatives in line with the demands of their 'country of origin' stakeholders and parent countries.

6.2.2 The Role of Government in CSR Related Issues: A Review of The Legal Framework

a. Regulatory Institutions, Policies and Regulations

In recent years, Malawi, like any other developing countries, has witnessed an unprecedented rise in corporate activities, which have been associated with social and environmental risks to the society. Furthermore, the Government of Malawi has come under increased pressure from global governance organisations to take an active approach towards the management of the social and environmental risks that arise with development.

Despite increasing concerns about the risks which corporate activities pose to Malawian society, the pace of change regarding the institutional frameworks to prevent such risks has been painstakingly been slow (Chilenga, personal communication, 2010). It is not surprising that a significant proportion of the regulatory and institutional frameworks influencing corporate practices consist of a set of rules, regulations and guidelines, and institutions, which were inherited from the British colonial administration. It is only recently that some international standards, regulations and codes have begun shaping the development of certain regulations for corporate practices.

Within the Government of Malawi, coordination and leadership to set out and enforce corporate social and environmental related regulations is vested in the three sectoral ministries: the Ministry of Labour and Manpower Development; the Ministry of Trade, Industry and Private Sector Development and the Ministry of Natural Resources and Mines. These three institutions have developed a number of key legislative policies for regulating corporate practices in Malawi.

The Government of Malawi through the Department of Environmental Affairs (DEA) developed a National Environment Management Policy in 1994 and later in 1996, an Environmental Management Act (EMA), as a framework not only for coordination and integration of environmental sustainability into the development agenda, but also for the regulation of corporate environmental management related practices. However, despite the existence of such legal frameworks, enforcement of compliance with such regulations still remains a challenge for the DEA (Mwanyongo, Personal Communication 2010); an issue that is dealt with in subsequent sections.

The Ministry of Trade, Industry and Private Sector Development (MTIPSD) is mandated to take a leading role in the regulation of corporate practices in Malawi. However, evidence suggests that it has not taken a pro-active role in the development and enforcement of CSR related regulations. As a result, in recent years the MTIPSD has been subjected to both internal and external pressures to take a pro-active role in the regulation of corporate practices. For example, in 2006, with the assistance of the major bilateral and multilateral donors, the Government of Malawi, through the MTIPSD undertook a comprehensive review of corporate regulations (World Bank, 2006).

Although this review focused on the Malawi business environment, it recommended a wholesale review of the Companies Act (1984) in light of global developments in the

corporate world. On a similar note, the World Bank, in collaboration with the IMF in 2007, conducted an extensive review of the accounting and auditing standards in Malawi. The review identified not only serious gaps in the Malawian accounting and auditing standards, but also institutional weaknesses in the enforcement of such standards and codes. Such reviews however are essential in an environment where corporate practices are less subject to stringent regulations. Furthermore, such reviews can provide a window of opportunity to consider the inclusion of clauses that would not only encourage transparency in corporate activities, but also bring corporate regulation in line with global developments (Dunga[26], personal communication, 2010).

In addition to externally generated pressure, professional and standards bodies have called for the MTIPSD to step up its efforts in developing a legal framework for obligatory corporate social reporting as a means of institutionalising the CSR agenda (Chokazinga[27], Personal Communication, 2010). However, the degree to which the Ministry of Trade responds to these pressures has remained an area of concern.

While the MTIPSD, through its legal and policy units, is considered to be a leading agency for business regulatory oversight and policy making, some of its regulatory powers have been devolved to some parastatals. For instance, the Malawi Bureau of Standards (MBS), a parastatal organisation within the MTIPSD has been active in the development of standards and codes that guide corporate practices. The devolution of power to the MBS is not without challenges. Significant among these is that, as a member of the International Standards Organisation (ISO), its regulatory reach is usually limited, given that most of its standards and codes require voluntary compliance.

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[26] The Chief Executive of Society of Accountants in Malawi
[27] Mr. Chokazinga, the Malawi Bureau of Standards Executive Director

The MBS, as a member of the ISO, has over the many years of its membership been active in the formulation and subsequent ratification of social responsibility standard (ISO 26000):

> 'On the issue of CSR, the MBS is participating in the formulation of an international standard ISO 26000. This standard started being discussed 3 or 5 years ago. It is now in its final stages, and the Bureau participated in Chile where there was the World Congress to actually discuss the contents of this standard. But what we did when we received it in 2007 was that we gathered a stakeholder meeting where the corporate world was invited to come and provide feedback on the draft standard. The MBS had presented the summary of the draft standard. We highlighted issues that were in the draft standard, and corporate representatives who attended the meeting put up their comments. These comments were relayed to the ISO headquarters in Geneva, and comments from Malawi were taken into account when finalising this standard. So because the standard is not mandatory, it is voluntary most of the companies especially those who export will especially be required to meet that standard because markets demand it. So our duty here as Malawi Bureau of Standards is to publish it; to make it available to the corporate world in Malawi. That is in our provision, and that is what we are doing.' (D. Chokazinga, MBS Executive Director)

Given the MBS commitment to such ISO activities, it is not surprising that the majority of the MBS codes and Standards are normally based on the codes and standards developed by International Standards Organisations. Moreover, in line with its statutory mandate, the MBS has taken a proactive role in the formulation of home-grown standards and codes that reflect the national culture and practices. Essentially, a significant amount of these codes and standards are operationalised in Malawi as an alternative means of regulating business practices. Hence, these standards and codes act as either voluntary or mandatory guidelines[28] which companies need to align their practices with.

Regulation of corporate labour practices is another important area in which the Government of Malawi's role in CSR can be observed. In November 1999, Malawi became a signatory to the International Labour Organisation's (ILO)'s eight conventions which deal with labour and employment related issues. Some of these conventions include: the abolition of forced and slave labour; freedom of association and the right to collective bargaining; equal remuneration at work; prohibition of child labour and non-discrimination at work. As such, the Government of Malawi is obliged to demonstrate its commitment to these conventions by

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[28] Whether a code or standard becomes mandatory or voluntary depends on the source or origins of the code. For example, if the code originates from ISO, it is usually voluntary; while on the other hand, mandatory codes / standards are usually internally generated.

developing national labour and employment laws that reflect the requirements of these ILO core conventions.

The Ministry of Labour and Manpower Development is mandated to provide coordination and leadership in all matters related to the development and enforcement of such laws. These laws have tended to encompass a broad range of labour related issues including working conditions, health and occupational safety and other forms of labour arbitration (Mwasikakata[29], Interview, 2010). Essentially, these laws, as is the case with other laws, demand minimum compliance and are intended to guarantee the protection of workers' rights.

b. Institutional Challenges in the Corporate Regulatory / Policy Framework

The regulatory environment in which firms operate in Malawi remains a major challenge for the institutionalisation of the CSR agenda. While there has been some progress made in the development of policies and legislation to regulate corporate practices, many of the outdated corporate regulations still exist. The problem with such regulations is that they do not take into account the recent changes in the global corporate world. For example, corporate practices in general remain regulated by the Companies Act of 1984. Clearly, the Companies Act (1984) in Malawi fundamentally fails to provide protection to stakeholders other than the shareholders; an issue which is central to most of the Companies Acts in the world. Similarly, in the mining sector, despite the growing global concerns about the social and environmental impacts which mining activities have on the wider society, mining operations continue to be distinctively regulated by the Mines and Mining Act of 1981. The Mines and Mining Act (1981) provides only regulations for small scale mining operations which were the only prevalent mining activities in Malawi at the time. However, with the recent changes in the

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[29] An Interview with Mr Mwasikakata, the Deputy Commissioner for Labour and Manpower Development at the Ministry of Labour and Manpower Development

mining sector, as a result of a huge influx of FDI, the Mines and Mining Act (1981) is proving to be 'not-fit-for purpose' and less effective.

Certainly, it can be argued that both the Companies Act and the Mines and Mining Act do not only fail to provide the Malawian society adequate protection from social and environmental risks generated by businesses, but also fail to reflect international best practices (World Bank/IMF, 2007 & World Bank, 2010[30]). It was only in January, 2010 that the GoM started drafting of the Radiation Bill, and undertook a review of the Companies Act and the Mines and Mining Act to reflect recent global developments. However, with respect to the radiation bill, the pace at which it is being developed is painstakingly slow and worrisome, given that large scale uranium mining operations is already underway.

Not only does the legal framework in Malawi contain outdated corporate statutory regulations, there are also strong indications that the implementation of such regulations remains a critical challenge. In particular, inspection and enforcement of such regulations is seriously curtailed by a myriad of institutional capacity constraints. The institutions mandated to perform such functions remain weak – crippled by a shortage of human, physical and financial resources, in the face of dwindling public resources:

> 'Currently our capacity to enforce some of our regulations is limited, but we are working with the city councils. We are just supporting them so that they do their enforcement. For us too we are in the process of increasing our capacities – we are going to recruit inspectors. We want each one of the cities to have inspector of our own. These inspectors will be like our eyes present at any particular time. These inspectors will be placed in the Department of Environmental Assessment and Pollution Control.' (Deputy Director of Department of Environmental Affairs)

Such a situation, however, only encourages non-compliance with regulations since, in most cases, non-compliant firms are rarely subjected to punitive measures. Certainly, in such a regulatory environment, the extent to which companies manage the social and environmental

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[30] World Bank study of the Mining Sector of Malawi

risks which their activities have on the Malawian society is usually at the discretion of the managers, and is also a reflection of the pressure from other stakeholders such as western buyers, NGOs and other international bodies.

The final constraint in the corporate regulatory regime is a serious lack of coordination among the state regulatory institutions. While some efforts are being undertaken by the central regulatory institutions to embrace a 'joined-up' approach to enforcement of corporate regulations, there are indications that there is increasingly duplication of regulatory efforts by decentralised structures of institutions that regulate corporate practices at district level (A. Mchiela, Personal Communication, 2010[31]). Clearly, the adoption of a 'joined-up' approach at this level would guarantee the efficient use of scarce resources for enforcement activities.

6.2.3   The Role of Public Interest and Private Organisations

6.2.3.1   Role of International Organisations

Global institutions and bilateral donor agencies are progressively making a noticeable impact on the adoption of the CSR agenda in Malawi. Indeed, since 2005, there has been a surge in interest by the World Bank, UNDP, ILO and the United Kingdom, German and Norwegian Governments in the promotion of the CSR agenda among companies operating in Malawi. Not only are these organisations providing CSR related technical and financial support to the private sector, equally their influence can be noticed through the pressure they exert on the Government of Malawi to ratify and embrace the CSR related conventions, standards and codes formulated by international organisations.

For multilateral organisations such as the World Bank and ILO, their influence has been two pronged: on one hand, they are providing technical and financial capacity support; and on the

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[31] The Principal Secretary, Ministry of Labour and Manpower Development at the Ministry of Labour and Manpower Development Headquarters in Lilongwe, Malawi.

other hand, their influence over the Malawi Government is increasingly observed in the development of CSR related regulations. For example, the current labour and employment regulatory regime is largely based on the ILO core conventions, of which the Government of Malawi is one of the ratifying members.

On the other hand, for the bilateral development agencies such as the UK DFID, GTZ and NORAD in particular, their influence has been less political in nature than for the multilateral institutions. Essentially, their contribution to the uptake of the CSR agenda by companies operating in Malawi has been more noticeable in the area of technical and financial capacity building.

a. United Nations Inclusive Business Initiative and Global Compact

Although some multilateral organisations influence the corporate adoption of CSR by utilising their political relationship with the Government of Malawi, institutions such as the UNDP, equally influence the CSR agenda through non-political engagement strategies. The UNDP, apart from providing funding for its inclusive business initiative to companies operating in Malawi, has since 2005, been instrumental in driving the UN Global Compact, and promoting it amongst companies and bilateral agencies. The UN Global Compact, launched in 2003, is considered to have markedly shaped the CSR agenda in Malawi: from being predominantly philanthropic based to a broader CSR agenda where philanthropic CSR is pursued alongside an inclusive and sustainability focused CSR agenda (Kambalame and Cleene, 2006).

In an attempt to guarantee sustainability of this initiative, the UNDP, contrary to the expectation of many stakeholders, had progressively adopted a 'hands-off' approach, and left

a CSR advocacy NGO, the African Institute for Corporate Citizenship (AICC), to spearhead implementation of two major CSR related initiatives within the Compact: the Business Action Against Corruption (BAAC) and the Sustainable Agri-Business Initiative (SABI) (Kambalame and Cleene, 2006). While the phasing out of the UNDP active support may have signalled a challenging period for the Compact's stakeholders in moving this initiative forward, the initiative saw unprecedented interest from bilateral donor agencies such as the GTZ, NORAD and USAID to support some of the UN Global Compact initiatives in Malawi (Kambalame, 2007). As these initiatives are largely partnership based, the success of the Compact, was dependent on garnering the active participation of various stakeholders (J.M. Seeler, Personal Interview[32]). Critically, was the support of the public sector, as most of the Compact's ten principles require active support from the Government of Malawi.

Reporting on the progress towards meeting the nine core issues of the UN Global Compact is one of the principal requirements for the companies' membership of the UN Global Compact Malawi Chapter. This initiative is aimed at increasing the exchange of information and learning among businesses, CSOs and the Government of Malawi about the core principles of Global Compact; which would in the end contribute to sustainable development. The framework is voluntary in nature, and does not place legal obligations on the participating firms to comply with the guidelines.

While the UN Global Compact Malawi Chapter may be considered as one of the principal drivers of the CSR agenda in Malawi, this initiative is not without its challenges. First, since active commitment of the private sector was critical to this initiative, such a task would certainly need close collaboration with the Government of Malawi and the Malawi Confederation of Chambers of Commerce (MCCI). However, the UN Global Compact

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[32] The German Development Cooperation Technical Advisor attached to the African Institute of Corporate Citizenship (Malawi)

Malawi Chapter efforts in influencing these institutions to work towards a common agenda is hampered by a number of constraints (Kambalame, 2007). Of key importance is the failure to garner the much-needed support from the MCCI.

Given their strong influence on the private sector in Malawi, the MCCI could have played a crucial role not only in drumming up wider support from the private sector, but also in facilitating networking among businesses. Clearly, such a lack of active and open support from the MCCI represents a missed opportunity for the institutionalisation of the CSR agenda in Malawi. By virtue of its strategic influence over corporate practices in Malawi, the MCC1 could have provided a platform for rewarding best CSR practices within the sector.

The UN Global Compact Malawi Chapter also faced a lack of commitment by member companies to embrace the UN Global Compact reporting framework. Due to its voluntary nature, lack of commitment to corporate social reporting by companies remains a significant obstacle to the effectiveness of the UN Global Compact in Malawi (Kambalame, 2007[33]). Indeed, within the membership of the UN Global Compact, the number of companies that are committed to the reporting framework has been declining at a faster rate than expected. This trend however does not come as a surprise given that the adoption of the framework is seen by these companies as putting a significant burden on management time and costs. Moreover, a lack of standardised indicators for success within a particular industry or sector for comparability of data suggests that it is increasingly difficult to learn best practices within a sector and across sectors – one of the central issues of the UN Global Compact.

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[33] Activity Report for the UN Global Compact Network in Malawi

b.   International Standards and Codes Organisations

International organisations' codes and standards are increasingly viewed as an integral part of the soft regulations for corporate practices in Malawi. In particular, such codes and standards are developed by the international standards organisations representing western buyers and consumers. These actors are increasingly putting pressure on the export-oriented Malawian companies, particularly those operating in the Malawian commercial agricultural sector[34], to take into consideration the management of the environmental and social impacts which their operations have on society. Essentially, compliance with these codes and standards guarantees continued access by compliant companies to lucrative western markets. However, reliance on voluntary compliance and irregular audit systems brings to light questions about the efficacy of such standards and codes in influencing companies to improve social and environmental conditions in their host countries (Tallontire, 2007; Tallontire et al., 2011).

6.2.3.2   Role of Civil Society Organisations

The civil society in Malawi is generally 'fragmented', and has been active only since 1994 when Malawi embraced the pluralistic system of governance (James, 2005). Since then, the civil society organisations (CSOs) have played a proactive role not only in the institutionalisation of democratic values and human rights, but also in the delivery of welfare programmes (James, 2005). Traditionally, the relationship between the CSOs and the corporate community has to a great degree been limited to one-off corporate donations to these CSOs for good causes.

It is only recently that human rights CSOs have shown an interest in CSR related issues partly as a result of the mine development in the northern part of Malawi by the Australian mining

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[34] These standards organisations are particularly active in Malawian companies exporting commodities such as tea, coffee, sugar and groundnuts.

company Paladin. While these CSOs are primarily championing environmental and social rights for the mining communities, ensuring transparency and accountability in the process of a development agreement between Paladin and Malawi Government is also regarded as equally important. However, the major challenge for these CSOs in influencing changes in corporate practices regarding social and environmental issues is that they are institutionally weak, and have poorly diversified resource bases. As such, these CSOs are entirely resource-dependent on Northern donors whose funding priorities tend to dictate CSOs focal areas and programmes.

In the light of such institutional weaknesses, some CSOs have taken a proactive approach by forming internal and external partnerships with similar organisations. Through such partnerships, these CSOs are increasingly exerting pressure[35] on companies to embrace good social and environmental management practices, although such pressure has only been on multinational companies. Nevertheless, these partnerships (in particular local partnerships) are blighted by the notion of 'self-interests' and the lack of shared benefits within the coalition leadership and a serious lack of coordination. Hence, the extent to which these CSOs will remain a strong force in influencing corporate practices in Malawi will depend on their ability to form strong and well coordinated coalitions and networks, and also on how well such structures may guard individual self interests.

Trade unions represent another major group of CSOs that can have a significant influence over corporate practices in Malawi, because of their significant role in defending and promoting the basic work-related rights of employees. The trade union movement has been in existence in Malawi since 1945 (Public Service International, 2004). Soon after independence in 1964, the labour movement witnessed a gradual suppression of their activities under the

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[35] They have influence strategic decision by engaging in market-oriented campaign strategies such as targeting corporate investors at the annual general meetings,

dictatorial system of government at the time, partly because the movement served as a platform for trade unionists to fulfil their political interests (Woods, 1992).

The post dictatorial phase (1994 - onwards) witnessed the re-emergence of a large number of trade unions as conduits by which employees' democratic participation in issues involving their welfare was going to be promoted (Public Service International, 2004). On the contrary, evidence suggests that these unions have failed to effectively promote collective bargaining for improved labour conditions in Malawi (Chirwa, 2005).

Crucially, trade unions continue to face considerable institutional weaknesses. First, trade union leaders are generally seen and accused by their constituents as self-serving, by conniving with employers and government to exploit the unions' wider membership. Secondly, the majority of trade unions in Malawi are inadequately resourced, and largely depend on donor funding to execute their activities (Mkwezalamba, Interview 2010[36]). Such a dependence on external funding has created a lack of independence, and has limited their freedom to implement programmes aimed at protecting the rights of their members.

Finally, the trade union movement's efforts to protect workers' rights have been seriously hampered by critical coordination problems amongst various trade unions. For instance, there are indications that different trade unions have over the past decade been engaged in an antagonistic relationship and competition over membership (Tilley, Interview 2010[37]). Such an antagonistic relationship not only further weakens the movement, but also diverts trade unions' efforts away from serving the interests of the members. Clearly, such a situation implies that trade unions are likely to miss an opportunity to take advantage of the recent rise of the CSR agenda in Malawi. Of particular importance, however, is that companies which

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[36] An Interview with Mr. Robert Mkwezalamba, the Secretary General of Malawi Congress of Trade Unions, an apex trade union in Malawi.
[37] An Interview with Mr Rick Tilley, the Managing Director of Eastern Produce Malawi

are supposed to be held accountable by these trade unions have exploited the weaknesses within the trade union movement for their self-interests.

6.2.3.3   Role of Industry and Professional Organisations

Industry and professional bodies can be a significant force in shaping business leaders' thoughts and commitment towards social and environmental responsibility by disseminating best business or professional practices to their members (Cowton, 2008; Matten and Moon, 2008:412). In Malawi, the Tea Association of Malawi (TAML), an association representing tea producing companies in Malawi, is considered a leader in driving the CSR agenda for its member companies. It influences its members' CSR practices by setting the minimum CSR standards and guidelines to which all its members are expected to comply.

TAML has, since late 2006, been instrumental not only in raising awareness among tea producing companies about best CSR practices, but also in monitoring compliance with its minimum CSR guidelines or standards (TAML, 2009). Thus, TAML is principally driven to engage in CSR not only by the desire to make its members competitive in the international markets where ethical concerns in tea production have become imperative (Thindwa, Interview 2010[38]), but also by the moral imperative:

> 'But the core function is to make sure that the local tea companies – tea producers are competitive globally. But at the same time, they are producing in harmony with the expectations of the larger stakeholdership and the communities' (Thindwa, Executive Director, TAML)

Furthermore, in an attempt to lead by example, TAML has been undertaking major philanthropic initiatives in the communities surrounding its member tea estates, as part of its responsibility towards the society in which its members exist.

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[38] An Interview with Mr Thindwa, the Executive Director of Tea Association of Malawi at the TAML Offices in Blantyre, Malawi on – February 2010.

Professional organisations, such as the Society of Accountants in Malawi (SOCAM) and the Institute of Directors (IoD) (Malawi Chapter), have taken a leading role in driving the CSR agenda in a number of companies where their members work. Their influence on their members is clearly manifested in the development of ethical codes of professional conduct to which their members have to comply.

Although at present, SOCAM does not have a code for its member accountants, it has over the past years been raising awareness and providing training to its members (Dunga, Interview 2010) in collaboration with the IoD Malawi Chapter. Moreover, SOCAM was instrumental in the development of a Malawi version of King's Code of Corporate Governance – Malawi Code II which the IoD Malawi Chapter launched in June, 2010.

The Malawi Code II places an obligation on firms to consider and demonstrate their commitment towards ethical business practices (p.21 - 22); although, at this stage, it remains unclear as to whether this code will become mandatory or voluntary (Kamtimaleka, Interview 2010[39]; Institute of Directors Malawi, 2010:6). Nonetheless, the effectiveness of such bodies in driving the CSR agenda in Malawi remains a major area of concern requiring substantial institutional capacity building measures (World Bank / IMF, 2007). Since these organisations are largely dependent on the membership subscription fees for their operations, their effectiveness in driving CSR is likely to be dependent on their ability to diversify their financial resources base and attract and retain members.

6.3   Conclusion

This chapter has explored the institutional and socio-economic environmental factors that are considered significant in shaping the CSR agenda in Malawi. It was argued that while the rise

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[39] An interview with Mr Anthony Kamtimaleka, Technical Staff / Malawi Code II Coordinator at IoD Secretariat, Blantyre, Malawi on – February 2010

of the CSR agenda in Malawi reflects the historical development trajectories and the wider global political and economic (market) agenda, the unique social malaise which the Malawian society is currently facing may provide an additional impetus for business to engage in CSR. Following an examination of historical, political and socio-economical factors was a critical review of the nature of relationships between the state and businesses, and the implications of such relationships on the way in which businesses get involved in societal issues. Fundamentally, it was noted that the state - business relations have been characterised by a huge sense of mistrust which has been manifested not only by limited policy dialogue between these sectors, but also by a lack of shared understanding of each other's role in the socio-economic development of Malawi. On one hand, while the state's action in the area of private sector development was understood in terms of development of strict regulatory frameworks for business operations, and increased participation of the state in the private sector through corporations which were largely state-owned, on the other hand, the private sector lacked a unified approach towards policy dialogue with the state, to an extent that their policy engagement actions were largely guided by their self-interests. The implication of such relationships is that unless the Government of Malawi opens up spaces for engagement with other actors in socio-economic policy dialogue, and provides an enabling environment for increased private sector participation in social actions, CSR is likely to remain an issue which is limited to subsidiaries of western multinational companies who are influenced by their parent companies' CSR policies and a strong business case such an undertaking presents. The final section of the chapter examined the role of institutions (private and public) in the uptake of the CSR agenda. It can be argued that while a number of companies operating in Malawi, particularly the western multinational companies, have a CSR agenda of some kind, the pressure from various institutions (international or local) can be construed as one of the major factors in the increased uptake of CSR by companies in

Malawi. Crucially, given an increasingly global focus on corporate conduct and the increasing role of the private companies in poverty reduction in the developing countries, the role of international institutions is progressively viewed as a major force in driving the wider CSR agenda in Malawi. This implication though, is that in order to drive the CSR agenda, the role of local institutions in the uptake of CSR agenda by companies need to be pronounced and widely accepted by all actors including the state, international institutions and companies. The next chapter examines the managerial and stakeholders' perceptions about CSR, and extensively explores the factors that are shaping the CSR agenda pursued by Paladin (Africa) in Malawi. In order to put core issues into context, a review of the mining industry in Malawi is undertaken.

CHAPTER SEVEN

CSR in the Malawian Mining Industry: An Analysis of Perceptions and Drivers

7.0   Chapter Overview

The purpose of this chapter is to examine and analyse the corporate social responsibility agenda (CSR) pursued by an Australian multinational mining company, Paladin Resources Limited, in Malawi. This chapter is divided into four major sections. The first section provides an overview of the mining industry. The second section provides background information about Paladin's core values and its corporate social responsibility (CSR) policy. The third section provides an analysis of the key stakeholders in terms of their interests in Paladin's operations and their levels of salience. The fourth section examines managerial and stakeholders' perceptions about CSR. As this chapter explores the CSR agenda pursued by Paladin, an examination of perceptions may be critical in developing an understanding about: a) the drivers of the CSR agenda within Paladin; b) how Paladin engages with its stakeholders; and finally, the decisions regarding choice of particular CSR initiatives. The fifth section examines the driving forces that have shaped Paladin's CSR agenda. The final section summarises the chapter.

7.1   The Malawi Mining Industry: an overview

The Malawian mineral industry is relatively small in comparison with similar industries across Africa (World Bank, 1992). It comprises two distinct sectors: artisanal (small-scale)

and large-scale sectors. The artisanal/small scale sector is relatively small, and is considered to employ less sophisticated mining technologies. Its impact on the livelihoods of those involved in this sub-sector are enormous given that over 40,000 households are directly engaged in small scale mineral extraction (World Bank, 2009) . Moreover, a review by the World Bank (2009), notes that the sector is expected to grow and could make a significant contribution to the economy if appropriate supportive measures are taken by the government.

On the other hand, the large scale sector - dominated by both local and international firms - is characterised by significant capital investment. Yet this sector, just like the small-scale sector, is at present not well developed. The World Bank (2009) study nevertheless paints an optimistic picture of the future of the industry. The report reveals that the sector has huge potential for growth as a result of the growing interest from international investors in the development of mineral resources. Yet, without significant participation by the domestic companies in mining ventures, and without clear policies on technology transfer and taxation, it is unlikely that the Malawi mining industry will be a significant force for poverty reduction and sustainable economic growth.

The historical development of the Malawi mining industry is not significantly different from those of its neighbours such as Zambia, Tanzania and Mozambique. Like the mining sector of its neighbours, until recently, the state has been a major player in the mining sector in Malawi. Its involvement in the mining sector was through a statutory corporation – the Mining Investment and Development Corporation (MIDCOR). Since its inception in 1985, MIDCOR was considered the only conduit through which private sector participation in the industry would emerge. As a result, the Government, through MIDCOR, emerged as the sole player in the large mining sector. The major industrial minerals extracted in Malawi are coal, uranium, bauxite, gemstones and diamond (Government of Malawi, 2006a); although it is

alleged that there are large deposits of other minerals including gold and nickel that are currently being prospected by foreign mining companies.

This public sector-led industry development proved to be unsuccessful. The industry witnessed a period of slow growth as the government's involvement was marked by serious inefficiencies and imperfections in the allocation of resources. Since the 1990s there has been a series of neo-liberal reforms which have also targeted the mining industry. Such reforms have included: changes in taxation policies and the opening up of investment in the sector to foreign investors. Recognition of such weaknesses and pressure from the World Bank provided an impetus for the Government of Malawi to implement a wholesale privatisation of the industry in another attempt to improve efficiency and encourage private sector participation in the industry.

As a result of such reforms, the mineral sector triggered huge interest by both local and international firms. This resulted in a tremendous rise in the number of exploration and development licences being granted by the Government of Malawi to international and local firms (Government of Malawi, 2006a). The most significant development has been the commissioning of the US$200 Million Kayelekera uranium mining in the northern part of Malawi by an Australian mining company Paladin Resources Limited. As such, there is a growing expectation that the sector will not only enhance the integration of the Malawi economy into the global economy, but will also significantly contribute to socio-economic growth.

A recent review of the sector conducted by the World Bank in 2009 finds a significant potential for the sector's contribution to the Malawi economy. It reveals that the industry's contribution to the overall Gross Domestic Product (GDP) is estimated to be in the range of 5 – 6%. Currently, total mineral exports account for 10% of total Malawian exports, which is

expected to rise to 20 – 25% by 2012. This rise reflects the expansion of the sector as more mineral resources become prospected, and new large scale mine operations begin to emerge (World Bank, 2010).

The Malawian mining industry is also important for employment. The impact of the mining sector in the Malawian labour market has been one of the critical public policy concerns of the Government of Malawi. Recent figures from the Government of Malawi indicate that the number of people employed in the mining sector by the end of 2007 more than doubled from a reported figure of 2,206 in 2003/04 to 4850 (Government of Malawi, 2004 & 2007; World Bank, 2009). This growth reflects the potential contribution which large scale mining operations, such as Paladin's Kayelekera Uranium mine, could make to the overall employment situation.

Despite the potential contribution of the industry to the Malawian economy, the Malawian mining sector is currently facing a number of challenges. The major challenges include: low levels of infrastructural development, in terms of power and transport facilities; and inadequate institutional capacities within the Ministry of Mines and Natural Resources to undertake efficient and effective regulatory roles (World Bank, 2010). In an effort to address these institutional weaknesses, particularly in the areas of policy and legislation, there have been a series of attempts to reform the mining sector to reflect developments in the global arena. These reforms demonstrate the Government's renewed commitment towards mining as a significant alternative to agriculture, which has been the backbone of the Malawi economy since independence in 1964.

7.2 Paladin Energy Group and its Subsidiary Paladin (Africa)

7.2.1 An Overview of Paladin Energy Group

Paladin (Africa) is a subsidiary company of Paladin Energy which operates in five countries (Australia, Canada, Malawi, Namibia and Niger) specialising in uranium mining. Paladin is a relatively new and small player in the global mining industry and is incorporated in Australia on 24th September, 1994. It was listed on both the Australian Securities Exchange and the Toronto Stock Exchange on the 29th March, 1994 and 29th April, 2005 respectively. It is currently the world's ninth largest producer of uranium supplying around 4% of the world market (Paladin, 2011).

According to its Annual Report of 2011, Paladin Energy's annual revenue of US$268.9 million has risen by 32% from the 2010 figure of US$204.3 million. The costs of Paladin (Africa) Limited's mining operations in Malawi are financed by both a credit facility of US$167 Million from three major banks (the Societe Generale of Australia, Nedbank Capital South Africa and the Standard Bank of South Africa) and equity[40]. Paladin Malawi revenue was reported to be US$79.8 million in 2011. It has an annual optimal production of 3.3 Mlb of uranium oxide from the processing of 1.5 metric tonne per annum of Sandstone. The mine covers an area of about 5550 hectares. According to recent estimates by the African Development Bank Group[41], Paladin's operations contribute about 10% to the total Gross Domestic Product and 25% of the total Malawian exports. Paladin (Africa) employs 1069 people, with the Malawian subsidiary employing 766 people of which 648 are Malawian nationals. The rest are expatriates who largely hold technical positions.

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[40] Information accessed from http://www.paladinenergy.com.au/default.aspx?MenuID=110 on 23rd March 2012
[41] Malawi: Interim Country Strategy Paper (2011 - 2012) produced in March, 2011 accessed on www.afdb.org/fileadmin/.../**Malawi**%20-%20ICSP%202011-12.pdf

In Malawi, Paladin Energy holds eighty-five percent of the shares in the uranium mining projects, with the remaining fifteen percent of the operations being owned by the Government of Malawi under the Development Agreement signed by both parties in February 2007. Following the signing of the Development Agreement was the granting of mining license by the Malawi Government in April, 2007. Its initial operations in Malawi commenced in 1998, but significant operations did not commence until June 2007. However, in 2005, the initial mine development work in the district attracted protests from local civil society organisations. In 2006, Paladin engaged a South African based consultancy firm Knights Piesold to conduct an Environmental Impact Assessment (EIA) in accordance with the Environmental Management Act (1996).

As such, while the mining operations of Paladin are the biggest ones in Malawi, the size of Paladin (Africa) Limited in Malawi could be regarded as relatively small as compared to Paladin (Africa)'s other mines in Namibia. The relatively small company size and the stage of development at which Paladin is at will have several implications for its operations, particularly in a foreign country. First, given that Paladin does not have experience of running large scale mining operations, it does not currently have adequate technological capabilities to develop innovations in its operations as is normally the case with large mining companies. Second, the systems and structures it has in place may not be adequate to address some of its major organisational challenges, including the social and environmental risks associated with its operations. Indeed, for Paladin, as evidence presented elsewhere in this chapter will reveal, integration between the company's organisational structures and its CSR strategies in Malawi has been problematic.

7.2.2   Paladin Energy's Corporate Core Values and CSR Policy

According to its corporate website, Paladin Energy claims that its core values include: 'creating shareholder wealth by developing considerable opportunities Paladin has generated to become a major player in the global uranium supply market.' In view of the popular criticisms about unethical practices levelled against subsidiaries of global mining companies in developing countries, Paladin Energy Group asserts that it endeavours to:

a.   'contribute to the growth and prosperity of the countries in which Paladin operates by conducting operations in an efficient and effective manner and by scaling out opportunities for expansion;

b.   'respond to the attitudes and expectations of the communities in which it operates as part of its corporate social responsibility obligations;

c.   'operate at global best practices with particular emphasis on safety and environment;

d.   'acts with integrity, honesty and cultural sensitivity in all of its dealings.

In Malawi, Paladin Energy Group, through its subsidiary company Paladin (Africa) has developed a CSR plan to address a number of social and environmental issues associated with its operations in the northern district of Karonga. By developing such a plan, Paladin sets out the following strategic undertakings:

a.   Uphold ethical business dealings;

b.   Encourage stakeholder consultations and participation;

c.   Promote social accountability to its stakeholders for its social impacts;

d.   Contribute towards development of its host communities.

Such undertakings necessitate the development of a strategic framework to guide the coordination of efforts within an organisation. Paladin Africa established the Social

Development Department under the guidance of an executive manager to manage Paladin's CSR policy and its strategic relationship with various stakeholder groups. The department is staffed by community relations officers with expertise in strategic areas of Paladin's CSR interventions.

7.3   Stakeholder Analysis

Chapter 3 and the conceptual framework revealed that theorists are divided in their opinions over the definition of the term 'stakeholder'. Other scholars have defined stakeholders from a narrow and instrumental angle as 'those groups or individuals without whose support the organisation would cease to exist' (for example, Bowie, 1988). Other scholars, drawing from a broader and normative perspective have defined 'stakeholders' as 'those groups or individuals who affect or are affected by the operations of an organisation (Freeman, 1984). In this study, the identification and analysis of key stakeholders draws on a broader and instrumental approach to stakeholder analysis. Using the evidence obtained from the interviews with Paladin and its stakeholders and from observations, the key stakeholders are identified and analysed in terms of their salience (power, legitimacy and urgency), and interests in Paladin's operations (see table 7.3.1). On the basis of the available evidence, there are eight key stakeholder groups of Paladin (Africa) Malawi Limited. These include:

a.) The shareholders;

b.) the Government of Malawi thereafter referred to as GoM (Central and Local Government);

c.) Private and Public Regulatory Organisations;

d.) the communities in Karonga;

e.) civil society organisations;

f.) Employees (National and Expatriates)

g.) Captured Non-Governmental Organisation and

h.) lenders.

A significant proportion of these stakeholders who critical to Paladin's operations and survival. These include: shareholders, government, project financers and civil society organisations. Not only are Paladin's stakeholder groups composed of stakeholders that influence Paladin's operations, crucially, there are other stakeholders that are impacted by Paladin's activities. Such groups include the community stakeholders that surround Paladin's uranium mine.

a. Shareholders

A careful interpretation of responses from Paladin management suggests that Paladin considers its shareholders to be the most significant group of internal stakeholders whose satisfaction of interests and needs must be accorded a high priority by managers. The shareholders' source of power to influence Paladin (Malawi)'s operations is principally derived from the funds they invest in the company:

> 'At the moment, we are spending shareholders' money- investment funds that have come to set up the mine; people who invested in the setting up of the mine at Kayelekera they did not agree that part of their money can be spent on social good or project. We have to understand that these shareholders have invested in this company, and they expect us to give them returns.' (Paladin Country Manager)

Hence, as the sentiments from the Paladin Country Manager reveal, the principal interests of Paladin's shareholders could be considered as the increase in the value of their investment in Paladin's operations in Malawi. This implies that the managers' task is to ensure that engage in activities that can potentially enhance profitability – failure of which can fundamentally

have detrimental impacts on Paladin's long term survival. Recent shareholder protests against excessive executive at Paladin's annual general meeting in Australia epitomise how powerful Paladin's shareholders can be in influencing management to act in their best interests[42]. Thus, for Paladin, meeting shareholders' long-term interests is understandably a fundamental issue given that the Paladin Group is a relatively young company. Certainly, a company in its infancy, such as the Paladin Group, often depends on its shareholders for the resources necessary for its growth and long-term survival (Frooman, 1999; Jawahar and McLaughlin, 2001; Pfeffer, 1981). Under normal circumstances, shareholders are more likely to continue investing in a company which they perceive is working towards achieving their long interests - profits. Hence, as sentiments from Paladin's manager and the evidence from publicly available documents[43] indicate, Paladin managers respond to shareholders' interests because of their fiduciary duty to them.

b. Government of Malawi

Despite a focus on meeting the long-term interests of its shareholders, the Government of Malawi (GoM) is another significant stakeholder group whose interests equally need managerial attention:

> 'We believe the Government of Malawi to be a very important stakeholder because of the mining license we hold. As a mining company we have to comply with any government regulation in order to continue our operations at Kayelekera' (Paladin Country Manager)

Just as the shareholders provide Paladin with financial resources for its operations, so does the GoM provide Paladin with the licence to extract its mineral resources. By granting Paladin the legitimacy to operate in Malawi, the expectation of the Malawi Government, as the Paladin Country Manager states, is that Paladin would prioritise its concerns and interests.

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[42]See: http://au.news.yahoo.com/thewest/business/a/-/business/12010966/paladin-feels-heat-on-executive-pay/ for details.
[43] Creating wealth for the shareholders is the first of the seven values of Paladin Group. For details, seehttp://www.paladinenergy.com.au/default.aspx?MenuID=21

The major concerns and interests of the GoM are public safety and environment protection. Hence, it is largely interested in getting a guarantee from Paladin that it would address the social and environmental risks of its operations, as stipulated in various regulations and policies of the Government of Malawi:

> 'As a technical coordinating institution for all environmental matters in Malawi, we expect Paladin to operate their mine with the standards that the Environmental Management Act of 1996 stipulates. Paladin is aware of this because it was their ability to meet some of the requirement of this Act that we granted them a mining licence. As a government, we would not hesitate to revoke the licence whenever evidence of non-compliance is found.' (Anonymous Senior Officer in the Department of Environmental Affairs)

Certainly, as the respondent from the Department of Environmental Affairs states, Paladin's failure to respond to such interests would normally attract tough penalties, and in extreme circumstances lead to the withdrawal of a mining licence (Suchman, 1995).

c. Project Financers (Financial Institutions)

Project financers constitute another powerful stakeholder group that influences Paladin's business practices in Malawi. Their interest in Paladin's operations in Malawi is to ensure that their reputation is not damaged as a result of the social and environmental risks of the project they fund. As such, they influence Paladin's operations and CSR agenda by dictating the terms of lending with which Paladin has to comply to:

> 'We have bankers who come; they have their own interests in the project. These people look at those issues [social and environmental risks]; they are the ones who are lending the money to us. They are responsible to their shareholders to make sure that the money is properly accounted for in terms of social responsibility. We do a quarterly environmental report and a social responsibility report to our financing organisations.' (Paladin Country Manager)

Thus, by providing Paladin with vital financial resources for its mining operations, the project financers may have assumed legitimacy and power to claim a stake in Paladin's mining operation at Kayelekera. Hence, in the event of Paladin's failure to address their concerns and interests with urgency, this group of stakeholders could potentially withdraw their vital resources – project finance - from Paladin (Frooman, 1999).

d. Civil Society Organisations (CSOs)

The civil society organisations or NGOs are understood to be one of most powerful stakeholders in the mining operations at Kayelekera. This stakeholder group is considered to have little or no legitimacy in the mining operations at Kayelekera. However, these NGOs have demonstrated a high proficiency in mobilising both local and international support to challenge the mining operations at Kayelekera. In recognition of the impacts these NGOs may have on its operations and its reputation, Paladin management has been placing significant attention on addressing the interests and concerns of this group:

> 'We organised a one-day stakeholder meeting to sensitise the communities in Karonga and Chitipa districts about the dangers of uranium mining. At the end of the workshop, the consensus was that it was dangerous for Malawi to embark on the uranium mining without thorough legal, environmental, social and economic considerations. We wanted the mine to operate with the best standards or practices from countries like Canada and Australia where it also operates' (Director of Uraha Foundation)

> 'Your first question about how are we involved in the Kayelekera issue. One was through our involvement or being a member of the mining network, the Malawi Mining Network. We are a founding member of this initiative which was initiated by Action Aid International and other international organisations. Secondly, we are also a member of the International Alliance of the Natural Resources in Africa (IANRA). As such, we would like to see that government and people of that area and Malawians as a whole are benefiting from their natural resources. Natural resources generate income and are a source of economic growth. That's why we participated in several initiatives including issues of environmental impact assessment and Environmental Impact report.' (Programme Manager, MEJN)

> 'What we did two years ago is that I started engaging with each of the NGOs personally, and I attempted to get a relationship with them individually to find out what is their objective and how we can meet their requirements if at all we can. They were not sure of the safeguards that we had put in place; they were swayed by emotional arguments about the dangers of atomic bombs. I still engage with the four; we still have discussions because they still have issues, and we will meet those issues.'(Head of Social Development Department, Paladin)

These CSOs on their own, despite possessing disruptive and coercive powers, are considered to have no legitimate claims over Paladin's operations in Malawi. Their legitimacy, although disputed by Paladin and the traditional chiefs in the district, is largely derived from their alliance with the affected communities who have legitimate and urgent stakes in Paladin's operations, but have less power to influence the behaviour of Paladin.

e. Captured NGO

Captured NGO was one of the stakeholder groups which have a direct relationship with Paladin. The Karonga Natural Resources Development Association (KANREDA) was formed in 2005 by the local leaders with financial assistance from Paladin (Africa) Malawi to provide oversight to the development of host communities affected by the mine's development. In the initial years of its establishment, KANREDA was the most powerful and only organisation recognised by Paladin as a legitimate conduit for its development assistance to the affected communities:

> 'This organisation was formed by the chiefs in Karonga. It started much earlier but our involvement came in about February 2005. They found it fit that they themselves as chiefs might not be --- in any technical languages. So they wanted a technical team which could coordinate issues with local people, government and Paladin – hence our formation. It was not easy at that time because it made two factions. As I may have said most NGOs funny enough who come from Karonga only were - I would use the word - against mine development. For them it was a death trap because they were associating uranium with nuclear bomb that happened way back during the Hiroshima bomb. So they had that picture and went round to show the people that this mining will do this and that, you know what I mean. So our side was that the government has experts: environmental specialists, geologists, the Malawi Bureau of Standards and the rest, and that uranium mining is everywhere around the world, and Malawi could not be exceptional. We said lets discuss both our side, Paladin and Government to see whether this mining is viable to come in.' (KANREDA Coordinator)

Hence, it is not surprising that it is the only organisation that supported mining development in the area and was used by Paladin to fend off opposition to the mine's development. Such a position however, makes KANREDA to be regarded as a less credible and legitimate organisation not only amongst the communities, but also the wider civil society sector in the district and beyond:

> 'I don't think KANREDA works for the good of us people living in Kayelekera and Juma villages and other villages close to the mine. We were told by our local chief that there is KANREDA which will help in the development of our area; but I can honestly tell you that those people have never visited us to talk about development. We know that the Coordinator – the former Member of Parliament – only came here once with Traditional Authority Karonga to stop local workers at the mine from protesting against poor working conditions' (Community Member, Kayelekera Village)

However, since 2007 after the protests against the mine development ended, its legitimacy in the eyes of Paladin management and influence over Paladin have been decreasing gradually.

f. Public and Private Regulatory Institutions

The potential social and environmental risks which uranium mining pose have attracted interests from international private and public regulatory institutions. For Paladin, these organisations include the International Atomic Energy Agency (IAEA) and the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA) which are interested principally in the protection of the environment and human health. These organisations' influence over Paladin is through various social and environmental standards and requirements with which Paladin's mining operations are required to be aligned; with non-compliance with such standards likely to attract heavy sanctions.

g. Employees

Employees are one of the two groups of internal stakeholders that Paladin (Africa) Limited relates to. Paladin employs two groups of staff: national staff who constitute over 65% of the total number of staff in Malawi and expatriate staff sourced from countries that have advanced mining industries such as Australia, Canada and South Africa. On the basis of the interviews with Paladin's top managers and national employees, the broad interests of Paladin's employees vary significantly depending on whether the employees are local or foreigners. For the local employees, good working conditions in terms of a good salary and job security are some of the principal interests they bring to their engagement with Paladin. On the other hand, while expatriate employees are interested in good working conditions, the major condition for their engagement with Paladin was that Paladin should guarantee their occupational health and safety in the workplace. Similarly, the degree to which employees influence Paladin's operations have tended to vary depending on whether they are local or expatriate. The expatriate staff, have a stronger bargaining power for better work conditions and a safe working environment as they cannot be readily substituted by Malawians who lack technical skills in mining. On the other hand, local employees, because of high

unemployment rates, coupled with employers' poor record in upholding indigenous workers' rights, have weak influence over Paladin's employment practices. Such a position is compounded by the fact that Paladin local workforce tends to be non-unionised and lacks collective bargaining right for better conditions.

The majority of Paladin's employees regardless of their nationality status are not involved in CSR related issues. Only a small number of employees, in particular those employed within the social development department – the department that oversees Paladin's involvement in community affairs –are actively engaged in CSR. Such a lack of employee empowerment to engage in societal issues, however, can be construed as a missed opportunity for Paladin to leverage its CSR agenda.

h. Mining Communities

The final group of Paladin's stakeholders is the mining communities in Kayelekera and Karonga district. This group is regarded as the least powerful of all the stakeholder groups that Paladin identifies with, but is considered to have legitimate claims over Paladin's operations since they are affected by them:

> 'Although we did not agree to the idea of uranium mining in our area, we feel that we have rights to demand development assistance from Paladin. This is the land of our forefathers; this is the land on which our livelihoods depended upon. But it's sad that the Government came to tell us that we should just leave the issue because they say this land belongs to the government, but now sold to Paladin'(Community Member – Juma Village)

However, this group derives its indirect influence over Paladin's operations through its strong ties with powerful stakeholders such as NGOs who by themselves may not have direct and legitimate claims over Paladin's operations:

> 'We noticed that the communities surrounding the mine and the people of Karonga who will be affected by the impacts of the uranium mining were powerless when they confronted the Government of Malawi and Paladin to respect their rights. KADET linked up with other NGOs like the Centre for Human Rights and Rehabilitation, FOCUS and Citizens for Justice to establish the Uranium Mining Network which was to ensure that the rights of the communities are respected. We engaged the Government and Paladin up to the stage when we broke up the dialogue because our demands were not met to address the legal requirements of the mining

operations. We took Paladin and the Government to court because we felt that they were violating the human rights of the people affected by the mine.' (Director, Karonga Development Trust - KADET)

Figure 7.3.1 Stakeholder Analysis – Paladin (Africa) Malawi Limited

Stakeholder Category	Stakeholder	Interests in Paladin's Operations	Salience		
			Power	Legitimacy	Urgency
State	Government of Malawi	• Protection of the environment. • Broader Societal welfare • Good labour – employee relations	Medium	High	High
Public Interest Organisations	CSOs such as KADET, FOCUS, FoE, CHRR, NAPHAM, CfJ	• Protection of indigenous communities rights. • Environmental Protection	High	Low	High
Captured Organisations	KANREDA	• Preferential Procurement • Patronage • Community Development	Medium	Low	Low
Financial Institutions	NEDBANK Capital Societe Generale Australia Standard Bank	• Return on their Funds • Business Risks Management	High	High	High
Public and Private Regulatory Institutions	• IAEA • ARPANSA	• Environmental and Human Safety	High	Low	High
Employees	• Local Employees	• Pay and job security	Low	High	Low
	• Expatriate	• Job Security • Occupational Health and Safety	High	High	High
Host Communities	Kayelekera Juma Karonga Communities	• Human rights • Environmental Protection and Human Health and Safety • Community Development	Low	High	High
Shareholders	Various	• Return on their investment	High	High	High

7.4 Perceptions of Corporate Social Responsibility (CSR)

7.4.1 Managerial Perceptions of CSR

The role of managers in shaping the CSR agenda within their organisations has been the subject of academic research (Logsdon and Yuthas, 1997; Muller and Kolk, 2010; Swanson 2008). As such, managerial commitment to the CSR agenda within their organisations may, among other factors[44], be influenced by what they perceive to be or not to be firm's responsibilities (Hine and Preuss, 2009; Holmes, 1976; Banerjee, 2001; Sharma, 2000).

During the interview with a Paladin's senior manager, three major thematic issues emerged in relation to Paladin management's perceptions about its responsibilities to the society. These issues include: a) What constitutes CSR and the nature of their social responsibilities; b) CSR as a corporate response to state failures in the provision of societal welfare; and finally, Paladin's responsibility to the environment.

a) **Paladin's understanding of CSR as a concept and the nature of the firm's social responsibilities**

The first sub-thematic issue examines managerial understanding of the concept of CSR. Paladin's understanding of the concept of CSR is that it is a firm's attempt to align its economic responsibilities with societal expectations:

> 'At the moment, we are spending stakeholder shareholders' money- investment funds that have
>
> come to set up the mine; people who invested in the setting up of mine at Kayelekera they did not
>
> agree that part of their money can be spent on a social good or project. It is unrealistic for the

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[44] Other factors include: Manager's personal values and education, although interaction of such factors determine what managers perceive to be the responsibilities of the firm

people to say you got to give us, and that philosophy needs to be explored with the communities

because we say as soon as the mine starts to produce money as in any business, then we can start

to put back money into the community'

Thus, Paladin's understanding of the concept of CSR places a primary emphasis on meeting shareholder interests over community stakeholders' interests. However, as the following sentiments show, a decision to assume a particular responsibility in society is guided by a win-win philosophy:

'As to the corporate social responsibility aspect, you need to understand that it is a balance

between the expectation of the community and the financial resources of the company and the

sense of corporate social responsibility that a company has.' (Paladin Country Manager)

For Paladin, the impetus to engage in societal issues is shaped by the positive consequential relationship between profitability and social performance:

'What they [Paladin's shareholders] said was once the mine starts to produce and generate profits

then they don't mind that money being diverted. But this is investment that has to go to the plant.

I happen to agree with that philosophy. If you are to look at CSR as a key factor in the initial

phases of the mine, then you need to put that apart and you need to say to people we need to set

aside US\$200 Million for the plant, and we need another US\$10 million to go to social

responsibility programmes which the people expects.' (Paladin Country Manager)

Such a perspective is reflective of the fact that social initiatives are understood in some quarters as a burden and cost to business; in which case, firms may be motivated to engage in social initiatives in the light of a strong financial performance. This finding renders support to the slack resources or the 'available funds' theory (Cheng and Kenser, 1997; Kurucz *et al.*, 2008; Waddock and Graves, 1997), and arguments advanced by other CSR theorists (for example Campbell,2007; Post *et al.,* 1997). They all find a consequential relationship between firm social performance and its financial performance. However, this perspective

contradicts the corporate citizen framework that calls for increased firms' involvement in societal issues, as a duty to society as corporate citizens (Carroll, 1991; Matten and Crane, 2005a). Thus, for a multinational company like Paladin, adopting a corporate citizenship framework may provide it with a better understanding necessary to re-examine its roles and responsibilities and those of other businesses in line with the ever-changing societal expectations (Moon *pers.communication,* 2010).

The second sub-thematic issue examines what constitutes CSR. An interview with Paladin's Country Manager indicates that Paladin (Malawi) understands a firm's engagement in CSR initiatives as the philanthropic investment a company makes in their host communities as a good 'corporate citizen'. Such investments as evidence in Chapter 8 of this thesis shows, may include initiatives unrelated to Paladin core business. This orientation seems to reflect the global mining industry's norms.

For Paladin, such a perspective is also reflected in the presentation of the CSR agenda to its wider stakeholders through its corporate website, as the following extract may show: *'Paladin's social responsibility programme works to address needs in four key areas: health issues, food production, education and business development'.*

Whereas such a perspective may be popular among mining companies operating in developing countries, the concept of CSR in the case of Paladin tends to be interchangeably used with the concept of corporate social investment (CSI) despite differences in their internal logics. As evidence from elsewhere may suggest, the term CSI is more popular, especially among industries, such as the extractive industry, that are perceived to have high social and environmental impacts. CSI therefore may be viewed by the firm as a pragmatic approach towards enhancing their image as an ethically oriented firm. For Paladin, the adoption of the term CSI does not come as a surprise given their experience of and

vulnerability to stakeholder pressure, and the desire to show that they are committed to the development of their host communities.

Furthermore, corporate executives' personal values and experiences are generally viewed as strong determinants of the perceptions that they hold about CSR. In turn their perceptions may principally have significant influences on how an organisation conceptualises CSR (Hine and Preuss, 2009; Holmes, 1976; Banerjee, 2001; Sharma, 2000). For Paladin, the Country Manager's experience of working in the South African mining sector, where CSR is largely viewed in terms of CSI (Fig, 2005), may have shaped Paladin (Malawi)'s understanding about CSR. The problem with such an understanding is that corporate involvement in societal issues may be construed as paternalistic and patronising, in which Paladin assumes the role of a donor and the community as the recipients of aid. In this case, whereas such an approach may seem beneficial to the host community in the short and medium terms, by understanding CSR in terms of CSI, the probability is that CSR would be unlikely to get significant attention at a strategic level (board). By conceptualising CSR in terms of CSI, CSR may not be regarded as an integral part of business strategy.

b) **CSR as a corporate response to state failure in welfare provision**

The second thematic issue highlights Paladin's understanding of CSR as a corporate response to the state's failure to provide welfare to its citizens. This issue was characterised by ambivalent responses, which were contradictory in many ways. The general impression is that there was an apparent desire by the Paladin Country Manager to present *socially acceptable responses.* Generally, the responses from the Country Manager revealed a general lack of commitment by Paladin to fill in the societal governance gaps left by the Government

of Malawi in Paladin's host communities. However, there were some instances when there was acknowledgement about the assertion that firms have social responsibilities to the society.

> 'It is not Paladin's job or the private sector's job to provide education facilities to the children of Malawi – that's government's job. We do not want to do government's jobs but we will help where we can. We will not take that responsibility nor does the government expect us to do that'

Such a labyrinth of responses demonstrates the challenges involved in identifying the exact nature of a firm's responsibility to the wider society. However in this case, Paladin's understanding may well be considered as in no way reflective of the current thinking that businesses ought to make a fine balance between economic and societal objectives. Furthermore, it shows Paladin's limited understanding of the challenges which societies in developing countries are confronted with. Since Paladin argues that it does not have a responsibility towards assisting the government in societal welfare provision, there is a great likelihood that its vulnerability to some social risks may be increased.

c) **Corporate responsibility to the environment**

Environmental preservation is one of the vital issues that the global mining industry is explicitly expected to mainstream within their operations as part of its responsibilities to the wider society. By contrast, an interview with the Country Manager revealed a sense of denial within Paladin of negative environmental impacts of the uranium mining operations:

> 'People became activated against uranium mining for what I believe are irrational reasons. They were afraid of uranium because it is dangerous, and all of that are irrational sentiments..... They [civil society organisations] lied about pollution in the lake; they lied about pollution in the rivers; they have lied about the dangers of uranium – all of which are lies because I have said that are lies because they are not true, if they are not true then they are lies by definition. I wish to tell you that

Uranium Oxide – is harmless to mankind and environment. It is a very low radiation product- you can handle it without gloves- it does not need special equipment; it's only active when concentrated into the form of nuclear energy in the generation of power that it needs to be handled properly.' (Paladin Country Manager)

Similar sentiments have been reported by Friends of Earth's Australia Chapter in its newsletter *Chain Reaction* in March, 2010:

'We are serious about the integrity of the environment. We are taking uranium out of the ground, we are exporting it to be used for productive purposes, so we should be getting a medal for cleaning up the environment,' Neville Huxham, Country Manager quoted by Jessie Boylan.

Paladin Country Manager's stance on environmental issues relating to the mines explains why Paladin particularly fails to understand its stakeholders' activism against uranium mining that they are still experiencing. Various quarters (the local government, CSOs and local communities) have argued that increased stakeholder activism arose because the mine development commenced without adequate environmental and social risks mitigation measures.

In addition, the interview revealed that Paladin understands its responsibility to the environment from an instrumental perspective rather than from a normative standpoint:

'Now we are working closely with the government agencies – Department of Environmental Affairs .... because it's in our own interest to make sure that the government is fully empowered in applying the legislation. We cannot afford at any stage for somebody to come and say there is a loop hole which you are working through.-- We are doing a lot of monitoring on site in any aspect related to the mining, and that data is fed back constantly to the Department of Environmental Affairs. We see ourselves partly responsible to the Government to ensure what we do meet any criticisms in an objective approach.'(Paladin Country Manager)

As the sentiments above show, managerial perceptions about environmental responsibility are to a great extent guided by instrumental rationale such as reputation building, risk avoidance and sustaining legitimacy. The impression from the response is that Paladin management places little or any attention to ethical connotations about its responsibility to ecological preservation. Given that the life span of the mine is in the range of 10 – 15 years, such an understanding explains how embedded short-termism is within the managerial mindset and organisational culture. By contrast, findings from other studies on managerial perceptions of environmental responsibility reveal a positive and strong managerial perception about firms' responsibility to the environment (Benerjee, 2001; Pedersen, 2010). As these studies show, strong managerial perceptions were largely observed in managers' commitment to the development of corporate environmental policies, strategies and capabilities to mitigate the impacts of their firms' activities on the environment. Undoubtedly for Paladin, a lack of concrete environmental policy confirms how lowly managers perceive the notion of corporate environmental responsibility. Since evidence suggests that uranium mining is a high environmental impact activity (Ali, 2000; Fernandez et al., 1998), corporate responsibility to the environment ought to be considered more of a normative issue than a mere pragmatic issue warranting adequate managerial attentions (Banerjee, 2001).

7.4.2   Stakeholder perceptions of CSR

The role of stakeholder engagement in shaping the firm's CSR agenda is increasingly becoming an important feature of organisational theory. Understanding stakeholders' perceptions about CSR may provide a better understanding about not only the configuration of the relationship which stakeholders may develop with a particular firm, but also their role in shaping a firm's CSR agenda. For ease of understanding the stakeholder perceptions, two

thematic issues have been identified. These include: stakeholders' understanding of CSR as a concept and the nature of a firm's social responsibilities; and finally, CSR as a corporate response to state failure in welfare provision.

a. Stakeholders' understanding of CSR as a concept and the nature of a firm's social responsibilities

The interview showed that a large majority of respondents (Paladin's stakeholders) understand CSR from a pure normative standpoint. For example, they stated that it is morally right for firms to take some responsibilities within the society in which they operate. The quotes below depict how some of the stakeholders view CSR as a concept:

> 'We are also just learning about this concept of CSR. But our understanding is that as that the company has come to Karonga to earn money from the mining operation, the expectation of the people of Karonga is that they [company] too will plough back the money to the land and people of Karonga and the Government of Malawi. The people expect that Paladin has to bring back something of value to the people of Karonga' (Director of Planning and Development – Karonga District Assembly)

> 'What we are saying is Kayelekera mining project is a project for wealth, but we want that wealth that will be provoked from there should not only be going overseas, but we should also have a share of the benefits in Karonga as well; we want the positive social and economic impacts of Uranium mining in Karonga must be felt within Karonga' (Late Paramount Chief Kyungu of Karonga District)

> 'Karonga has this land which has minerals, although our governments and ourselves could not develop, people [Paladin] who are developing it are making a lot of profits otherwise they could not have come. So, naturally you must give something back to the people of the land, and must try

to make them comfortable' (Chairman, Karonga Natural Resources Development Association – KANRED).

Whereas the large majority of respondents considered CSR from a normative perspective: 'giving back to the society', one respondent presented a different perspective about the notion of CSR. Given that CSR is currently voluntary - without any obligations attached to a firm, the interviewee gave a cautious response, and noted that CSR may be subject to abuse as a public relations tool.

> 'You know in most cases corporate social responsibility is a greenwash term; we want corporate accountability. These are two different terms: a lot of corporations talk about oh! We are good corporate citizens. It's a greenwash term to show that may be they are doing something. They are not! They are not accountable.'(Director of Citizens for Justice and Country Representative for Friends of Earth)

Thus, the respondent's view may be influenced by the publicity Paladin has been generating about its CSR record. Some[45] feel this is an attempt to deflect criticisms while not really addressing its negative impacts. The respondent's arguments reflects the corporate accountability perspective (Newell, 2002; Utting, 2008) which places obligations on firms to satisfy the implicit terms of their social contract, one of which is accountability to stakeholders for their impacts on the wider society. However, as the respondent's argument may show, in the absence of any means to ensure corporate accountability to weak stakeholders and the growing influence of multinational companies such as Paladin, CSR may be used by firms to legitimatise their reputation building exercise.

The regulation of corporate practices is one of the contentious issues in the mining industry in Malawi. The majority of respondents believe that CSR should be regulated to enhance

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[45] These include: technocrats, some local government employees and CSOs.

corporate accountability for their actions. The following quotes are representative of the study respondents' sentiments:

'I think the issue of regulating will have to put checks and balances, and it will be a system which other companies will have to follow.' (Executive Director, FOCUS - NGO)

'I think we can put some regulatory standards, and later on we should work towards regulatory practices whereby there shall come a time when people should do corporate social and environmental reporting regardless of what it is they should do reporting. It must be a practice which should be done in fact it is good for them.' (Deputy Director, Department of Environmental Affairs, Malawi Government)

'I think we don't have legislation or legal provision in Malawi on corporate or social accountability; how do we hold investors or corporate institutions accountable to their promises or to the people. If they leave, what law was to guide government to make them accountable. So it is very very pathetic that we don't have such legislation' (Programme Manager, Malawi Economic Justice Network)

However, one respondent raised a fundamental concern, and provided a cautious response about regulating CSR. His argument is that CSR as it is, is usually framed in moral terms such that its regulation may only defeat the notion of moral responsibility:

'If CSR is to be regulated, then it becomes mandatory and a requirement rather than responsibility. CSR is supposed to be a moral responsibility. I think it should be correctly pushed' (Deputy Labour Commissioner, Ministry of Labour and Manpower Development).

The interviewee seem to suggest that CSR as presently conceptualised in moral terms may be considered as a major step in itself by businesses towards integrating societal norms and expectations into their business logic without necessarily requiring hard legislation. However, the respondent fails to address some fundamental issues associated with the notion of self-

regulation which he seems to encourage. The first issue concerns the notions of corporate irresponsibility and accountability. In Malawi, where Government policy is to attract FDI, it is more likely that multinational firms would bargain for soft regulations. Certainly, any drive towards self-regulation in Malawi may only worsen corporate irresponsible behaviour and the lack of accountability for which many multinational firms are known. The second issue is the problem of deciding the minimum acceptable threshold of social interventions a firm may undertake. By increasingly recognising CSR as an alternative to regulation, it may appear that the respondent is underestimating the fact that some firms may well be encouraged to operate below the minimum levels of standards than they would with the law[46]. Thirdly, in an environment where information and lack of a culture of corporate disclosures about the social and environmental impacts of their operations, the likelihood is that the offending firms would be left unpunished for their misdemeanours (Graham and Wood, 2006). As such, for the Malawi Government, the critical issue may, therefore be to seek an appropriate balance between the two competing perspectives since both perspectives seem to offer some direction for social and environmental governance.

The interview also revealed some difficulties respondents experienced in articulating the nature of social responsibilities a firm may assume within a particular society. One respondent made the following statement:

> Everything beyond profits, they don't think it's their responsibility; for whatever returns they get, are the people surrounding [host communities] happy with the company? how many have contributed helping communities? How are they taking care of the environment surrounding them in terms of waste management, pollution control or even investing in infrastructure around? Even the occupational safety of the worker, how is it? (Deputy Director, Department of Environmental Affairs).

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[46] This is more common for firms that are only guided by the basic tenets of the shareholder or classical theories.

The respondent, as the sentiments below shows, the ability of a firm to assume the exact social responsibilities in the society is overshadowed by desire to enhance their reputation and profitability:

'If I am to assess, personally I don't think our companies are doing enough. Well if you are to look, I don't know whether they transcend that social responsibility. I don't know but if companies give that's aid, and there is no issue like social responsibility. It has to go beyond aid [philanthropy]. They are trying to promote their image; they are trying to seek sympathy from the government like currently they are trying to do football sponsorship of our national team to participate in the African Cup of Nations. It's good that they give to portray a good image, but it must go beyond mere donations.' (Deputy Director, Department of Environmental Affairs)

His argument is supported by Baron (2001) who draws on a normative perspective, and argues that any corporate involvement in social issues guided by instrumental motives such as increasing shareholder values and enhanced corporate or brand image may fall short of meeting the criteria befitting CSR initiatives. While meeting economic obligations and enhancing legitimacy by undertaking philanthropic (discretionary) initiatives may be considered acceptable, such a posture by Paladin is likely be compromised by a number of obstacles.

For a large number of CSOs interviewed, CSR is viewed in the light of the firm's ability to internalise its social and environmental costs and uphold the principles of social justice and respect of human rights of the indigenous communities. In particular, one respondent, while accepting that the primary objective of the firm is to make profits for their shareholders, highlights the need for firms to develop social and environmental risk mitigation strategies to show their responsibility to society:

'So when you look at the company it should not look at maximising its profits only, it's better to be responsible for any spill-over. So as a corporate institution, it should look into the element of

social issues of HIV/AIDS, land rights and migration which were not properly addressed in their

EIA [environmental impact assessment]; it should also look at issues of social justice and human

rights. (Executive Director, FOCUS)

As mining operations involve significant impacts on society including the loss of livelihoods, human health and social risks and disruption of the ecosystem, decisions made by a firm may indeed have wider ramifications on the well-being of their host communities. As such, it becomes an ethical imperative for the firm to take up responsibilities for mitigating the impacts of its activities on society, without waiting for the affected stakeholders to seek legal redress.

b) CSR as a corporate response to state failure in welfare provision

Corporate involvement in welfare provision has for decades been one of the contested issues in academic literature (Bowen, 1953; Friedman, 1962; Henderson, 2001). Thus, for a developing country like Malawi which is characterised by both political and governance failures, the key questions are: a.) Do firms, in such conditions, have obligations to provide basic social rights such as education, health care, reliable and clean water supply facilities to their host communities? b.) If they do have, to what extent are they supposed to assume such responsibilities?

There was a general perception among all the stakeholder respondents that firms should play an active role in the alleviation of problems within their host and surrounding communities located in a radius ranging between one and twenty kilometres away from the mine:

'So here we thought Kayelekera [Paladin] was to improve the hospital, may be build one

secondary school, roads. These are the types of things we wanted Paladin to assist the government

with. But I remember having talked to this lady Lynda Chalker when they were just beginning

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their mining in an informal chat. She said yes, Paladin is here to do something but it will not take over the responsibilities of the government. Of course the government has to do something, but Paladin is trying to improve few schools and clinics, which is not much. We know they are making more money than they are ploughing back' (Director of Planning and Development, Karonga District Assembly).

'There is an agreement in the report [EIA report] stating the projects Paladin will assist us with in Karonga. When Paladin came we asked: what are you going to do to the people in the locality, and they said what do you want us to do. You are developing the mine and yet local people cannot learn because of poor and inadequate school facilities – so we want schools; we want hospitals – there is a big hospital here but the beds are not sufficient. Actually, they promised that they were either going to build a new hospital or improve this one. This is what is in the EIA report [Development Agreement]. We did this in stages if we had done that at first we could have scared them – they could have run away.' (Chairman, KANRED)

The overall picture from these interviews[47] is that there is a limited understanding of the notion of CSR and the nature of responsibilities a firm may assume in a particular society, in particular regarding the limits of responsibility a firm can assume (Sethi, 1975). This however raises a more fundamental concern, as the evidence from interviews (stakeholders and a Paladin Manager), about a potential lack of congruence between Paladin managerial perceptions and stakeholders' perceptions about the firm's social responsibilities shows. Therefore, lack of congruence between managerial and stakeholder perceptions about the nature of a business's responsibility towards society - usually observed after managerial perceptions are translated into CSR practices - may only result in the creation of an expectations gap. Such a situation may breed a firm-stakeholder relationship based on mistrust and conflicts (Jones and Wicks, 1999) and in the worst case scenario threaten a firm's legitimacy.

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[47] Interviews involving Paladin manager and various stakeholders

7.5 Drivers of Corporate Social Responsibility

The study reveals that there are eight heterogeneous, but interactive, factors or pressures that shape Paladin's CSR agenda in Malawi. These are examined in turn in the following sub-sections. These drivers are distinctly organised into two major groups according to a recent classification by Muller and Kolk (2010): a.) extrinsic drivers; and b.) intrinsic drivers. The current study has identified six of the eight CSR drivers as externally generated pressures from Paladin's stakeholders (For a summary of the major drivers and their influence over Paladin's CSR, see Table 7.5.1 below). These include:

- Pressure from civil society;

- Community expectations and the quest for social legitimacy;

- State policy and regulations

- The Influence of Global Private and Public Regulation

- Pressure from financial markets

- Reputation and risk management

The internal drivers identified include:

- Top management

- Employees

Table 7.5.1 Drivers of Paladin's CSR Agenda

Type of Driver	Driver	Degree of Influence / Strength
Internal Drivers	Top Management	Low
	Employees (Expatriates)	Medium
External Drivers	Pressure from Civil Society Organisations	High
	Community Expectations	Medium
	State Policy and Regulations	Medium
	Global Private and Public Regulations	High
	Pressure from Financial Markets	Medium
	Reputation and Risk Management	High

7.5.1 External Drivers

a.) Pressure from civil society

The development of the uranium mine in the northern district of Malawi has attracted significant interest and concern from national and international civil society organisations (CSOs). The major concerns of these CSOs have been two-fold. First, there were concerns regarding the negative impacts of the mine on people's health and the environment, and Paladin's failure to put in place measures to address the risks which its activities pose to the communities in Karonga. Secondly, the CSOs were concerned with the lack of transparency surrounding the development agreement signed between the Malawi Government and Paladin. As a result, such developments triggered CSO activism to exert pressure on Paladin to develop a robust programme to address the social and environmental risks its mining operations posed to host communities. However, initial attempts by the CSOs based in Karonga district to engage with Paladin were not regarded as successful. Paladin consistently argued that most of the CSR related issues were considered fully in the environmental impact

assessment (EIA) and the development agreement documents that it signed with the Government of Malawi, to an extent that a separate CSR blue-print was not essential.

Cognizant of the economic and political influence Paladin has by virtue of its status as an MNC, the CSOs entered into a coalition with other national and international NGOs operating in Malawi. The national coalition eventually sought membership of the Southern Africa Mineral Network and other international civil society mining network including the Mineral Policy Institute, to increase pressure on Paladin. The impact of such partnerships was that the coalition was able to seek legal redress on the matter. The matter was settled out of court, with the national coalition of NGOs putting forward a number of conditions including demands for a CSR agenda. One of the terms of the agreement was that Paladin should make a commitment to engage in CSR:

> 'A group of NGOs (CHRR, KADET, FOCUS and CCJP) went to court. After being in court, one of the things that we realised was that Paladin as a company was not committed and willing to invest locally, and were not willing to be good corporate citizens. It's a big debate, but by the end of the day there was another court settlement, and Paladin agreed that they were going to put in place a minimum sum of US$10 million, and that was the outcome of the out of court agreement.'
> (Executive Director, Citizens for Justice)

> 'One of the reasons why we took them to court was that the EIA was not complete. Under the Environmental Management Act, there is a requisite for scoping in which a company is allowed to consult the community in a process of social assessment about what they need. Paladin never did scoping. Scoping is believed to be the baseline of the EIA. If you have not done scoping, you have no baseline. That's one aspect. The other aspect is that as allowed by law the government is supposed to organise all the consultation workshops. In this case, it was done by Paladin, and as suspicious as we were, our views and the communities' views were never reflected in the EIA. This Paladin EIA does not have any section about HIV/AIDS. And we said: can you tell us why you don't have HIV/AIDS section. They said no there is no data for HIV/AIDS in Karonga or NAC. But that was not true as local NGO FOCUS had the data, and the Karonga District Assembly also had the data. So a lot of information in the EIA is completely wrong.' (Country Representative, Friends of the Earth Malawi)

> 'I think we can't really celebrate that they (Paladin) have completely changed their thinking because of the way we (CSO coalition) confronted them; but I think we have set a tone or a precedent. I am convinced that they have really tested what they never thought they would in Malawi. They really took the issues of their environmental and social impacts very lightly, but I think they saw that we were ready for anything.' (Executive Director, FOCUS)

> 'I feel that by taking Paladin to court for failing to consider the environmental and social impacts of their operations, Paladin was left with no option but to bow down to the demands of these CSOs. Anyhow, I find their (CSOs) demands for safe drinking water and other development projects reasonable given the amount of wealth they are going to extract here.' (Senior Local Government Official).

Such actions by NGOs in Malawi conform to what several scholars have noted about the changing roles of civil society organisations in the wider society (Doh and Guay, 2006; McIntosh *et.al*, 2003; Murphy and Bendell, 1999; Zadek, 2007). For example, Murphy and Bendell (1997), in their study in Brazil, show how indigenous NGOs used confrontational strategies with the support of international partners to put pressure on multinational companies to consider their (NGOs) concerns in their operations. For the Malawian CSOs, their confrontational strategy was based on the knowledge about the significance which MNCs attach to reputation risks when they are operating in developing countries. As a result, their focus on international collaborations with these campaigning organisations was their awareness of these NGOs' abilities to mobilise their constituents in the West to put pressure on Paladin to address their social and environmental risks.

''So we launched a very strong campaign at the local level, at the national level and international level. We linked with partners in Australia, Friends of Earth International'' (Executive Director, Citizens for Justice)

''We therefore wish to state and for Paladin to know quite categorically that in addition to pursuing the matter in court, the civil society organisations now intend to address our concerns to the financial institutions who are funding Paladin's project at Kayelekera and also to the institutional shareholders holding equity in Paladin Resources'' (Civil Society Organisations' statement in response to Paladin Managing Director's statement reported in FORBES ONLINE/MiningNews.net[48])

Thus, apart from staging in-country activism targeting Paladin, these national CSOs had employed various market based strategies including strategic campaigns targeting project

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[48] An extract from 3rd March 2007 Joint Press Statement on Civil Society Organisation concerns on statement by Mr. John Borshoff, Managing Director of Paladin Resources Australia, available at: www.minesandcommunities.org/article.php?a=1429 and accessed on 14th January 2010

financers and use of proxy voting arrangements. The main objective of these actions was to create awareness of the corporate misdemeanours in its operations in Malawi, and influence decisions at Paladin's annual general meetings.

Certainly, the pressure by the CSOs on Paladin demonstrates a significant shift in the governance arena where the CSOs are in principle, undertaking corporate regulatory functions previously under the realm of national governments (Zadek, 2007). Nonetheless, certain stakeholders sympathetic to Paladin saw the confrontational nature of engagement with Paladin which these CSOs pursued as counterproductive and detrimental to socio-economic development:

> ''It was not easy at that time because it made two factions. As I may have said most NGOs, funny enough come from Karonga only, were against mine development. At the time, we had to go and sign the agreement, they came to confront us and asked us to work together. We agreed to their set up; but their demands were too much for Paladin. So we said no, that we can't discuss; you forward them [demands] to the interested parties. But we told them that the procedure is write to government because they [local NGOs] had to blame the Government and Paladin. These people never accessed the volumes of EIA because they said it is too big. We [KANRED] did this because we had to explain to the people. At this time, they also divided themselves: some signed and some didn't. Actually, it was more on personality clashes. I mix politics with business. As you know I have been in different parties.'' (KANRED Coordinator)

Such sentiments are, however, not surprising given that KANREDA, as various commentators in the district and its Coordinator suggest, was established with the financial support from Paladin to counter threats from the anti-mine CSOs:

> ''The association – actually KANREDA - was formed as an association incorporated as well as registered by the government. Paladin at that time were the ones who paid for the lawyers to start this KANREDA'' (KANREDA Coordinator)

Furthermore, by Paladin had expected that a strong and effective KANRED would be capable of influencing and mobilising the communities and other stakeholders in Karonga district to support the development of the mine:

> ''So Paladin, ourselves as KANRED through the chiefs had to go round the whole Karonga district to advertise the EIAs report and garner the support of the communities for the mine development.'' (KANRED Coordinator)

b.)   Community Expectations and the quest for social legitimacy

For Paladin's host communities, socio-economic challenges in the form of poor road infrastructure, inadequate state provision of health care and education and worsening poverty levels have raised the communities' expectations about Paladin's role in alleviating such problems. The expectation by the mining communities and surrounding communities is that Paladin will take up some of the roles expected to be played by the Malawi Government:

> ''Our area and Karonga district has suffered in silence for a long period of time: as you can see we never had an all weather road linking us to the district headquarters; we had a small but dilapidated clinic with no power supply. Our children used to walk long distances to go to school. Now that Paladin has come to our area, we expect them to solve some of these problems because whenever we ask the government to build a good clinic, school, and provide us with clean water they say they don't have funds. They will provide these things as soon as funds are available. But now we consider ourselves lucky because of Paladin's presence and we expect them to assist us with these problems.'' (An opinion former during a focus group discussion at Kayelekera Village)

Such expectations and the spirit of 'charitable giving to those in need' are strongly embedded within the Malawian cultural and religious value systems and norms. In Malawi, there is a widely held belief that a 'visitor brings good tidings and hope' to his / her host community. Furthermore, the early Christian missionaries, through their works in spreading Christianity and ending the slave trade, brought to Malawi certain values including charitable giving that still influence the value systems of the Malawian society (Mulwafu, 2004). Essentially, these missionaries introduced modern agricultural production practices, commerce, and made significant contributions to education development and health care delivery services.

What this means for companies is that as a company moves in and starts operating in Malawi, particularly in this period when the country is facing socio-economic challenges, the

expectations of most Malawians would be for increased business involvement in societal issues. Hence, despite community awareness of the potential social and environmental costs which Paladin's investment would bring to society, the development of a uranium mine raised community expectations about Paladin's role in the development of the area. The response from a Paladin official indicates that community expectations are probably one of the significant drivers of the CSR agenda:

> "We will not take that responsibility [government's responsibility to provide public services] nor does the government expect us to do that. But the communities have an expectation and we have to balance their expectation and of what we will put in and the funding we will put in, but also what the government will do." (Paladin Head of Social Development Department)

Paladin's quest to meet such expectations conforms to what several scholars have suggested. Their argument is that the firm's ability to attain social legitimacy within their host society is usually conditioned by its ability to align its social agenda with the perceived community expectations shaped by societal values and norms (Preston and Post, 1975; Suchman, 1995; Wood, 1991). For Paladin, aligning its actions with community expectations may represent a major step towards attaining its social legitimacy in light of the strong resistance these communities have shown to mining development (Dowling and Pfeffer, 1975; Eweje, 2006; Suchman, 1995).

c. State Policy and Regulatory Pressures

The role of the state and its regulatory and policy frameworks in shaping the CSR agenda in developing countries has been one of the most widely debated issues in CSR studies. The major concerns have been: a) the weak institutional capacity of developing countries' governments to enforce corporate regulations; and b) actions taken by some powerful MNCs

to influence host developing countries' governments to develop weak regulatory regimes of corporate conduct. In Malawi, despite evidence showing that the social and environmental regulatory and policy frameworks are relatively under-developed, there are a number of regulations and policies related to mining operations. These regulations may be divided into two categories: those that relate to environmental governance and those that are related to social development. Regulations within the environmental governance related category include: the outdated Mines and Minerals Act (1981) and the Environmental Management (EM) Act (1996). Although mining operations in Malawi are currently governed by the Mines and Minerals Act (1981), the Environmental Management Act is understood to be the overarching legislation that regulates environmental related operations in all the sectors of the Malawian economy. On the other hand, the social development related regulations shaping Paladin's CSR agenda include labour related regulations such as the Employment Act (2000), Labour Relations Act (1996), and the Occupational Health, Welfare and Safety Act (1997).

So for Paladin, it is inevitable that regulations represent one of the most significant issues that influence Paladin's CSR agenda. Essentially, compliance with state regulations in its operations was the basis on which its mining licence was granted. Specifically, the Environmental Management Act and Environmental Impact Assessment (EIA) Guidelines place obligations on the mine developer to undertake a thorough Environmental Impact Assessment (Government of Malawi, 1996). The following sentiment from a Paladin official confirms the obligation the EM Act places on Paladin:

> ''We are very obviously involved in the environmental impact assessment which we had to do in preparing to put up the mine in order to comply with the requirements of the Environmental Management Act.'' (Paladin Country Manager)

The Government of Malawi's expectation was that recommendations from such exercises should form the basis by which mitigation measures for the environmental and social impacts

the firm's activities may be generated for the wider society. Such expectations are clearly stipulated in its EIA Guidelines for mining projects. The guidelines, for instance, stipulate that any EIA report produced should, as a minimum, incorporate social impact mitigation measures such as: employment creation, stimulation of the local economy, provision of business skills and opportunities to local communities, and infrastructural development. The range of CSR initiatives undertaken by Paladin in Karonga district is clearly in conformity with the profile of CSR activities stipulated in the EIA Guidelines for mining projects.

Not only do Paladin CSR initiatives represent a response to demands by environmental governance regulations, its CSR agenda may also be understood to be an attempt to meet the requirements of labour-related regulations in Malawi. Labour laws require a company to comply with minimum standards in specified areas like wages and other conditions of work. While provision of good working conditions such as better wages and other benefits by Paladin may be seen as part of its commitment to attract good employees, such actions to a greater extent represent compliance with labour related regulations:

> ''We are operating within the laws of Malawi, we pay according to the Laws of Malawi; anything is done according to the labour laws of Malawi. They [employees] have a democratic right to do what they wish in the work place. We don't have the ability to say we cannot do that. Workers are free to choose whatever work requirements, as long as it is within the labour laws of Malawi. The Labour Act is our guide. We train them and give good training. We are very safety conscious in the mine. We have highest safety standards in the mine; so we are bound by the labour Act and labour laws, and we take all those things very seriously'' (Paladin Country Manager)

Just like the environmental laws, compliance with such legal requirements remains one of the significant obligations Paladin had to accept and meet before a licence to operate was granted. Failure to meet such obligations may result in strong sanctions being imposed on the company.

Whereas a regulatory framework may be understood as one of the major drivers of Paladin's CSR agenda in Malawi, it would be wrong to assume that enforcement of compliance with such regulations is effective. Enforcement of compliance with regulatory regimes is generally problematic and sub-standard. Such a state of affairs is not new to the Malawian regulatory environment. Part of the problem is the general weakness in the institutions mandated by the Government of Malawi to undertake regulatory oversight. However, it is not clear why the regulatory authorities mandated to enforce corporate regulations are so weak. One argument is that these enforcement authorities lack adequate financial, physical and human resources to undertake such roles as stipulated in the relevant regulations:

> ''Currently our capacity is limited, but we are working with the city councils. Over time, their capacities have also been diminishing, and the standards have been going down. For us too, we are in the process of increasing our capacities – we are going to recruit inspectors. We want each one of the cities to have an inspector of our own. The inspectors will be placed in the Department of Environmental Assessment and Pollution Control. So we are trying to build our capacity so that we cannot depend on others.'' (Deputy Director of Environmental Affairs)

As a result, the few trained professionals in these bodies have become frustrated and leave the public service in search of good working conditions elsewhere. For instance, during the fieldwork, it was learnt that the only qualified Government radiation expert had left the government to join Paladin - the company the Government is supposed to regulate. Certainly, in such situations where the company has better access to expertise than government machinery, regulatory oversight by the government may be seriously compromised. For instance, there were concerns by various quarters, in particular the CSOs, about the manner in which the drafting of a new Radiation Management Bill was done. The CSOs' major concern was the perceived undue influence by Paladin on important provisions within the Bill - the validity of which is supported by sentiments from a Paladin official:

‘‘We are working as closely as we can because we cannot afford at any stage for somebody to come and say there is a loop hole which you are working through. So we are making quite sure and we have been guiding the Government on environmental matters. We don't want to be the one to tell them what they need to do but will guide them as much as we can. But we are working very closely with all the agencies concerned.'' (Paladin Country Manager)

Such levels of corporate involvement in regulatory processes raise some questions about the effectiveness of such regulations in regulating the practices of a company whose guidance was instrumental in the development of the regulations. Reed (2002) suggests that such a tendency for MNCs to lobby developing countries' governments for soft regulation is common when an MNC becomes aware of the economic vulnerability of its host country. In the present study, the prospects of losing potentially lucrative mining ventures, coupled with a lack of technical expertise in radiation management made the Government of Malawi vulnerable to undue pressure from Paladin:

‘‘The thing is that they used psychological coercion on the Malawi Government– to say if you don't give us the licence we are going to leave this country, and do the mining elsewhere. And if we do that, we are going to sue you. You know there is a process by the World Bank that if an investor comes to the country with Foreign Direct Investment, they have spent so much money, and if the projects collapses in the initial stages because of the government's fault, then the Government has to pay the company. So the Government of Malawi was taken by surprise because they don't have an understanding of the industry, and that the company is aggressive and knowledgeable. So the government was at a disadvantage. And so when it came to the tax regime in the development agreement, the company started dictating terms. When asked to see the development agreement, we were told that it's not a public document . How is it not a public document when it is a public document seen by shareholders in Australia?'' (Executive Director, Citizens for Justice, Malawi)

The second mechanism by which the Government of Malawi influences Paladin's CSR agenda is through the various policy and strategic frameworks that have been developed over

the years. The most significant policy instrument has been the Malawi Growth and Development Strategy (MGDS), a Malawian version of the United Nations' Millennium Development Goals. The strategy calls for increased private sector involvement not only as an engine for economic growth, but also an important player in the social development of Malawi through the creation of employment and engagement in sustainable development (Government of Malawi, 2006b). As such, there have been attempts by Paladin to engage in social initiatives that are potentially consistent with some of the strategic objectives of the MGDS. For instance, a Paladin official stated that:

> ''We sat down with the government to work out how we are going to run the mine, we had what is called the development agreement which we negotiated with the government. It's a very big document; it covers every aspect of the development including social responsibility, including participation by the community. The obvious aspects include: health, education, job creation and business development.'' (Paladin Head of Social Development Department).

Paladin's CSR agenda may be seen as a direct response to the expectations of the Malawi Government reflected in this overarching policy framework. By undertaking CSR initiatives that conform to strategic pillars of the MGDS, Paladin may be building a good reputation and a strong relationship with the government – the necessary attributes for enhancing its legitimacy within Malawi.

d. The Influence of Global Private and Public Regulation

The demands by international organisations and other international regulatory agencies on multinational companies, as well as national companies, have been a significant force in the international governance arena. Such demands are viewed as an attempt by international governance institutions to mitigate the social and environmental impacts brought about by

economic globalisation on the livelihoods of the majority of people in developing countries. The focal area of influence by these organisations has been on ensuring that corporate conduct is not only based on ethical business principles, but also on the values of transparency and accountability.

The nature of Paladin's operations – uranium mining – requires compliance to internationally ratified minimum standards. As uranium mining is generally associated with social and environmental risks, the development of mitigation measures for such risks has become a dominant issue in global corporate regulation. As such, the roles and influence of the United Nations International Atomic Energy Agency (IAEA) and the Australian Government atomic agency, the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA)[49] have become paramount.

For the IAEA, one of its strategic aims is to ensure human and environmental protection and safety from radiation exposure. It achieves this by licensing and monitoring uranium mining and exporting processes that meet and comply with the requirements of internationally ratified conventions and treaties [50]. For Paladin, its uranium production processes and handling of the 'yellow cake' are understood to be in compliant with relevant IAEA protocols:

> ''So they are very strong protocols by the International Atomic Energy Agency around protection
> and security of this particular product [uranium oxide] which we are licensed to produce and
> export.'' (Paladin Country Manager)

The handling of uranium oxide in Malawi by Paladin is also governed by the ARPANSA Act (1998), an Australian Government atomic agency. The ARPANSA has a code of conduct to which any company engaged in extracting, handling and exporting of radiation materials has

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[49] For detailed information, see www.arpansa.gov.au

[50] For more information, see: www.iaea.org

to comply. Compliance to the ARPANSA code is the basis upon which mining licences are granted. Although the ARPANSA Code may be understood as being relevant for mining operations in Australia, compliance to this code by Paladin in Malawi is an attempt by Paladin to demonstrate that it does not apply double standards in its operations.

A commitment by Paladin to meeting the requirements of both the IAEA and ARPANSA guidelines and standards is clearly stipulated in its EIA report for its Malawian project:

> ''Paladin is committed to the following best international practice in terms of radiation protection of workers, members of the public and the environment. This will be achieved by aligning the Kayelekera mining and mineral processing operations with standards defined by the international Atomic Energy Agency (IAEA) and the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA).''

The significance which Paladin attaches to compliance with IAEA protocols and the ARPANSA Code is evident by senior managers' commitment to developing adequate measures to minimise human and environment exposure to radiation.

e. Pressure from financial markets

Investment and project financing decisions are increasingly made on the basis of how the loan applicant envisages integrating the economic, environmental and social viability and the risks of the proposed projects. The degree to which these concerns are given adequate consideration however is largely contingent upon the capital markets' sophistication and the brand and reputation risks a given capital market is vulnerable to (Wright and Rwabizambuga, 2006). Recognising the value of their brand reputation, and their links to listed or financed companies, financing institutions and stock markets are gradually re-evaluating their financing or listing requirements. For a significant majority of these institutions, it is

understood that they are increasingly demanding that companies should consider social and environmental concerns in their operations, as part of the financing and listing requirements (Zeller Jr, 2010).

The first group of financial institutions that influence Paladin's CSR agenda are the stock markets where Paladin's shares are traded. Paladin Energy, the parent company of Paladin (Malawi), is a public company listed on a number of international stock markets in Australia, Western Europe and North America in order to access investors' funds. However, the most significant capital markets for Paladin stocks are: the Australian Stock Exchange (ASX) and Toronto Stock Exchange (TSX). Both stock exchanges have stringent listing requirements that demand integration and disclosures of social and environment issues in the company's listing application packages and business reviews as a condition for listing on the markets. For example, the ASX Listing Rule 4.10.17 states that:

> ''Contemporary review should include an analysis of industry wide and company specific financial and non-financial information that is relevant to an assessment of the company's performance and prospects'' (p.4 of the Listing Rule Guidance)

As such, these rules place an obligation on the listed companies to uphold the highest ethical standards in their business dealings. For Paladin, compliance with these requirements represents a significant motivation to develop a CSR programme. However, these stock market listing rules are not without weaknesses. The major weakness of these is that they are voluntary and place no obligation on the listed firms to report on specific environmental and social parameters related to their industry.

The final group of institutions that have a significant bearing on Paladin's CSR agenda comprises the project financing institutions or banks. Interviews with Paladin officials show that financial institutions for projects of Paladin Uranium Mine Development's magnitude are

normally keen on assessing the prospective loan recipient's capacity to manage social and environmental risks associated with projects which they intend to finance. As the perceived impact of such risks on the reputation of the financial institutions becomes more profound, a business case for making the project developer cultivate capacities in managing such risks, and ensuring compliance with the host country's statutory laws and regulations, becomes inevitable [51]. By considering social and environmental risks in their project financing arrangements, these institutions are protecting their reputation and that of the project developer in case a social or an environmental scandal emerges in future project operations. The Kayelekera Uranium Mining Project is financed by three major financial institutions: Societe Generale Australia, Nedbank Capital and Standard Bank[52]. These three institutions subscribe to the Equator Principles, a private voluntary standard aimed at influencing financial institutions to address social and environmental risks in their project funding processes.

Since the Kayelekera project is a Category A project[53], the capacity to address such risks, as stipulated in the Equator Principle Lending Guidance for Equator Principles Financing Institutions (EPFIs), was central to the lending requirements of their project financing institutions. The significance of the Equator Principles as a driver for Paladin's CSR agenda is clearly captured in the following quotes:

> ''We subscribe to the Equator Principle, and we also bear in mind that later this month, I will be hosting a group at the mine of 20 analysts from Australia. We have bankers who come. These people look at those issues; they are the ones who are lending the money to us. They are

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[51] For detailed information, see www.equator-principles.com

[52] For the list of institutions that subscribe to the Equator Principles, see: www.equator-principles.com

[53] The Equator principles classify projects as A, B, C in which case the project in Categories A and B are considered to have high irreversible and high but localised social and environmental impacts respectively.

responsible to their shareholders to make sure that the money is properly accounted for in terms of our social responsibility. We do a quarterly environmental report, and a social responsibility report to our financing organisations. So every quarter we feedback the information about what we are doing, how we are doing it and why we are doing it.'' (Paladin Country Manager)

''Compliance with environmental and social laws and regulations, and the project's environmental and social action plan, is a key covenant of project finance agreements. Reporting requirements should also be included as a covenant. Material non-compliances with the covenants will normally constitute an event of default under the loan agreement'' (EPFI Lending Guidelines, p.2)

Thus, the evidence above demonstrates the remarkable influence of the Equator Principles on Paladin's drive to integrate environmental and social concerns into their mining projects in Malawi. For the Equator Principles Framework unlike other voluntary frameworks, there is a strong focus not only on monitoring compliance with its guidelines and seeking consensual remedial actions with the borrower, but also on sanctioning punitive measures for non-compliant borrowers.

f. Reputation and risk management

The association between the reputation and CSR profile of a company is at the core of the firm's quest to maintain sound and healthy relationships with its stakeholders (Fombrun and Shanley, 1990). This is more crucial for high social and environmental impact industries which have recently been the subject of stakeholder activism, and which are more vulnerable to reputation risks than their contemporaries in low impact industries. Certainly, reputation created on the basis of strong social performance may have a positive effect on the firm's ability to minimise its vulnerability to certain business risks such as risks of operations'

disruption and litigation (Vogel, 2005). As anticipated, Paladin's drive to engage in CSR is an attempt not only to build a good corporate image as an ethical firm, but also to reduce business risks in view of stakeholder activism against its mining operations. Such actions by its stakeholders (NGOs and communities) could potentially have created a bad image among investors, financial markets and lending institutions. As noted elsewhere, investors and lenders are very sensitive and averse to any environmental and social risks which the projects they fund might be susceptible to.

Paladin developed a CSR programme as part of its risk management strategy, in an effort to minimise the risks of confrontation and build up goodwill with some of its stakeholders, in particular the CSOs and communities. Paladin had used CSR initiatives with high visibility (for example, a water supply project), to attract media coverage and backing from influential politicians including the President. By raising its CSR profile with influential stakeholders, such as the Government and media, Paladin's expectation is that it would receive more support from them in the event of vulnerability to reputation, litigation and legitimacy risks.

7.5.2   Internal Drivers

a.)   Top management

The study revealed that top managers established a social development department - headed by a senior manager - to manage and coordinate Paladin's response to societal demands and management of social risks. As one of the senior local government officials notes, it is apparent that the implementation of Paladin's CSR agenda is principally driven by top management:

> ''The managers at Paladin decide the community projects they support in the district. Their
> projects are coordinated by the Social Development Department. We hear from our colleagues in

the agricultural, health and education departments that they work with one Mr Neville. We, at the district assembly level, when it is time to receive monthly reports from them, it is the same Mr Neville – who gives us reports. I think he does this because he want to make sure that the money they invest in these projects is well spent. But in the long term, I think it would be a good approach if Paladin trusts us to implement these projects on their behalf because we are very close to the people.'' (Director of Planning and Development, Karonga District Assembly)

While putting in place structures that champion such issues may, in certain circumstances, demonstrate commitment to the management of social and environmental risks, such an undertaking by Paladin could be viewed merely to be a response to externally generated pressures:

''At the moment, we are spending stakeholder shareholders' money- investment funds that have come to set up the mine; people who invested in the setting up of mine at Kayelekera they did not agree that part of their money can be spent on a social good or project. It is unrealistic for the people to say you got to give us, and that philosophy needs to be explored with the communities because we say as soon as the mine starts to produce money as in any business, then we can start to put back money into the community. It is not Paladin's job or the private sector's job to provide education facilities to the children of Malawi – that's government's job. We do not want to do government's jobs, but we will help where we can. We will not take that responsibility nor does the government expect us to do that'' (Paladin Country Manager)

As the sentiments of the Paladin official show, it can be argued that without external pressures, Paladin would not have become committed to mitigating the social and environmental risks of its operations in Malawi. Hence, it can be argued that top management is generally the weakest driver of the CSR agenda pursued by Paladin, although its role in the implementation of the CSR agenda may be considered indispensable.

b.)   Employee recruitment and retention

Recruiting and retaining good quality employees is at the core of a firm's competitive advantage over its rivals. It is increasingly accepted that the reputation a firm builds is strongly associated with its ability to recruit and maintain good quality employees (Turban and Greening, 1997). Similarly, a reputation built on a firm's social performance may be

considered as one of the many attributes which prospective employees use to compare employers in order to select their preferred company (Turban and Greening, 1997). A positive CSR record may provide a positive but early indication to the prospective employee of the firm's commitment to the provision of a good work environment.

This study found that Paladin's primary relationship with its employees is two-fold. First, as uranium mining poses significant health risks to those workers who handle radioactive materials, Paladin believes that attracting and retaining good quality staff may depend on its commitment to the provision of a safe working environment:

> ''All our people come from big mining companies all over the World and they know what the requirements are. We have people from Australia, Canada and South Africa and other big mining areas, and not all of them are prepared to work in mines that do not subscribe to high mining standards'' (Paladin Country Manager)

Secondly, availability of highly trained mining professionals in Malawi is one of the major challenges that the mining industry is likely to face as international companies' interest in mineral resource development surges. As a result, there is a strong impetus by Paladin to become an 'employer of choice' and retain such rare talents. Paladin demonstrates this by creating a working environment that enhances employees' motivation, productivity and commitment to achievement of organisational objectives. However, as the sentiments from a Paladin official reveal, provision of better working conditions is not limited to skilled and scarce talent, but also extends to its unskilled workforce:

> ''We pay according to the Laws of Malawi; we provide social accommodation and feeding arrangements. Workers are free to choose whatever work requirements, as long as it is within the labour laws of Malawi. The Labour Act is our guide – we have to know that our labour force is paid better than anybody else in Malawi. Many of the labour force come totally unskilled. We train them and give good training.'' (Paladin Country Manager)

However, this study has revealed two interesting, but contrasting patterns with respect to the significance employees tended to attach to Paladin's employment policies. The significance employees attached to labour related issues tended to vary according to whether the employee was a Malawian national or an expatriate. Whereas commitment to the provision of a safe working environment was a major issue for foreign professional staff, good working conditions in terms of good salary, career progression and other benefits were considered to be more significant issues for local employees:

> ''To be honest with you, the salary I get is far better than what I used to get at my previous employment. But that is not the only reason I would like to stay here at Paladin; I have a strong feeling that my chances of getting promoted are really high here. I am currently understudying an expatriate staff, and have been earmarked for a more senior position [*position withheld for the sake of anonymity*] once the current holder of the post who is an Australian expert leaves next year'' (A Middle-level manager)

> ''Although finding a job is tough, the other reason I continue to work for Paladin is that their working conditions I think are the best in the country. Before joining Paladin as a plant operator, I used to work as a security man with a supermarket at the boma [town centre] where I was only paid MK6,000 (£24) for a month's work housing allowance inclusive. Now that I am with Paladin, I get around MK40,000 (£160) per month; we eat in the company's canteen and we are provided transport free of charge to and from work.'' (Plant Operator, Paladin)

Such a variation indicates that the degree to which employees factor in the CSR performance of prospective employees in their decision regarding choice of employers is context specific, and mediated by other factors including culture (Williams and Zinkin, 2008). For the local employees in this study, the prospects of good financial rewards and career progression were the major considerations for their decision to choose Paladin (Vogel, 2005).

7.6   Chapter Summary

This chapter has examined managerial and stakeholders' perceptions about the notion of CSR in general and their understanding of Paladin's social and environmental responsibilities within their host society. It has also analysed major factors that motivate Paladin to engage in corporate social responsibility in Malawi.

On the whole, a more fundamental issue is that managerial perceptions about CSR tend to differ significantly from stakeholders' perceptions. For stakeholders, the social responsibilities which a firm assumes were largely framed within corporate citizenship and communitarian frameworks (Crane and Matten, 2005). Under these frameworks, stakeholders considered the notion of CSR in terms of 'a company giving back to society part of its profit', the notion which firms could demonstrate by increasingly undertaking some roles that the Malawi Government is currently failing to undertake. On the other hand, Paladin's management perceptions about corporate social responsibilities may be considered as ambivalent. First, there is an apparent a denial by Paladin management that a firm should assume some social responsibilities within the society in which it is operating. Their argument may be interpreted as grounded within minimalist and neo-classical perspectives (Friedman, 1962; Henderson, 2005) since Paladin considers the provision of basic social rights as the responsibility of the state. Undertaking such roles, as the arguments show, would constitute misusing shareholders' funds earmarked for mining development. Second, although the organisational philosophy with respect to CSR is based on neo-classical foundations, there is a painstaking recognition by Paladin's management of the firm's responsibility to meet some of the expectations of their host communities.

This chapter has also analysed the drivers of the CSR agenda pursued by Paladin (Malawi). In this study, eight sets of drivers responsible for Paladin's engagement in social responsibility initiatives have been identified. These drivers are categorised into: a.) institutional drivers which include: top management commitment, stakeholder activism, community expectation and quest for legitimacy, government policy and regulatory pressure, influence of global public and private regulation; and finally, market drivers which include: reputation and risk management, employee recruitment and retention and finally, pressure from financial markets. Although these drivers may slightly or significantly differ, the

emergent picture is that they interact in many ways. For example, Paladin's quest for reputation as an ethical company had a mediating effect on all the remaining seven identified drivers of its CSR agenda. Nevertheless, this chapter has raised questions about the potential impacts of variations in CSR perceptions and the drivers of CSR on the overall dimension which Paladin's CSR agenda takes, and the nature of the relationship it forges with its various stakeholders. These questions will be addressed in detail in Chapter 8 of this thesis. As such, the next chapter sets out to examine the CSR practices and the nature of stakeholder engagement pursued by Paladin. A review of Paladin's background, its core values and CSR policy precedes the examination of these two core issues.

Paladin's CSR Practices and The Politics of Stakeholder Engagement

8.0   Chapter Overview

This chapter sets out to explore the dimension of Paladin's response to social and environmental issues (also known as the CSR agenda) in its host communities in the Karonga district of Northern Malawi. This chapter is therefore divided into three major sections. The first section reviews the various CSR practices espoused by Paladin (Malawi), and their impacts on the wellbeing of its host mining communities. It has to be pointed here that while the notion of CSR may be seen as broader, the term CSR is interpreted by Paladin and the majority of its stakeholders as the social initiatives that contribute towards community development. However, in this thesis, while emphasis will be placed on examining CSR strategy and practices in relation to community development, attempts will be made to include labour related practices in the analysis. The second part of the chapter examines the practices which Paladin employs in engaging with its stakeholders in its attempts to address the social and environmental issues its host communities may face as a consequence of its operations. The final section concludes the major findings.

8.1   Corporate Social Responsibility (CSR) Practices: An Overview

Locke (2003) identified four predominant forms of CSR practices available to any company in a particular society. Such forms of practice include: minimalist CSR practices;

philanthropic CSR practices; encompassing CSR practices (sustainability driven); and finally, socially -oriented practices. For Paladin, philanthropic CSR has been a predominant form of CSR practice since 2009 when it started implementing its CSR agenda. This form of CSR has largely been constructed in terms of the provision of water supplies, education and health facilities, and business and agricultural development initiatives. Projects implemented within these areas have however largely been short-term, with the water supply project considered as the only long-term project.

Although these philanthropic based CSR initiatives are considered as an easy option for Paladin to demonstrate commitment towards addressing some of the negative impacts on its host society, the problem with its practices in Karonga district has been that identification of such initiatives did not adequately embrace the notion of community participation. Perhaps, adoption of such an approach to community development may have been influenced by a strong desire to align its CSR investments with the Malawi Growth and Development Strategy. Furthermore, it is likely that Paladin may have wanted to use these highly visible initiatives as a public relations tool to deflect criticisms from certain stakeholders such as the advocacy CSOs, given that it is consistently seen as a target of CSOs campaigns.

It is not surprising therefore, that a significant majority of Paladin's stakeholders in the district are uncertain as to whether its initiatives are likely to bring the sustainable development of the host communities. The flaws in the CSR strategy which Paladin undertakes to implement its CSR agenda in its mining district reinforces what Heiss et al. (2002) postulate as the success factors of any corporate social initiatives which a firm can implement within a particular community. Heiss et al. (2002) argue that the success of any CSR initiative is likely to depend on two critical factors: a.) involvement of the communities in the design of such initiatives; and, b.) the design or identification of CSR initiatives that are aligned to the core business of the firm. Consistent with Whitehead (2006), they warn

firms that depending on 'easy to implement' initiatives that are usually characterised by lack of creativity can potentially be counterproductive to their reputations, especially when undertaking such initiatives can bring a firm's lack of commitment and innovations to the attention of stakeholders. Therefore, on the basis of stakeholders' perceptions about Paladin CSR agenda, and arguments by Heiss et al. (2002), it can be argued that Paladin may have failed to take advantage of the opportunity to enhance its reputation among its stakeholders in the district as a caring and trust-worthy company because it failed to guarantee adequate participation by its host communities in the identification and implementation of community projects.

The final form of CSR practices Paladin implements are the minimalist CSR initiatives. These practices are essentially some of the core issues within the remit of Paladin's business. Such issues are largely labour and employment and internal environmental management practices. Unlike the philanthropic, encompassing and the social-oriented forms of CSR, the minimalist CSR initiatives of Paladin can be considered as inward looking, but also critical to its survival. Such initiatives, as Banerjee (2001) and Levitt (1958) note, are usually aimed at responding to the interests and needs of the internal stakeholders.

Table 8.1.1 Paladin CSR Practices in Karonga District in Malawi

CSR Thematic Area	CSR Initiative	Category / Type of CSR Initiative	Coverage / Extent
Education	- Rehabilitation of school blocks - Payment of teachers' salaries	Philanthropic CSR	- 10 schools rehabilitated - 6 primary school teachers' salaries paid by Paladin
Agriculture	- Provision of technical advice - Provision of farm inputs	Philanthropic CSR	-
Environment	- Construction of tailings dam for waste management.	Minimalist CSR	2 tailings dam constructed
Health	- Rehabilitation of clinics	Philanthropic CSR	2 Health Clinics rehabilitated and accessed by 6000 people
Business Development	- Facilitation of linkages to financial providers - Business management training	Socially encompassing (sustainability driven) CSR	-
Water Supply	- Construction of water supply	Philanthropic CSR	40,000 people reached out

8.1.1 Corporate Social Investment: A New Form of Societal Governance?

Undertaking short-term, specific community development projects around a mine has been Paladin's norm since 2009. Such an approach however, to a limited degree, is motivated by sense of 'doing the right thing' philosophy:

> 'We know the communities have an expectation from us to have good basic social facilities, but we have to balance their expectation of what we will put in and the funding we will put in. But the bottom line is that we also expect the government to do their part.' (Paladin Country Manager)

Such philanthropic CSR has been modelled not only on some of the strategic areas of the Malawi Growth and Development Strategy, but also on the requirements of the Australian mining industry's *Enduring Value* and ICMM sustainable development frameworks. However, these initiatives, as one of the influential community members states, do not entirely reflect community expectations:

> 'We believe that Paladin is forced to implement some of these projects just to appease us because we did not want them to start the mine in our area. I am saying so because instead of tackling the most pressing problems in our areas, for example, Paladin is trying to teach a few people how they can grow vegetables. I think that that's not a right size of the project a large company like Paladin can get involved in. Vegetable growing has been one of the activities that we have learnt from the Ministry of Agriculture in the past, but has not helped us move out of poverty. They are problems that have made us remain poor in this area; the problems that Paladin has never bothered themselves to understand. We want real community projects such as good schools, clinics, good roads' network and loans for small scale businesses. I think these are some of the projects that are going to move us out of this poverty.' (Mr Gondwe, an Opinion Former in Kayelekera area)

For this respondent, the sustainability of Paladin's philanthropic CSR initiatives within these communities would have been more successful had Paladin undertaken wider consultations with the communities in identifying specific community projects to address their pressing needs. Moreover, the respondent's sentiments suggest that there is a growing discontent within Paladin's host communities about the scale of investment in community projects and

Paladin's commitment to the development of its host communities given the wealth they are expected to generate from their mineral resources.

To support implementation of these philanthropic initiatives and to manage its relationship with its stakeholders, Paladin Africa established its Social Development Department under the guidance of an executive manager. The department is staffed by community relations officers with expertise in areas of Paladin's CSR interventions. However, the integration of this department with the core business function is an issue of concern, which on the other hand, has impacted on Paladin's ability to translate its CSR strategy into sustainable community development projects.

a. Water Infrastructure Development

Chronic water shortages and pollution of water bodies through human activities have been some of the major problems in the uranium mining district of Karonga. Concerns from the CSOs and communities about the potential health and environmental impacts associated with the pollution of the water bodies and the lack of measures to address such risks were key areas of concern. In 2007, following a major period of protests by a coalition of NGOs and court litigation, Paladin made a commitment of US$8 million dollars to the Government of Malawi towards the upgrading of potable water supply facilities in the district to serve 40,000 households[54]:

> 'By the end of the day there was another out of court settlement, and Paladin agreed that they were going to put in place a minimum sum of US$10 million to give to the people of Karonga for community development projects, of which US$8 million was earmarked for the water project in the district. We said fine.' (Executive Director, Citizen for Justice)

The project was completed and officially opened on 24th March 2010 by the Malawian President. Despite the publicity this project attracted, the critical problem with this intervention has been that it has benefitted affluent households in Karonga town more than

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[54] a significant proportion of whom live in the town of Karonga

the mining communities themselves, which are seriously affected by Paladin's operations. The mining communities still remain unconnected to the water supply:

> 'It is true that Paladin has constructed a water supply system at the Boma [town centre]. But what is the point if me and my fellow villagers here cannot afford to connect the water from the town centre. If Paladin was really serious about supplying us with potable water, boreholes could have been a worthy investment for us here.' (A Member of the Juma Village Development Committee)

At the time of the fieldwork, it was observed that such communities are still using untreated water, either extracted from underground by hand-pumps or water bodies such as streams, of which the risk of pollution from human activity and the mine is very high. The author's observation during the fieldwork was that a significant proportion of the people in villages surrounding the mine do not have access to water from the upgraded water supply project. Paladin host communities are among the most deprived communities in Malawi; so most cannot afford to pay water bills and connection charges. Such a situation, however, raises questions about Paladin's commitment to the mitigation of social and environmental risks of its mining operations in Kayelekera, given that the communities which are severely affected by its operations are acutely marginalised from benefitting from certain development initiatives.

b.   Health Provision

Access to basic health care services has been one of the major social development challenges the mining communities in Karonga have been facing. In response to this challenge, Paladin had provided its host communities with basic health care services. Paladin's assistance has predominantly been in the renovation of basic health facilities:

> So then we looked at the health needs of the village. There was an abandoned and run down building which we sought permission from the chief to convert it into health clinic. We now have a wonderful clinic in the village. The Ministry of Health has now allocated a clinician to work there. So for the first time, the people of Kayelekera have a clinic there in the village, and when it

opened in November last year there were 160 women and children waiting for treatment. The clinic runs every day and they run family planning clinics, ante-natal clinics and even HIV/AIDS Testing and Counselling is run in the village of Kayelekera. (Paladin Head of Social Development Department)

'For health, they liaised with the Ministry of Health to renovate some clinics and the Ministry of Health posted some medical staff to Kayelekera and Wiliro areas for clinical services, and may be a bit of counselling on HIV/AIDS.' (Director of Planning and Development, Local Government Karonga District)

Such initiatives may have brought in certain benefits to these communities despite widespread resentment of Paladin's piecemeal interventions in this area. For instance, while there is generally concern about the piecemeal nature of Paladin's interventions from its host communities, evidence suggests that there has been a significant rise in the number of people that are accessing basic health care services from around 230 people to 6000 people. Moreover, by providing these health centres with electricity, they are increasingly becoming attractive to the medical personnel who in the past shunned these areas because of lack of basic social services and accommodation for health care workers.

c. Education

The mining communities are historically the most deprived communities in Karonga district. Such communities have been associated with inadequate access to basic social services such as education. Recognising the depth of the problem, Paladin started providing support towards education development to the communities in the mining areas:

''Since Paladin started working in this area, the schools in areas surrounding the mine have benefitted from Paladin's generosity. For example, Paladin has supported the schools with the renovation of school buildings and teachers' houses which the Government and the communities failed to renovate. Paladin is also paying salaries of some teachers. We know that that's not the end of our problems, but at least we are now seeing some form of development coming to our area which the government took no notice of'' (Commitee Member, Kayelekera Village Development Committee)

''At a more practical level to the community in Kayelekera itself, we got a social scientist from Blantyre to do a social impact audit. He produced a document and we discussed where we should be putting our investments. He showed us that education in Kayelekera area is very poor, and the buildings were made out of sticks and thatch, and that they were falling down. We also learnt that the government is having trouble getting teachers to Kayelekera. The government has allocated only two teachers to Kayelekera. But they needed eight teachers; so we are providing and

Paladin's support has therefore principally been on renovation and the expansion of ten local community primary schools and teachers' houses and the provision of school furniture. Paladin has also subsidised the salaries of six teachers working in the communities. The main objective of this initiative is to create an environment conducive for learning. Given that the Government of Malawi has in the past failed to attract teachers to teach in such remote areas, such support may have made a significant impact on the quality of the learning environment and access to education; although the scale of Paladin's intervention is relatively low.

d. Agricultural Development

Agriculture is at the heart of the local economy, and represents a significant means of livelihood in these mining communities. Despite the significant role agriculture plays in these communities, there has been inadequate support from the Government of Malawi in terms of providing appropriate technologies for profitable agricultural production. Paladin, through its local agricultural specialist within the Social Development Department, has been implementing an agricultural diversification programme targeting communities surrounding the mines. The main objective of the programme is to increase household food security and raise the income levels of the participating households through the sale of surplus food. The programme aims to achieve this by up-skilling farmers in improved agricultural practices and providing them with fruit tree seedlings. Thus, this initiative, if well managed, has the potential to move the participating households and the wider community out of a vicious poverty cycle. The supported farmers could take advantage of the increasing demand for agricultural products in Karonga district since a large number of service companies which are

establishing offices in the are bringing in their employees to work in the district. However, as one of the community respondents describes below, Paladin is unlikely to effect a sustainable and positive development outcome:

> 'The communities around the mine have known their development problems ever since, but we are only lacking resources to move out this of poverty. I don't think that someone who has just come into our communities would be able to solve our problems by identifying for us what he / she thinks is our major development challenge.'

The major problem is that the identification of community needs and priorities is often undertaken in a top-down fashion, as exemplified by the following comment:

> 'Not everybody can be employed on the mine, and for those people who are unemployable and cannot be employed on the mine – we worked out an agricultural project. We decided to put in a model village garden primarily targeting women, and their produce can be sold to the mine. They were producing the normal and usual product (crops) which Malawians eat – that is cassava and maize primarily, but we needed that to expand. So we have a horticultural expert and local horticultural experts who work with our farmers from Australia to teach farmers to upgrade into tomatoes, spring onions, mustard leaves which our expatriate and other local workers need. Up until now, we have been buying from the local market in Karonga.' (Head of Social Development Department, Paladin)

As a result of Paladin's failure to adopt a bottom-up approach to community development, Paladin had acutely misjudged the communities' needs and the level of support such which communities require to move out of poverty. Interviews with several members of the communities suggests that, although poor agricultural production is one of the major challenges in such communities, the root problems are lack of access to agricultural finance and a low level of integration between their rural economy and the wider district and national economies. It can be argued that, provision of agricultural extension services to such communities by Paladin, did not represent an effective strategy towards assisting these communities to achieve sustainable development, but showed how a top-down approach can lead to the implementation of projects that do not meet community needs.

g. Business Development

Paladin is implementing a business development programme as part of its development agreement with the Government of Malawi. The objective of this programme is to build the capacities of local entrepreneurs in Karonga district in business management:

> 'One area covered in the development agreement is business development. In order to stimulate local business, we have organised a number of workshops – we have been running those workshops probably for a year to try to get entrepreneurial skills development locally, to assist local entrepreneurs not financially but with inputs such as business plans. We have got some of the banks connected.' (Paladin Head of Social Development Department)

Paladin's focus in this area has been on entrepreneurship skills development and the creation of linkages between the identified entrepreneurs and the locally available financial institutions that would help the entrepreneurs access the microfinance products and services.

This initiative is however, problematic, given the current approaches many microfinance institutions pursue in the identification of entrepreneurs to support. Evidence from Malawi and elsewhere in the developing world suggests that access to microfinance remains the major challenge not only for the poor to move out of poverty, but also for the new entrepreneurs to expand their businesses (Diagne and Zeller, 2001). Traditional banking institutions, which Paladin relies on heavily to help deliver its business development programme, have shown little or no interest in lending to such groups in the past (Burritt, 2006).Crucially, involvement in this initiative by a microfinance institution would have ensured increased access to loans for business development by potential and existing entrepreneurs.

8.1.2 When CSR initiatives become Core to the Business

While the majority of Paladin's CSR initiatives may be seen to a greater degree as philanthropic in nature, there are also strong indications that Paladin is committed to other

CSR related issues, including labour related and environmental management practices. Essentially, these two issues have a direct relationship with the core business of Paladin. Certainly, these initiatives are at the core of public policy, as they border on the protection of employees' well-being and that of the wider society.

a. Employment Creation and Labour related practices

Unemployment is one of the major problems in the mining communities in Karonga district. Hence, the coming of Paladin to Karonga raised community expectations about the prospects of increased opportunities. So, for Paladin, the provision of employment opportunities to local people is viewed as a major contribution to the welfare of the host communities. It currently employs three hundred Malawians in various capacities ranging from unskilled labourers to middle-level managers. A significant proportion of these staff, in particular unskilled labourers, are locally recruited through a joint Paladin – KANRED recruitment team.

KANRED, under the guidance of the paramount chief of the district, assisted Paladin in screening out potential candidates for unskilled work at the mine. According to KANRED's Coordinator, such a practice protects the job opportunities that are supposedly meant for local residents, from being taken up by foreigners:

> 'We are involved in employment of any jobs which do not involve experts from outside – they could employ with our presence for two reasons. First, because we have porous borders between us and Zambia and Tanzania, we don't want foreigners to be employed there. Second, we want to make sure that the people who are employed are not going to cause problems in terms of strikes and so forth.' (KANRED Coordinator)

Such an involvement of locally instituted organisations in recruitment, is seen as beneficial to both Paladin and the wider community. The involvement of such a local organisation in some activities at the mine demonstrates Paladin's commitment to the empowerment of local

institutions. For Paladin, such an approach was not only beneficial in reducing the costs of recruitment, but it also put Paladin in the right frame with the community leadership, who are supposed to grant it a continued social licence to operate. The problem with this approach though, as other respondents have suggested, is that the involvement of KANRED and the local chief had resulted in such employment opportunities being used as a source of political patronage by the KANRED Coordinator[55]. Moreover, as the KANRED Coordinator states in his sentiments above, this strategy was largely abused to undermine and suppress collective action and bargaining by employees for better working conditions.

Collective bargaining and freedom of association are enshrined in the Constitution of Malawi and require compliance by companies. Paladin's compliance with the employment and labour related laws of the constitution of Malawi remains an area of major concern. For example, although interviews with managers indicate that workers are organised into a workers' representative association, it was clear that this workers' body is generally weak, and that its activities are heavily scrutinised and controlled by Paladin's management[56] and KANRED:

> 'The coordination [with Paladin] has been cordial but there has been sometimes when we would send chiefs to cool down the tension at the mine. The labour people, union people, have failed to penetrate because we have not seen anything worth that. But we are going to prevent them; their organisations should not have gone there.' (KANRED Coordinator)

Furthermore, the Workers' Association is seriously discouraged from fostering formal linkages with any of the apex trade unions which are considered to provide significant collective bargaining powers for the workers.

Provision of conducive working conditions for its employees is one of the crucial issues for Paladin's inward looking CSR agenda. Whereas the labour laws in Malawi require companies to comply with minimal requirements, Paladin's labour practices, such as the provision of

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[55] The KANRED Coordinator is a former Member of Parliament for the area, and a powerful member of the ruling party's national executive committee.
[56] This is based on interviews with some selected unskilled employees

good working conditions[57], are considered to go beyond the minimum legal standards. For example, Paladin provides its employees with a generous package of benefits which are far beyond the minimum standards stipulated in employment laws:

> 'Our workers have a democratic right to do what they wish in the work place – to present their concerns. We don't have the ability to say we cannot do that. Workers are free to choose whatever work requirements, as long as it is within the labour laws of Malawi. The Labour Act is our guide – you have to know that our labour force is paid better than anybody else in Malawi. We provide our employees with good working conditions - social accommodation conditions and feeding arrangements.' (Paladin Senior Manager)

> 'Before joining Paladin as a plant operator, I used to work as a security man with a supermarket at the boma [town centre] where I was only paid MK6,000 (£24) for a month's work housing allowance inclusive. Now that I am with Paladin, I get around MK40,000 (£160) per month; we eat in the company's canteen and we are provided transport free of charge to and from work.'
> (Plant Operator, Paladin)

For Paladin, the provision of such a generous package can be construed in terms of its enlightened self interest. Such a generous package can be seen as an attempt by Paladin to retain staff as well as attract good quality employees. Given that Paladin has invested in the training of its technical staff, and also the fact that its scale of its operations requires access to qualified staff, failure to retain such staff is likely to increase substantially its training and recruitment costs.

Occupational health and safety at work is an important part of Paladin's employment and labour policies. This is important because of the potentially high risk of exposure to radiation its mine workers face on a regular basis. To address such risks, Paladin developed a radiation risk management system for its employees:

> 'As I said, I am running the operation to the highest standard. Everybody [workers at the mine] gets proper and protective equipment; everybody is protected in the environment from radiation exposure; and everybody is encouraged to wash after working in the plant.' (Paladin Country Manager)

> 'Everyone of us at the factory is provided with a small gadget and protective wear which we were whenever we are within the mine. This gadget is then collected from us every month by the radiation officer and the occupational health safety manager for radiation exposure tests in South Africa. If you don't wear them, and you are caught by the manager or if anyone reports you to the manager, then rest be assured that you will face a disciplinary action which in worst cases can lead to dismissal' (Labourer working in the ore processing plant)

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[57] Paladin is considered as the best paying company in Malawi

This system provides regular monitoring of the radiation levels an individual worker has been exposed to in a given period. The monitoring devices are then sent to a laboratory in South Africa for examination. Furthermore, workers at the mine are provided with protective equipment, and are subjected to limitations in movement after contact with radiation materials until they undergo proper washing.

b. Environmental Management

Protection of the environment and human safety is a core issue in mining operations, and is at the core of public policy making decisions at both national and international levels. While the environmental governance framework in Malawi is quite explicit on the need for Paladin to develop appropriate environmental management systems, such issues have also become more prominent for Paladin because it is listed on the big stock exchanges, and is financed by banks which are signatories of the Equator Principles.

According to the financing guidelines of the Equator Principles, the Paladin mining operation in Karonga district is regarded as a grade A project. This suggests that it is very high social and environmental impact project. As such, incorporating measures to address such impacts on the wider communities in Karonga into its core business strategy becomes an inevitable undertaking for Paladin in order to access project financing from the banks that subscribe to the Equator Principles. Likewise, since Paladin is a publicly trading company listed on the Australian and Canadian Stock Exchanges, consideration of social and environmental impacts of its operations is one of the significant listing requirements of such markets.

Such pressures have forced Paladin to develop an environmental strategy to address its social and environmental impacts on wider society in the district. Sharma (2000) states that the

environmental strategies a firm develops can be viewed along the two broad perspectives of conformance and voluntariness. For Sharma, a firm is understood to pursue a conformance strategy when its environmental management actions are seen to react to pressures from the regulatory environment and other stakeholders. On the other hand, a firm can pursue a voluntary strategy when its environmental management actions are not seen as a response to pressures from institutional environments.

For Paladin, consistent with Sharma (2000), its environmental management strategy can be regarded as falling within the conformance strategy perspective. Following the granting of the mining licence by the Government of Malawi[58], in accordance with the Environmental Management Act (EMA), Paladin conducted an environmental impact assessment (EIA) of its operations. The findings from this exercise, according to the country manager, provided a basis on which Paladin's strategy to integrate safety, health and environmental issues into its operational and strategic activities of its mining project was made.

Furthermore, since Paladin's operations involve the mining of uranium oxide, a potentially highly radioactive material, proper handling of the material and management of the waste products from such operations is critical if Paladin is to be seen as committed to the management of social and environmental risks. As part of its waste management strategy, Paladin constructed two tailings dams. Such dams serve to address the problem of water pollution. The levels of water pollution from its mining activities are also monitored regularly.

Despite actions by Paladin, the degree to which its environmental management strategy can be seen as effective in addressing the risks remains a subject of contention (Mudd and Smith, 2006). Of particular concern is the long-term efficacy of Paladin's environmental

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[58] It must be noted that this does not in any way represent the best practice. The best practice according to the Environmental Management Act (1996) however, is that the mining licence is granted after the EIA study has been conducted

management systems which, as other theorists have argued elsewhere, could be considered as short-term and inward-looking (Banerjee, 2001; Sharma, 2000). In 2006, an Australian academic from Monash University, Gavin Mudd and his colleague Howard Smith, in their technical review of Paladin's EIA report provided to the Citizens for Justice, a local campaigning NGO, have raised concerns about the post-closure impacts of the mine and the effectiveness of its waste management structures in preventing waste material seepages into the underground water bodies. Such a lack of adequate waste management structures, as they note, means that addressing the long term impacts of its mining operations[59] in its mine closure and rehabilitation measures is likely to be challenging for Paladin (Ali, 2000; Fernandez et al., 1998).

Certainly, Paladin's environmental management actions in Karonga suggest that its orientation to environmental issues affecting its operations was largely internally focused – aimed at meeting its legal obligations stipulated in the Environmental Management Act (Banerjee et al., 2003; Sharma, 2000). This is evidenced by the nature of the environmental management activities it is undertaking and its commitment to addressing the critical environmental issues affecting the mining communities. For example, while pollution prevention could be seen as beneficial to both Paladin and the mining communities while the mine is still operational, a lack of long-term commitment to addressing the pollution problem after the mine closure suggests Paladin's commitment to waste management is a response to pressures from the regulatory institutions and other stakeholders including project financers, and the IAEA. Such an orientation confirms the argument that the type of environmental strategy and actions a firm pursues are influenced by top managers' interpretation of the threats and opportunities of adopting a particular environmental strategy (Sharma, 2000).

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[59] According to Mudd and Smith (2006), a reasonable commitment to rehabilitation of the closed mine involves a mining company undertaking monitoring of the conditions of tailings dams, environment and radioactive materials in the water bodies for a period of twenty five years after closure of the mine.

8.2 The Politics of Stakeholder Engagement

As stated in Chapter 7, section 7.3, Paladin (Malawi) Limited engages with a number of stakeholders whose salience to Paladin managers varies, and affects the nature of engagement strategy which Paladin pursues as they operate in Malawi. Interviews with various respondents and a review of available public documents generated three major thematic issues that are fundamental to the politics of stakeholder engagement in Paladin's mining operations in Malawi. These thematic issues include: a.) community stakeholder engagement; b.) CSO engagement and, c.) government engagement. The critical or central issues, as noted in the subsequent sub-sections, are the strategies and processes which Paladin employed to engage the three principal groups of stakeholders. Critical issues pertaining to the nature of the stakeholder engagement which Paladin pursued in Malawi are presented in Table 8.2.1 below.

Table 8.2.1 Paladin's Stakeholder Engagement

Stakeholder Category (Group)	Dominant Type of Stakeholder Engagement and the Scale of Engagement			
	Transactional Engagement	**Transitional Engagement**	**Transformative Engagement**	**Confrontational Engagement**
Host Communities	High -characterised by corporate donations and one – way communication, and lack of mutual trust)	Non – Existent	Non-Existent	Non-Existent

Stakeholder Category (Group)	Dominant Type of Stakeholder Engagement and the Scale of Engagement			
	Transactional Engagement	**Transitional Engagement**	**Transformative Engagement**	**Confrontational Engagement**
Government (Central Government)	High-through regulations	Low Characterised by two – way communication.	Non-Existent	Non-Existent
Local Government	High	Non-Existent	Non-Existent	Non-Existent
NGOs (Confrontational)	Non-Existent	Non-Existent	Non-Existent	High – characterised by CSOs' threats and litigations and the divide and rule strategy pursued by Paladin
NGOs (Non-Confrontational)	High – characterised by co-optation of such kinds of NGOs, and patronage in the form of donations.	Non-Existent	Non-Existent	Non-Existent

8.2.1 Paladin Stakeholder Engagement: A Critical Analysis of Practices and Processes

8.2.1.1 Community Engagement: Rhetoric or Genuine Commitment?

There is no doubt that community engagement by mining companies is increasingly becoming an important issue in the global mining industry (ICMM, 2010; Newell, 2005). Such a focus confirms the crucial role community participation can play in the sustainability of any mining operations (Newell and Garvey, 2004). The International Council on Mining and Metals (ICMM, 2010) defines 'community engagement' as broad activities that range from 'provision of information through to active dialogue and partnering' mainstreamed within all the stages of the project. In this thesis, Paladin's commitment to community engagement is seen in the light of the extent to which the activities stipulated in the ICMM definition are not only incorporated in Paladin's CSR policy, but also practically executed at a community level.

Paladin engages with the mining communities at two local and district levels. However, the approach Paladin uses to engage with its community stakeholders may be seen as problematic, and fundamentally dichotomous. Such an approach reflects Paladin managers' perceptions about the salience of its community stakeholders:

> 'Corporate social responsibility as a concept is not well understood, certainly not well understood by the local population. There is a climate of expectancy which needs to be dealt with; but that is at a micro-level. Because there is a lot of feeling about entitlement – it is a fine balance philosophically the resources are under the ground coal, diamond and gold – to whom do they belong? In the most sophisticated context they belong to the state and to the wider context, they belong to the inhabitants of this planet. I told you the community of Kayelekera has an expectation which is unrealistic. The lake does not belong to the people of Karonga district. So from corporate social responsibility, we are not obliged to give money to fulfil our corporate social responsibility.' (Paladin Country Manager)

Thus, by viewing community stakeholders as having little or no legitimate claims over Paladin's operations, since in Paladin's view, the communities have no entitlement to the land on which it has established its mine, implies that Paladin is not obliged to involve such communities in certain decisions affecting their livelihoods. As a result, at the local level, the

mining communities have increasingly been left out by Paladin and the Government of Malawi of various activities that could affect the communities' livelihoods:

> The general feeling within our community is that Paladin is not interested in listening to our development needs. There is a wrong assumption by Paladin that, by consulting the local leaders in the formulation of community projects, then the pressing needs of our community are met. This is wrong; this is exactly why most of the government projects in this area failed. They seem to have the mentality that because we are not well educated then we cannot decide on our own the type of projects that we need support for. I will give you an example of a vegetable growing project. We have for many years been growing vegetables – we have over the years supplied the district headquarters with vegetables using the production techniques from the Agricultural Department. The issue I am trying to point out is that the communities did not need such projects. Paladin would have done better if it had asked us the most pressing needs rather the relying on the views of a few people – the chiefs. (One of the smallholder farmers in Juma Village)

Paladin has, on the other hand, taken advantage of an apparent lack of a strong voice, and inadequate understanding of their rights to participate in the decision making processes to further its interests in the communities without any resistance.

It is not surprising that Paladin's record of community engagement in Karonga district is problematic. First, following the granting of a mining licence by the Government of Malawi in April, 2007, Paladin commissioned an Environmental Impact Assessment (EIA) of its mining operations, which was carried out by an external consultant. The objectives of this exercise were to assess the wider environmental and social risks of the uranium mine project, and make a recommendation of the mitigation measures for such risks. However, this process, despite its intention to seek the views of various stakeholders including the mining communities, was characterised by strong stakeholder disillusionment. There are claims from all the campaigning CSOs in the host district, retired local technocrats and some senior local government officials that the process was largely aimed at meeting the legal requirements, but not necessarily to serve as a genuine consultation process. For example, as one respondent, a retired diplomat who lives in the district states:

> ''Judging by the manner the consultations were done, I had a strong feeling that the consultations were just a smokescreen because the civil society were putting them under

pressure to do their operations in accordance with the legal provisions.'' (A.K. Mwakasungula, Retired Diplomat)

The major criticism was that the consultations and subsequent feedback processes lacked robustness and did not provide adequate time for the community stakeholders to critically review the EIA findings necessary for a subsequent informed contribution to the EIA report. Furthermore, interviews with CSOs, and representatives of the community stakeholders reveal that the process was not only characterised by limited community consultations, but also by concerns about the environment within which the consultations were made. Consultations were usually held in a hostile environment within which the voiceless community members could not adequately articulate their concerns for fear of reprisals from their local leaders. The following sentiments summarise the general perception of various stakeholders about the entire EIA process:

> 'One of the reasons why we took them to court was that the EIA was not complete. Under the Environmental Management Act, there is a requisite for scoping in which a company is allowed to consult the community in a process of social assessment about what they need. Paladin never did scoping. Scoping is believed to be the baseline of the EIA. If you have not done scoping, you have no baseline. That's one aspect. The other aspect is that as allowed by law the government is supposed to organise all the consultation workshops. In this case, it was done by Paladin, and as suspicious as we were, our views and the communities' views were never reflected in the EIA. This Paladin EIA does not have any section about HIV/AIDS. And we said: can you tell us why you don't have HIV/AIDS section. They said no there is no data for HIV/AIDS in Karonga or NAC. But that was not true as local NGO FOCUS had the data, and the Karonga District Assembly also had the data. So a lot of information in the EIA is completely wrong.' (Country Representative, Friends of the Earth Malawi)

Secondly, not only did Paladin make fundamental flaws in the EIA process, its handling of the land ownership issue and resettlement of land owners where the mine exists was also a major issue of concern with respect to its community engagement strategy. Evidence suggests that Paladin, with the assistance of the Government of Malawi, coerced the mining communities to endorse the mine development without the communities necessarily understanding the implications of such actions on their welfare:

'[60]They [Paladin] came in 2004, and we stayed together here the whole of 2005, and never heard anything from them. It was in 2006 when we were told that we were going to be relocated to another place to pave for the mine development. I started crying because of the prospect of losing my place to the mine; I was going to lose my crops including potatoes, cassava, peas, but also the graveyard where my two children were buried. But we were told that we should not cry because this land belongs to the government. So, my friend and I thought that we should give up for fear that the whole community would think that these two ladies do not want to move out the place to allow mine development. In fact, it was the chief who instructed us to move. The chief told us that we are the only people who are not willing to move away despite the fact that this land has been bought by Paladin. You know we were not free to air out our views, and on 28th February, 2006 we were relocated to our present place.' (The Resettled Kayelekera Villager)

The apparent lack of consultation with the affected households and wider community regarding the land rights issue is in stark contrast to the best practices in the mining industry (ICMM, 2008; Reed, 2002). Such an approach to engagement not only undermines the indigenous people's rights to sources of their livelihoods, but it also potentially erodes the trust communities may have in the mining companies.

Finally, guaranteeing participation of the host communities in all the stages of the development initiatives promoted by the mining companies is at the core of the sustainability of the mining operations (ICMM, 2010; Newell, 2005). However, interviews with a cross-section of community members who are affected by Paladin operations revealed that there is certainly limited community participation in decisions regarding development interventions, coupled with a dearth of information regarding the operation of the mine:

'[61]Paladin has been operating in Kayelekera for nearly three years. During these years, we have just seen Paladin renovate the school blocks and community clinic. As a community, we were pleased by Paladin's help, but we would have loved if they had asked the kinds of assistance we want from them. As you can see in this camp, all of these businesses are owned by Tanzanians and Zambians. We would have loved as a community if some of these businesses were owned by local residents, but we lack start-up capital. So, Paladin could have supported us with start-up capital for small-scale income generating activities.' (Local resident – Kayelekera Village)

It was discovered that for almost all the community development initiatives implemented within these communities involved a top-down approach. This suggests that identification of community development initiatives was to a large extent undertaken by Paladin. As a result, the majority of these initiatives did not reflect the priorities of the host communities.

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[60] Translated from Tumbuka language to English
[61] Translated from Tumbuka to English by the Author

Furthermore, the defining feature of Paladin's community engagement was the over reliance on community elites in the identification of community projects. Such a reliance on community elites in the implementation of a community development agenda can potentially undermine good corporate intentions to contribute towards host community development. Such projects, in societies like Malawi where democratic values are minimally institutionalised, can unintentionally undermine efforts to create spaces for community participation (Newell and Garvey, 2004).

Paladin's approach to community engagement partially confirms arguments by Prieto-Carron et al. (2005,p.684). Prieto-Carron et.al note that mining companies prefer to operate within communities which have limited space for participation and limited ability to hold corporations and their governments to account for their actions, and this seems to be the case with Paladin in Malawi.

On the other hand, at the district level, Paladin engages with the supreme council of local leaders through a locally constituted structure known as the '*indaba*' that meets quarterly. This group or committee comprises six supreme leaders from various parts of the district and certain influential technocrats who have close relationships with the supreme leaders. Paladin uses this structure to provide information about the operations at the mine and the community development initiatives.

By organising themselves into this committee, the local leaders and the district elites felt that they would have a a stronger influence and leverage over Paladin's CSR policies:

> ' We are laymen; all chiefs are laymen and that's why KANRED was set up to be our mouth piece - it is ours. It is for us; it is advising us, and informing us exactly what developments are taking place at Kayelekera Uranium Mine. I am proud to say KANRED comprises young, technical and professional chaps, but it is solely our mouthpiece. So we have some indaba or we have some periodical consultations with Kayelekera through our technical body known as KANRED. That is why we formed KANRED; KANRED is an association formed by us through young men like the [name witheld], [name witheld] and others[62], to be talking technically or professionally with the

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[62] These are the local elites: a large number of them powerful politicians and retired technical people.

Kayelekera people on our behalf, of our concerns and problems which we feel those people could assist us to solve.' (Late Senior Chief of Karonga District)

For Paladin, its engagement with these leaders was beneficial in that these leaders were able to not only protect Paladin from CSOs activism, but it was also instrumental in securing social legitimacy to operate in the district. The local leaders were able to do this because according to the customary laws of Malawi, local leaders are custodians of the land under their authority on behalf of the Malawi Government.

On the other hand, such a relationship raised the expectations of the supreme leaders about Paladin's response to their interests and their role in the mining operations. On the contrary, following the commencement of the mining operations, Paladin reneged on its commitment to respond to these leaders' concerns, and the leaders felt betrayed and used by Paladin to fend off initial hostilities from the communities and the CSOs:

'Our relationship [with Paladin] has been very friendly until now. I must be honest with you: when it was in the construction time when they were putting up the plant we were handled very well. But since the mining operations commenced, they seem to throw us away. It's as if you are assisting somebody to put up a company, and once the company is established – you are told that we don't need you. We are still negotiating our main other area.' (KANRED Coordinator)

Such a change of approach by Paladin is not surprising. Whereas Paladin may have initially perceived KANRED and local leaders in the district as a grantor of the social licence to operate, it is apparent that Paladin had gradually been learning and understanding the local politics of the district. Following the protests against the mine development, communities in Karonga seem to have lost trust in their leaders whom they felt had betrayed them during protests against uranium mining. As a result, local leaders have progressively lost their influence over these communities, the constituents from which their powers and legitimacy are derived.

8.2.1.2 Civil Society Organisations Engagement: Partners or Adversaries?

The relationship Paladin cultivated with the confrontational NGOs could be seen in the context of competing interests [63] and differential power relations. Whereas Paladin had maintained an active dialogue with KANRED, Paladin's record of engagement with the majority of the local NGOs in Karonga was characterised by a strong sense of mutual mistrust and antagonism. Clearly, Paladin considers the confrontational NGOs as anti-development, and only opportunistic:

> 'I started engaging with each of the NGOs personally, and I attempted to get a relationship with them individually. Of the six that opposed us in the court, four of them came to an understanding that the mining was good for the country. The other two bodies have remained confrontational on the basis of - they are known for this - they would not be here. They are paid to oppose this development in Malawi' (Paladin Head of Social Development Department)

Following the mine development at Kayelekera by Paladin there was a wave of NGO activism opposing the mining operation in the district. These organisations were mostly indigenous, fighting on behalf of the mining communities against the mine development which was widely perceived as posing serious social and environmental risks to the communities. The salient feature about these CSOs is that the majority of them were established by enlightened people who originate from the host mining communities, but maintained connections with their communities. It was these strong connections with the mining communities that were to shape CSOs relationships with Paladin.

Between 2005 and 2007, and following the granting of the mining licence by the Government of Malawi in April, 2007, the local NGOs organised extensive campaigns built around a coalition of national and international NGOs to protest against the development of the uranium mine. The two major thrusts of these campaigns were:

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[63] It should be recognised that while the interest of Paladin is economical in nature, these confrontational NGOs are interested in advancing a good community cause that is, ensuring that Paladin has adequate social and environmental risks mitigation measures for its mining operations

a.) the concerns about the negative social and environmental risks associated with uranium mining operations in the district, the mitigation measures of which were considered inadequate;

b.) the lack of transparency surrounding the terms of the Mineral Resources Development Agreement.

Through this network, the CSOs lobbied the Government of Malawi and Paladin to not only consider developing strategies to address the social and environmental risks of mining operations, but also to become more transparent about the terms of the Mineral Resources Development Agreement. Despite such attempts by the CSOs, Paladin's response to such concerns was not satisfactory. Following Paladin's failure to meet their concerns, the CSOs pursued a two-pronged strategy. On one hand, the CSOs sought legal redress on the matters surrounding both the Development Agreement and the lack of strategies to address social and environmental risks. Recognition of the damage which such a relationship would have caused to its reputation and the likelihood of losing out in a legal battle to less powerful entities, Paladin negotiated with the interested local NGOs to resolve the issues out of court. As a result, the local NGOs had to put forward some conditions to meet. These conditions included: the development of a robust social and environmental management plan for the district.

NGOs were also able to exploit global controversies surrounding uranium mining. Around the same period, one of the local NGOs operating in the district, entered into a strong partnership with Australian Chapters of a global advocacy NGOs Friends of the Earth and Mineral Policy Initiative. Through this partnership, the Malawian NGO took advantage of increasingly popular market-based strategies to lobby the parent company Paladin Resources Group to consider addressing the social and environmental impacts of its project in Malawi. The Malawian NGO achieved this, with the assistance of the two Australian NGOs, which

facilitated the purchase of some shares in Paladin in an attempt to participate in Paladin's Annual General Meetings in Australia. Such a strategy had proven to be effective since the Malawian NGO was given a platform to raise the concerns about the environmental and social risks associated with its uranium mining operation in Karonga district. The strategy the Malawian NGO pursued confirms assertions by Doh et al. (2006) who observed that NGOs are increasingly pursuing market strategies such as buying of shares in a company with poor environmental and social records to influence its actions.

As Paladin became increasingly aware of the operational risks posed by the existence of a vibrant local NGO, Paladin developed an engagement strategy which was to minimise its vulnerability to such risks. Certainly, Paladin engaged in what its critics viewed as a 'divide and rule' strategy aimed at destabilising and undermining a close-nit local NGO community in the district:

> 'It was not easy at that time because it made two factions. As I may have said most NGOs, funny enough come from Karonga only, were against mine development. At the time, we had to go and sign the agreement, they came to confront us and asked us to work together. We agreed to their set up; but their demands were too much for Paladin. So we said no, that we can't discuss; you forward them [demands] to the interested parties. But we told them that the procedure is write to government because they [local NGOs] had to blame the Government and Paladin. These people never accessed the volumes of EIA because they said it is too big. We [KANRED] did this because we had to explain to the people. At this time, they also divided themselves: some signed and some didn't. Actually, it was more on personality clashes. I mix politics with business. As you know I have been in different parties.' (KANRED Coordinator)

Thus, as the KANRED Coordinator states below, the establishment of a locally based CSO KANRED to counter threats from these CSOs was one of the most significant mechanisms by which Paladin was to curtail further protests against the mine development:

> 'The association – actually KANRED was formed as an association incorporated as well as registered by the government. Paladin at that time were the ones who paid for the lawyers to start this KANRED' (KANREDA Coordinator)

Furthermore, by facilitating the formation of KANRED, Paladin had expected that a strong and effective KANRED would have been capable of influencing and mobilising the communities and other stakeholders in Karonga district to support the mine development:

> 'So Paladin, ourselves as KANRED through the chiefs had to go round the whole Karonga district to advertise the EIAs report.' (KANRED Coordinator)

Essentially, Paladin hoped that KANRED would help alienate the local campaigning NGOs, and that their influence to mobilise their constituents for actions would be rendered ineffective. As expected, KANRED was recognised by Paladin as its only partner in the implementation of its CSR agenda in the district.

Interviews held with the KANRED and Paladin officials indicate that Paladin holds quarterly meeting with KANRED and the local leadership of the district where Paladin makes a presentation on development initiatives it implements in the district. Moreover, KANRED is the only organisation recognised as Paladin's broker on issues pertaining to local recruitment and industrial disputes, and local produce procurement. This is confirmed by an extract from Paladin's corporate website:

> Regular meetings take place with KANRED to discuss local matters such as road safety, water and sanitation and minimising the impact of unemployment arising from demobilisation of construction workers'

Contrary to Paladin's expectations, communities in Karonga viewed KANRED as an organisation created to serve the self-interests of Paladin in the district, and those of the local leaders and the few district elites who helped establish it

The 'divide and rule' strategy that Paladin employed in its engagement with local NGOs in Karonga district mirrors what Fabig et.al (2002) observed in their study in the Niger Delta. They reported that following strong opposition from the Ogoni communities, Shell capitalised on the split within the ranks of the Ogoniland group MOSOP by directly supporting Ogoni chiefs to undermine MOSOP's capabilities to mobilise its constituents for action against Shell.

Following a long-drawn period of antagonism between Paladin and the local NGOs, Paladin attempted to foster positive relationships with the confrontational NGOs:

> 'I started engaging with each of the NGOs personally, and I attempted to get a relationship with them individually. Of the six that opposed us in the court, four of them came to an understanding that the mining was good for the country. The other two bodies have remained confrontational --.'
> (Paladin Head of Social Development Department)

However, some of these NGOs became suspicious of Paladin's motive, and interpreted Paladin's extension of an olive branch to them as Paladin's ploy to co-opt them and fend off further protests. Consequently, as one respondent from the CSOs describes, some CSOs maintained their confrontational relationship with Paladin to pressurise them to address social and environmental impacts in the district:

> 'Unless, they put in place an excellent social and environmental management plan, I don't have any space for those guys even if they can claim that they are good corporate citizens. Because I know their aim wherever they go is to plunder resources and leave nothing for their host countries.' (Friends of Earth Malawi Representative)

The position the confrontational CSOs took suggests an increased awareness of the strategies or tactics which companies often use to silence their critics. These CSOs seem to have been aware that Paladin could have taken advantage of any change in their relationship so that people would believe the CSOs were endorsing Paladin's activities in the district. Such a position could have been interpreted by the communities as the CSO's 'selling out' to Paladin with the resulting damage to their reputation as 'champions of good community causes' and a huge sense of mistrust with the communities.

8.2.1.3 Government of Malawi Engagement: A Missed Opportunity

Paladin's engagement with the Government of Malawi could be understood in the context of the wider political economy. Central to the relationship Paladin fostered with the Government of Malawi are the issues of the relative power and legitimacy of Paladin operations in Malawi.

Hence, Paladin's engagement strategy with the Government is largely instrumental, aimed at building a good image that would guarantee its continued operation in Malawi.

Paladin is understood to engage with the Government of Malawi at two levels: central government and local government levels. However, as argued in the subsequent sections of this chapter, the degree to which Paladin engages with government at both levels tends to vary significantly depending on the importance Paladin perceives each level to have.

a.   Paladin's Engagement with the Central Government

At a central government level, Paladin engages with a number of relevant government departments through various committees established to oversee the development of the mining industry in Malawi. Crucially, Paladin actively engages with the Government of Malawi through the Government of Malawi / Paladin Liaison Committee (abbreviated as GCL). This committee, which meets quarterly, serves as a forum through which Paladin provides a report on its operations and social initiatives implemented in Karonga district. Given the serious environmental and social risks which uranium mining poses, a respondent from Paladin stated that there is an active dialogue between Paladin and the Department of Environment Affairs. As a legal requirement for its continued operation in Malawi, Paladin is certainly obliged to provide the Department of Environmental Affairs with information on environmental parameters relevant to its mining operations:

> 'Now we are working closely with the government agencies – Department of Environmental Affairs. We have a water-tight agreement with environmental affairs and we take it seriously because it's in our own interest to make sure that everything is done for the benefit of the Government and to the Government's requirements. It's in our own interest to make sure that the government is fully empowered in applying the legislation. We are doing a lot of monitoring on site in any aspect related to the mining, and that data is fed all the time constantly back to the Department of Environmental Affairs. So, we see ourselves partly responsible to the Government.'
> (Paladin Country Manager)

However, the efficacy of this committee is a matter of huge concern. It is alleged that this committee, given the power relations between the government and Paladin, only serves as a rubber stamp for legitimising Paladin's actions without necessarily putting them to scrutiny.

While Paladin's relationship with the Department of Environmental Affairs and other relevant ministries may be viewed as positive and cordial, evidence suggests that such a relationship seriously compromised the government regulatory oversight on critical environmental issues related to Paladin's operations. There are claims from local CSOs and a senior government official[64] that Paladin had taken advantage of the positive relationship with the Government of Malawi and its lack of power, to significantly influence the scope of the proposed legislation on radioactive materials. It is understandable that such an opinion has been formed given the sentiments from Paladin's official and an NGO official:

> 'We are working as closely as we can because we cannot afford at any stage for somebody to come and say there is a loop hole which you are working through. So we are making quite sure and we have been guiding the Government on environmental matters. We don't want to be the one to tell them what they need to do but will guide them as much as we can.' (Paladin Country Manager)

> ''I have just heard from some sources close to Paladin that Paladin has been advising the Malawi Government to develop regulations for the mining, handing and processing of radioactive materials. As far as I know, Paladin is going to tell these government officials what to include and what to omit. I just think that the whole idea of protecting the environment and Malawians from the effects of radiation is just a mockery if these allegations are true.'' (Executive Director, FOCUS)

Paladin's influence over the regulatory frameworks in Malawi epitomises the assertions made by scholars about the declining regulatory role of developing countries' governments on MNCs' practices (Reed, 2002). As government policy has been to attract FDI in the mineral sector, the fear of losing such investment opportunities to other countries may have been

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[64] The Government official wanted to remain anonymous.

central to the government's decision to permit Paladin's influence over such a crucial public policy making process.

b.   Paladin Engagement with Local Government in the Mining District

Whereas evidence suggests that Paladin fostered a strong relationship with central government structures, this is in stark contrast to the depth of engagement with local government structures. The Local Government Act of 1998 and the Decentralisation policy empower district assemblies in Malawi to coordinate any development initiatives in the district through local governance structures. Hence, any development agencies or companies considering implementation of any development initiatives are legally required to liaise with local governance structures.

Following the development of the mine in Karonga district, Paladin began a process of engaging the various sectoral departments of the Karonga District Assembly in the implementation of its CSR agenda. Paladin's engagement with such local government structures was to a large extent considered as ad-hoc and issue-based, and viewed as 'transactional' with limited interaction and learning between the partners:

> 'The problem with the partnership with Paladin is at two levels: central government and at district level. So, at district we do not know how far we can go. To what extent can we partner with them; otherwise we will see central government accusing us. That's why as of now we are going to them when we need to go to them; they are coming to us when they need to come to us.'(Director of Planning and Development, Karonga District Assembly)

As part of its strategy to scale up its CSR agenda, by this time, Paladin had established a Social Development Department that oversaw the implementation of its CSR programmes in the district. This however, coincided with a corresponding decline in the level of engagement between Paladin and the relevant departments within the Karonga District Assembly. As a result of this, there has been a climate of mistrust and discontent within the district assembly

about its limited involvement in the subsequent implementation of development initiatives as required by the Decentralisation Policy and the Local Government Act (1998).

Certainly, Paladin's failure to actively involve the decentralised governance structures in its CSR programmes may be seen as contravening the much-hyped Government of Malawi's Decentralisation policy and the Local Government Act. It can also be argued that Paladin's failure to meet the development needs of its communities, despite its investment in a number of community projects, is a reflection of its failure to actively involve the district assembly in the project design and implementation stages. Frynas (2005, p.588) in his research in Nigeria came up with similar findings. He observed that the poor alignment of corporate social investments with the relevant state policy frameworks coupled with poor coordination of development efforts, as was the case with Paladin's CSR programme, were considered the two critical factors for corporate failures in achieving sustainable development within the host communities.

After the protests against the mine development, Paladin developed a strategy aimed at building its image and relationship with its various stakeholders. The significant strategy Paladin developed in the district was the dissemination of information about its mining operations to a broad range of stakeholders. To achieve this, Paladin spearheaded the establishment of a district-wide committee comprising government officials and local leaders in the district. Paladin engages with the district governance structure – the district assembly through the Uranium Liaison Committee (ULIC). Paladin uses this quarterly forum to disseminate information about its mining operations to the district management team, who in turn are expected to disseminate the information further through various channels available to them:

> 'We Paladin set up an organisation known as the Uranium Liaison Committee which comprises membership from government departments and important role players in the community. It's not

run by the government and Paladin chairs the meeting. We meet every three months to share all the information.' (Head of Paladin Social Development Department)

However, as the respondent from the district assembly indicates, the forum is considered by the Karonga district assembly as a public relations tool aimed at building Paladin's image and sustaining the legitimacy of its operations in the district:

> 'There is a Uranium Liaison Committee in which a number of government officials attend together with Paladin officials, and the few civic leaders. This is more like public relations, an exchange of what is taking place mostly from Paladin's side. So, if we have questions or comments to make, we do them there.' (Director of Planning and Development, Karonga District)

Such interactions may be construed as transactional and patronising largely because the entire processes were unilaterally controlled by Paladin. Moreover, determination of issues for discussion at these meetings was done by Paladin without soliciting inputs from the district assembly and other stakeholders in the district. Such a transactional relationship undermines the learning and exchange of ideas - the fundamental aim of such fora (Cumming, 2001; Zadek, 2007).

On a positive note, despite such flaws in the district's relationship with Paladin, there was a sense of optimism within the Karonga District Assembly that the *status quo* would improve:

> 'But I would wish we form some sort of structure at district level which would be something like a partnership with Paladin. Indeed at some point we should be involved in some of agreement in a structured manner than how we are doing now. But how? we don't know.' (Director of Planning and Development Karonga District Assembly)

However, as the Karonga District Assembly official notes, fostering a sustainable cross-sector partnership is going to demand that both parties have skills and competences in the management of cross-sector partnerships, and an awareness of each partner's competences and weaknesses. The challenge for institutionalising cross-sector partnerships, though, is that both parties do not currently have such skills and competences to undertake such initiatives.

8.3   Chapter Summary

This chapter set out to examine Paladin's response to social and environmental issues emanating from its mining operations in Karonga district. Specifically, it has reviewed the CSR practices undertaken by Paladin, and also investigated the nature of Paladin's engagement with its stakeholders. The general finding is that the majority of Paladin's CSR initiatives are broadly philanthropic in nature, entirely disconnected from its core business. This suggests that Paladin's CSR agenda is extensively guided by the business logics of building its image and sustaining its social licence to operate within the mining communities. However, it can be argued that Paladin had undertaken significant efforts to integrate some social concerns, in particular those related to its employees, into its core business.

With respect to the nature of Paladin's stakeholder engagement, the findings paint a complex picture about the approaches and processes Paladin used in its engagement with its stakeholders in Karonga district. Despite the rhetoric about stakeholder engagement as part of its overall CSR policy and strategy in Malawi, Paladin has undoubtedly faced significant problems in engaging its various stakeholders. The most critical issue is the existence of mistrust and suspicion between Paladin and its stakeholders that has significantly undermined its relationship with its stakeholders, particularly CSOs, communities and the local government. These two empirical chapters (Chapters 7 & 8) have raised fundamental questions about how the industry affects not only on the institutional and business logics a particular company responds to, but also on the different dimensions of the CSR agenda which companies take. These questions are further dealt with in Chapters 9 and 10 in which CSR in the tea sector of Malawi is examined. In the next chapter, a critical analysis of CSR perceptions and drivers in the tea industry is undertaken. An overview of the Malawi tea industry is also conducted in order to provide the context within which Eastern Produce Malawi,   a   case   study   company,   pursues   its   CSR   agenda.

CHAPTER NINE

CSR in the Tea Industry: An Analysis of Perceptions and Drivers

9.0   Chapter Overview

The aim of this chapter is to critically examine the corporate social responsibility (CSR) agenda of Eastern Produce (Malawi) Limited (EPM) with respect to CSR perceptions and drivers. The chapter is divided into four main sections. The first section provides an overview of the tea industry in relation to its structure and its overall contribution to the Malawian economy. The second section provides background information about Eastern Produce (Malawi), including an overview of Eastern Produce (Malawi) (EPM) and its parent company Camellia Group International's core values and the CSR policy which inform the CSR agenda which EPM pursues. The third section analyses the perceptions which managers and EPM stakeholders hold about CSR. The fourth section examines the driving forces (factors) of the CSR agenda pursued by EPM in Malawi. The final section summarises the chapter and presents the implications of the research findings for the direction of the CSR agenda in the tea sector in Malawi.

9.1   The Malawi Tea Industry: an overview

9.1.1   Historical Review of Commercial Tea Production in Malawi

The tea industry in Malawi remains one of the oldest agro-based industries in Malawi. Tea has been commercially produced in Malawi by British companies from as early as the 1880s

in the Shire highlands (van der Waal, 2008). Robert Palmer, a historian who has extensively studied the genesis of the Malawi tea industry, states that the commercial tea industry was not active until 1933, when it not only enjoyed protection from the International Tea Regulation Scheme (ITR), but was also strongly connected to international markets through its London Committee.

During this period, the industry led by Nyasaland Tea Association (NTA), was considered the most promising tea industry in Africa (Palmer, 1985). However, the success the Malawi tea industry enjoyed did not last long, and the industry was confronted by many challenges. By the end of the 1940s, the industry performance was severely hampered by fluctuating prices, high costs of production, unfavourable climatic conditions and increased exposure to fierce competitive pressures as a result of the phasing out of the ITR protectionist scheme.

Whereas in the 1930s and 40s, the Malawi industry performed well ahead of its African neighbours such as Tanzania, Kenya and Uganda (Palmer, 1985), Malawi increasingly found it difficult to retain its 'Africa's largest producer of tea status'. Kenya became the largest producer of tea and the third largest producer of tea in the world (FAO, 2010). According to 2007 FAO tea production estimates, Malawi currently produces 10 percent of Africa's tea, and its production accounts for 3.4 percent of the total global tea production (FAO, 2010).

Alongside the commercial tea sub-sector, a smallholder tea sub-sector had been in existence since 1966. The Malawi smallholder tea sector is relatively small and currently under-developed. It currently has 6500 farmers producing only eight percent of the total tea produced in Malawi ((Eldring, 2003; TAML, 2006 & 2009). Through an Act of Parliament, the first Government of Malawi attempted to address the problem of inadequate participation in tea production by the local population by establishing the smallholder tea growers' scheme and tea marketing channels (TAML, 2006).

Modelled on the Kenyan smallholder sector, with funding from the British Government through the Commonwealth Development Corporation (CDC) and the Government of Malawi, the Government of Malawi established the Smallholder Tea Authority and the Malawi Tea Company which operated the tea factory. Through this scheme, smallholders were provided with farm inputs and linked to tea markets. The scheme operated well until the late 1980s when the CDC handed over its management to the Malawi Government.

Under the management of the Government, the scheme proved inefficient, and was confronted by serious challenges in the liberalised market environment and failure to make timely payments to the smallholder farmers for their tea sold to the scheme (R. Tilley, personal communication 2010; TAML, 2006). As a result of these challenges and huge political interference in the management of the scheme, the smallholder tea sub-sector has remained hugely under-developed and small, lagging behind the Kenyan smallholder sector on which it was modelled on.

9.1.2   Tea Industry Structure and its Contribution to the Economy

The commercial sector, comprising forty-four tea estates, produces 92 percent of the total tea output (Eldring, 2003; TAML, 2009). The estates are controlled by eleven foreign owned companies. The exception is the recently privatised smallholder tea company which is owned by a local Malawian company. There are over 6500 smallholder farmers, producing eight percent of the total tea, who sell their tea to the twelve tea companies who in turn sell to the international markets.

About 65 percent of the processed tea that Malawi produces is sold directly to six major tea companies operating through eight tea buyers through a system known as forward contracting.

The remaining 35 percent is sold through Limbe (Malawi) and Mombasa (Kenya) Auction Markets and sold to international markets with the United Kingdom and South Africa as the main export destinations (Eldring, 2003; TAML, 2009).

By subscribing to this system of trading, both buyers and producers are to a certain extent insulated from large price fluctuations, provided both parties adhere to the terms of their mutual contract (Palmer, 1985). Nonetheless, regardless of the mode of trading, the concentration of buyers in the global tea market has put huge pressure on the tea producing companies to remain competitive in the international market (Oxfam, 2002). As such, in their quest for competitive advantage, tea producing companies have been implementing cost cutting measures which have impacted most significantly on the smallholder farmers who sell tea to these companies..

The tea industry remains one of the most significant industries in the Malawi economy. Despite the fluctuating trends in world tea prices and production since late 1940s (Palmer, 1985; TAML, 2009; van der Waal, 2008), its current contribution to the export earnings is estimated at six percent of the total national export value. Its export volumes, on the other hand, have been rising steadily from over 6,490 tonnes in 1938/39 to over 47,356 tonnes in 2010 (Palmer, 1985; FAO, 2010). Such a record of growth suggests that the industry will remain one of the three most significant contributors to the Malawi economy for the foreseeable future.

Furthermore, the Malawian tea industry has a long history of providing employment to a large number of people, and remains the largest employer in the private sector. Since the early 1930s, the tea industry is estimated to have directly or indirectly employed 20,000 people in the tea producing region (Palmer, 1985). Recent estimates show that about 40,000 – 50,000 people are directly employed in the tea industry (Government of Malawi, 2006).

9.2   Eastern Produce Malawi (EPM) Limited: An Overview

Eastern Produce (Malawi) is a multinational company belonging to the United Kingdom based Camellia International Group plc which is listed on the London Stock Exchange. Linton Park plc, a subsidiary of Camellia International Group holds the majority of shares, with the Industrial Development Corporation of South Africa (IDSA) owning twenty-six percent of the shares. The Camellia International Group started operating in Malawi as early as 1955 when it acquired tea estates in Malawi.

Eastern Produce Malawi is the largest producer of tea in Malawi contributing around 19,400 tonnes during the 2010/11 growing season which represents thirty-eight percent [65] of Malawi's total tea output. It owns eleven of the forty-four tea estates, which cover an area of 5,700 hectares spread over the two tea growing districts of Thyolo and Mulanje. However, as a result of the expanding demand in the tea market, in 2000, EPM embarked on the sourcing of unprocessed tea from the smallholder farmers, who were previously selling their tea to the disbanded GoM sponsored tea marketing company – Smallholder Tea Authority - to meet the rising demand in their export markets. In 2005, in an effort to guarantee access to reliable supply of good quality tea, EPM organised these farmers into an outgrowers scheme[66]. Their number has exponentially grown from sixty in 2000 to 11,000 in 2010. In 2007, EPM assisted its outgrowers' scheme to obtain Fairtrade certification to access lucrative western markets.

Besides engaging in commercial tea production, EPM owns coffee and macadamia nuts estates in the Shire Highlands districts of Thyolo and Mulanje. At the end of the 2011/12 growing season, EPM provided employment to about 18,000 people who work in tea fields as labourers. The majority of these people are sourced from the communities surrounding its tea estates. Furthermore, EPM commits between 1% to 2% of its post-tax profits to social causes

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[65] This figure was recently obtained from the Eastern Produce Malawi Managing Director
[66] For details, see chapter 10

in the communities within which it operates. Such a variation in its contribution to social causes is principally a result of fluctuating commodity prices and production levels, according to the Managing Director.

9.2.1 An Overview of Eastern Produce (Malawi) and Camellia Group International Core Values and CSR Policy

Eastern Produce (Malawi) is a subsidiary company of Camellia Group International[67], a United Kingdom based company listed on the London Stock Exchange (LSE). Camellia Group International views its subsidiaries as 'living entities' not only created to serve the long-term interests of its shareholders (i.e. profitability), but also to contribute towards sustainability. This philosophical orientation is further demonstrated through its core values aligned in accordance with four thematic areas: business integrity, workplace, environment and the community. These values include:

a.) 'To act honestly, fairly and with integrity and respect in all business dealings';

b.) 'To respect the dignity and well-being of all those people who work for us';

c.) 'To support environmental sustainability and biodiversity';

d.) 'To respect and contribute to the communities that are affected by our businesses'.

Such values are seen to trickle down to the subsidiary level where business practices are influenced in a significant way by Camellia International's core values. For Eastern Produce (Malawi), these core values are incorporated in its CSR policy statement as shown below:

> 'Putting a human face to the business by caring about the environment, our workforce and the community around us in order to ensure sustainability'

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[67] Camellia Group International owns companies operating in various sectors ranging from agriculture through engineering to financial services

Although EPM CSR policy may be understood as a reflection of Camellia Group core values and CSR policy, the EPM CSR policy reflects local expectations and the significance of current and future issues within the industry in which it operates:

> 'The Board of Camellia plc is responsible for establishing the group's policy on CSR and has given the Executive Committee responsibility for ensuring that the policy is implemented across the group in a manner appropriate to those countries and sectors in which our business operate.'

The high level of autonomy EPM enjoys in the design of its localised CSR policy reflects a recognition of the variations in institutional pressures multinationals face when operating in different environments from their countries of origin (Matten and Moon, 2008).

9.3   Stakeholder Analysis

Stakeholder analysis is the process of identifying stakeholders and categorising them into various groups. Although this process is increasingly considered crucial in business research, the notion of 'who should be considered as an organisation's stakeholder' has left theorists with divided opinions (Mitchell et al., 1997; Phillip, 1999). On one hand, theorists such as Phillip (1999) and Kaler (2002) assert that stakeholders ought to be identified on the basis of their moral stakes in the operations of the organisation. On the other hand, the pragmatic or enlightened self-interest theorists such as Mitchell et al (1997) argue that stakeholders should be identified on the basis of their influence over the achievement of the organisation's long-term interests. Notwithstanding these two perspectives, the evidence from interviews conducted with various respondents and other sources of evidence, such as documents suggests that there are thirteen stakeholder groups. These groups include: the Government of Malawi; Western buyers; suppliers; international standards and certification organisations; shareholders; out-growers; employees;   Communities; the   NGOs (advocacy and development oriented NGOs and trade unions. Their relative influence over EPM's

operations and interests are examined in turn in the subsequent sub-sections and summarised in Table 9.3.1 below.

On the basis of interviews with EPM management and various stakeholders, these stakeholders could be classified into the following major groups depending on their level of influence over EPM's activities:

a. **Government of Malawi**: The Government of Malawi's strong interests in EPM's operations in Malawi are in the areas of environmental preservation, public safety and workers' rights. In recent years, however, there has been an increasing expectation by the GoM about the expanded role of EPM in community development. The Government of Malawi is one of a powerful group of stakeholders which influence EPM's operations in Malawi. By virtue of its legitimate interests in EPM's operations, as stated above, its influence over EPM is through various legislations and policies that EPM is required to align its operations with – the condition of which EPM's licence in Malawi has to be renewed.

b. **Advocacy NGOs:** Plan International and Active Youth Initiative for Social Enhancement (AYISE) are the two development NGOs which are actively involved in the promotion of child rights in the two tea growing districts of Thyolo and Mulanje. The crucial issue in their relationship with EPM is that although these NGOs purport to represent the interests of the vulnerable children in the tea growing districts, EPM considers these NGOs to have no legitimate stakes in its operations because they are themselves not necessarily accountable to the constituents which they purport to represent. Nonetheless, by virtue of their ability to mobilise powerful actors in the developed nations, Plan International and AYISE are able to exert significant pressure on EPM to take into consideration child rights issues such as the use of child labour on its tea estates.

c. **Specialised Service-Oriented NGOs:** This group of NGOs include Medicine Sans Frontiers (MSF) and ProBec – a GTZ funded initiative - which have provided EPM with specialised specific issue expertise in one or more areas which EPM lacks. As such, they are considered to have less legitimate claims that need urgent attention by EPM's management. Although these NGOs are generally interested in community development, their specific interests in EPM's operations tended to vary depending on the specific nature of their business. For example, while MSF works towards prevention and mitigation of the impacts of HIV/AIDS in EPM's host communities and EPM employees, ProBec was interested solely in helping EPM minimise the impacts of its operations on the environment. As such, these NGOs do not coerce EPM to align its actions with their interests. Their relationship with EPM is based on a balance of power and mutual understanding of each other's competences and the shared benefits.

d. **International Standards and Certification Organisations:** This group include: Ethical Tea Partnership (ETP) of the United Kingdom, UTZ of the Netherlands, Rainforest Alliance and the Fairtrade Foundation of the United Kingdom. On the one hand, organisations such as ETP, Rainforest Alliance and UTZ work on behalf of the western buyers to ensure that the companies' supply chains embrace good social and environmental practices in their production processes. As a result, they are considered to have no legitimate stakes in their own right in the operations of EPM. Although these organisations do not have direct legitimate claims in their own right in EPM's activities, their influence over EPM's decisions is achieved through various mandatory codes and standards with which EPM has to comply if it has to have a continued access to western buyers. EPM responds to their interests by developing various policies such as its environmental policy and employment policies which are

reviewed and audited regularly by these organisations. On the other hand, Fairtrade Foundation represent a different kind of certification organisations because it does not represent western buyers, but its interest is to assist smallholder farmers obtain better terms of trade from a niche market in an effort to reduce poverty in the developing world. Unlike the ETP, UTZ and similar organisations, the Fairtrade Foundation does not use coercive power to force EPM to align its actions with its standards, but it promotes voluntary compliance with its codes or standards as a condition for accessing this niche market. However, as the Fairtrade Foundation helps connect producers to a small niche market and does not legitimate stakes in EPM's operations in Malawi, EPM does not place a significant priority over meeting Fairtrade Foundation's interest and requirements.

e. **Trade Unions:** There are two trade unions that operate in the tea industry of Malawi. They are the Plantation and Agricultural Workers' Union (PAWU) and the Tea, Coffee and Macadamia Workers Union (TECOWU). These organisations are interested in the protection of estate workers' rights through collective bargaining and presenting workers' grievance to EPM management. Since the existence of the trade unions, as an institution for promoting workers' rights, is provided for in the Laws of Malawi, they have legitimate claims in EPM's labour practices. However, interviews with estate workers revealed that these trade unions just exist on paper – there are no longer active. This view is supported by Eldring (2003) who also found that these trade unions are currently too weak to hold the estates accountable for their practices. Consequently, the functions of these institutions, have been taken over by the joint consultative committees which have been established in tea estates to represent the workers in labour relations meetings. The effectiveness of these committees in

championing workers' rights is a contentious issue since the formation of these committees was facilitated by EPM management.

f. **Employees:** Employees play a significant role in the operation of an organisation (Greenwood, 2007). Fundamentally, employees can influence the organisation's position on social action and also the extent to which ethical values are embraced within an organisation (Logsdon and Yuthas, 1997; Muthuri et al., 2007). From an instrumental perspective, employees constitute the most important group of stakeholders of EPM. Importantly, EPM's employees invest their commitment and expertise in EPM. EPM's employees are divided into two groups: skilled and unskilled employees. With respect to CSR, the crucial and contentious issue for EPM and other tea producing companies is the ability of EPM to respond to the unskilled estate workers' interests. Importantly, while better working conditions and security of employment were the broad and common interests of all employees, some gender-based variations in interests and priorities were observed in EPM's workforce. For female estate and factory workers, issues of maternity leave provision, child care and protection from abusive supervisors were some of the issues they were interested in their relationship with EPM.

Although employees are an important stakeholder group of EPM, a significant majority of these employees have a minimal influence over EPM decisions regarding employment issues because they are not effectively organised to engage in collective bargaining for better working conditions. Moreover, their role in EPM's CSR agenda has been minimal, despite the existence of a strong potential for EPM's employees volunteering[68] as part of employee's contribution to EPM's CSR agenda. Certainly,

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[68] Interviews with a number of employees (unskilled workers) showed that there is strong goodwill amongst these employees to provide their labour to good causes (community development projects) as long as EPM

employee engagement in social actions was observed to be an area restricted to the senior management team, in particular to the Managing Director – who usually makes the decisions about EPM's direction regarding social issues.

g. **Western Buyers:** Western buyers are the most powerful group of EPM's stakeholders. For EPM, the largest buyers of its tea include: Typhoo and Tetley Group. The western buyers are fundamentally interested in seeing agricultural producers embrace ethical business practices in the production of their outsourced products. Importantly, the western buyers are increasingly putting pressure on southern producers to respect smallholder farmers' and workers' rights, and protect the environment. They are considered legitimate claimants in EPM's operations because of their exposure to business risks which may result from the unethical practices within their supply chain. Their influence over EPM's operations is through a number of standards and codes of best practice which are developed and enforced by the international standards and certification organisation with which they have a strong relationship. Compliance of such standards and codes is the basis upon which the relationship between the western buyers and producers thrives. In the event that EPM fails to comply with any of these standards and codes, the western buyers could terminate their relationship with EPM – a situation which could threaten long-term survival of EPM.

h. **Communities:** This is a group of stakeholders which have strong interests in EPM because of their vulnerability to the impacts of EPM's operations. The communities, as a stakeholder group, possess little or no power to influence EPM's decisions, although their claims in EPM's operations are legitimate in normative terms. As a result, their ability to have their concerns or interests responded to by EPM

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sanctions them to take part because most of them felt that such contributions would assist their communities to access the amenities that are crucial for their livelihoods.

management is dependent on how strongly connected they are to powerful stakeholders such as the Government, western buyers and public interest organisations which can strongly advocate for the communities' interests.

i. **Suppliers**: Suppliers are a group of stakeholders who provide EPM with raw materials and inputs that are vital to its success. Their interests in EPM operations are continuous and fair transactions involving inputs they provide EPM with. By providing EPM with inputs necessary for its survival, the suppliers can be considered to have legitimate claims over the operations of EPM. However, given that EPM is the largest tea producer in Malawi providing a significant amount of business to these suppliers, the survival of the suppliers is largely depend on continuing to meet the interests of EPM. Fundamentally their influence over EPM's decision has been mild, resulting in the terms of trade being decided by EPM, although some of these stakeholders can, to a limited degree, exercise their power by building a coalition to influence some of EPM's decisions which they deem as detrimental to their interests.

j. **Shareholders:** Shareholders represents the most powerful stakeholder group that EPM has a relationship with. The shareholders are interested in realising a better return to the investment they make in EPM. As such, it can be argued that their claims in EPM's operations are legitimate, requiring an urgent response from EPM management. Interviews with shareholders revealed that EPM's shareholders exert influence over EPM's decision to address EPM's social and environmental risks by exercising their voting powers through shareholder resolutions.

Table 9.3.1 Stakeholder Analysis – EPM

Stakeholder Category	Stakeholder	Interests in Paladin's Operations	Salience		
			Power	**Legitimacy**	**Urgency**
State	Government of Malawi	- Environmental Protection - Societal Welfare - Protection of labour rights	High	High	High
NGOs	Plan International Active Youth Initiative for Social Enhancement (AYISE)	- Advocacy for prevention of child labour - Community Development	High	Low	High
	Medicine Sans Frontiers (MSF)	- Workers' and Communities' Health and Wellbeing	Low	Low	Low
	Probec	- Environmental Protection	Low	Low	Low
	UTZ Ethical Tea Partnership Rainforest Alliance	- Producers' Welfare - Workers' rights - Environmental Protection	High	Low	High
	Fairtrade Foundation	- Producers' Welfare - Community Development	Low	Low	Low
	Trade Unions	- Workers' rights	Low	High	High
International Organisations (Global Governance	ILO UN Global	- Workers' and General human rights - Environmental	High	Medium	High

Stakeholder Category	Stakeholder	Interests in Paladin's Operations	Salience		
			Power	**Legitimacy**	**Urgency**
Institutions)	Compact	- Protection - Ethical business practices – anti-corruption - Poverty reduction			
Communities	Host Communities in Thyolo and Mulanje Districts	- Protection of human rights - Community Development	Low	High	High
Suppliers	Various	- Continued exchange of services	Medium	High	High
	Tea Outgrowers	- Fair commodity prices - Access to affordable inputs - Extension Services	Medium	High	High
Employees	Skilled and Unskilled Workers	- Better working conditions - Job security	Low	High	High
Shareholders	Various	- Increase in return to investment	High	High	High
Western Buyers	Typhoo Tetley	- Ethical business practices (Workers' and general human rights, child labour and environmental protection)	High	High	High

9.4 Perceptions of CSR

The notion of CSR has recently become popular in Malawi. However, there have been wide variations in how CSR is generally conceptualised. The tea sector in Malawi is considered the leader in the CSR agenda. Hence, it was imperative that the perceptions various actors (managers and stakeholders) hold about CSR be examined. In general, the interviews with EPM management and stakeholders reveal a variation between EPM's management understanding of CSR and that of the stakeholders, although variations within EPM's

stakeholders were also observed. The subsequent sub-sections present the views obtained from such interviews and the interpretation of such views.

9.4.1 Managerial Perceptions of CSR

Three thematic issues about the managerial understanding of the concept of CSR in general emerged out of the interview conducted with EPM's Managing Director. These issues include: a) conceptualisation of CSR and the nature of social responsibilities; b) CSR as a corporate response to social welfare provision; and finally, c.) corporate responsibility to the environment.

a.   Conceptualisation of CSR and nature of social responsibilities

Defining the nature of social responsibilities a firm assumes in society where it operates was one of the recurrent themes that emerged during the interview with EPM's Managing Director. The interview revealed that EPM's understanding of its social responsibilities is uniquely embedded in its ethical values with respect to care for the environment and the wider communities and its employers on which its sustainability depends:

> 'We define CSR as doing business in an ethical manner by ensuring that environmental and social concerns are also addressed in order to ensure sustainability. In simple terms, it means putting a human face to the business by caring about the environment, our workforce and the community around us in order to ensure sustainability. We have a responsibility to the employees, people, the Government; there are also stakeholders that we have a responsibility to: our buyers, our packers and people that we do day to day business with. They must be part of the CSR agenda and they have a very similar approach to the way they conduct business with us. We ask periodically do you have a minimum wage, do you do CSR. But companies would not exist if they didn't make profits. That is one thing we care about. Anyone thinking otherwise will not be here tomorrow. This is what it is, it's a reality. If we are non-profit organisation fine, but we have shareholders who have invested in the company and want to get returns.'

Thus, this line of thinking grounded in sustainability entails that EPM understands CSR as a balance between 'hard' corporate values rooted in the economic bottom line and a

consideration of social and environmental concerns – the notion of which is popularly known as the triple bottom line (Elkington, 1997). Furthermore, as the respondent may suggest, CSR does not imply that managers should sacrifice the long term interests of the firm's shareholders for societal welfare. Such views confirm the opinion of Reinhardt and Stavins (2010) that firms can potentially achieve their sustainability agenda only if they can develop capabilities for addressing concerns and the needs of various stakeholders while fulfilling their fiduciary duties to their shareholders.

While the majority of responsibilities which EPM claim to assume may be overly constructed in instrumental terms, there are also strong indications that EPM's social responsibilities are to a certain degree based on altruistic and discretionary motives, and are unrelated to EPM core business. There are also strong indications that EPM strives to ensure a healthy balance between its long-term economic interests and corporate citizenship issues. Certainly, EPM's understanding of CSR is that CSR is the only progressive way by which businesses and EPM can contribute towards societal wellbeing:

> 'We live in this country, and therefore we have to put back into the communities that surround us. I think one of our major drivers is the fact that I think in the past, and I am talking about 10 – 15 years ago, there was probably a view of 'them and us' scenario. We exist because of our people, and we need the surrounding villages for our labour; we need them for social interaction, and we feel very strongly as a group – a community group.' (EPM Managing Director)

Such a perception reinforces the assertions that the role of business in society needs to change with changing societal expectations. Indeed, EPM operates in a society where, with changes in societal governance, there have been changes in the societal perceptions about the role of businesses in societal governance. Such views however are in contrast with the findings from a study by Pedersen (2010) on what managers in international firms in the West perceive to be the social responsibilities of their firms. For these managers, only those issues that were closely related to their core business were the ones considered as part of their social responsibilities. It is possible that such differences are a reflection of variations in

societal expectations of the involvement of businesses in the wider society (Matten and Moon, 2008). As Matten and Moon (2008) argue, in societies where there is significant public spending on welfare, it is usually not the case that firms are expected to undertake social welfare provision.

Similarly, such a corporate citizenship perspective was confirmed by the Managing Director of EPM's recognition of its role in societal welfare. When asked about the role of EPM in the provision of societal welfare in the light of state failure in providing its citizens the basic social rights he replied:

> 'Malawi needs assistance; Malawi needs to move forward. It's a tragedy but I think education in Malawi is one of the areas that need interventions because there is a huge gap in terms what was there in your time and what is there now; and now it's really frightening to see. We as a company run 7 schools – we educate about 2500 – 2700 children mainly from workers around, and in one of our schools we bring gap students from the UK who come for 6 months of their Gap year and teach in our schools just to improve the standards of education in our schools. Then from our company point of view every year, we put money to support projects for villages surrounding our estates who approach us we need school, we need water supply'

Nevertheless, the downside of the corporate citizenship perspective, as the EPM respondent describes, is that CSR is sometimes viewed as an 'added-cost' and a discretionary activity:

> 'We put like one percent of total profit to CSR related spending. Well it used to be 0.5% but we raised it. Costs go up. I think it will probably grow in the future. If there is something special then I will approach the Board to get extra funding if there is no adequate funding. It also varies from year to year and it depends on what season we have had; it depends on how good the prices are. It does go up and down. Like 2005 was a drought year throughout Malawi, so it [CSR related spending] was very low.'

Such a view however suggests that CSR initiatives that are unrelated to the firm's core business may usually be potential candidates for scaling down in times of economic uncertainty (Financial Times, 2008; Wood and Graves, 1997).

Finally, CSR, in particular when it involves corporate philanthropy, is understood by EPM management as a hedge against certain business risks. For EPM, provision of some basic social rights has in a significant way, reduced the risks of confrontation and hostility from its host communities. As a result of the many CSR initiatives EPM has implemented in the

communities surrounding its tea estates, such communities are increasingly trusting and co-existing with EPM as a good 'corporate citizen' within their communities:

> 'We decided to put back into the community many years ago so that we could give something back. And with that in recent years, we have moved our focus to the smallholders. There has been a quietening because the villagers no longer see the company as an entity on its own, but rather as a partner'(EPM Managing Director)

In conclusion, the perceptions managers may hold about the social responsibilities a firm may assume in a society may be directly linked to how well the managers and the boards are enlightened about the potential benefits of such responsibilities to the company's long-term economic interests.

b.   Corporate responsibility to the environment

Commercial tea production, by virtue of its heavy reliance on the use of chemicals and fuel-wood for energy, is one of the high environmental impact industries. As such, corporate responsibility towards environmental management was one of the thematic issues discussed with the EPM Managing Director. The interview revealed that there is a general recognition by EPM management not only of the significant impacts tea production processes can potentially have on the wider environment, but also of the need to mitigate the impacts of such activities. This position is consistent with EPM's corporate values on which its sustainability is perceived to depend on:

> 'Doing business in an ethical manner by caring about the environment in order to ensure sustainability' (Eastern Produce Malawi statement of company values with respect to environment)

> 'We must meet certain international standards in our water supply, fertiliser and herbicides' application and tea processing in our factories. We have to stay away from riverines, and things like that. We have voluntarily set ourselves standards regarding pesticides and certain chemicals

use because overtime these destroy the ecosystem, and after sometime they can find their way into my body and your body. There is a cost, but at the end of the day, I look back, it's part of management. It has made us focus on what really needs to be our responsibility. It is part of our ethical responsibility.' (EPM Managing Director)

For EPM, its responsibility to the care of environment is viewed as instrumental to its long-term sustainability. Given its huge reliance on the environment for its operations and by virtue of the impacts of its operations on the ecosystem, EPM views its responsibility towards the care of the ecosystem as a balance between its economic interests and the need to internalise the costs of its environmental damage in order to operate as a sustainable business. EPM believes it can show responsibility to the environment by placing a primary emphasis on the sustainable utilisation of finite resources and maximising the use of environmentally friendly production technologies. EPM's responsibility for the preservation of the environment could largely be seen as grounded in the instrumental perspective. In short, as the EPM internal values quoted above and sentiments from the EPM Managing Director may show, the significance EPM attaches to sustainability may be interpreted as underpinning the relationship between EPM and the environment. This suggests that any decisions the company makes to achieve its long-term interests may have to consider mitigation measures for any externalities the company may generate into the environment.

On the whole, the perceptions of EPM management about responsibility to the environment represent an internal environmental orientation towards preservation of the ecosystem that is guided by EPM's internal values and the ethical values expected by the society.

9.3.2   Stakeholders' Perception of CSR

As this study was in part aimed at understanding stakeholders' perceptions about CSR, three major themes were identified following several interviews with EPM stakeholders. These

include: a.) the forms of social responsibilities EPM has; b.) CSR as a corporate response to societal governance failures; and finally, c) corporate responsibility to the environment.

a.   Stakeholder understanding about the concept of CSR and the forms of Social Responsibilities

For the majority of institutional stakeholders interviewed, CSR is broadly understood from both the normative and instrumental or corporate sustainability perspectives.

> 'Corporate social responsibility is a company's commitment to operating in an economically and environmentally sustainable manner while recognising the interests of its stakeholders' (Malawi Bureau of Standards)

> 'If we talk about the tea industry in Malawi it's the producers. So our core function is to make sure that the local tea companies – tea producers are competitive globally. But at the same time, we have to make sure that they (producers) are producing in harmony with the expectations of the larger stakeholdership; and I am sure that's where the issue of CSR comes in. The moment we talk about CSR, we do understand that it's not only how you are treating workers. CSR is broader than that. We have environmental issues there.' (Chief Executive, Tea Association of Malawi)

> 'CSR means that companies have to be responsible for the people they employ directly or indirectly. They have to be responsible for the tea producing communities, and they have to be responsible for the environment.' (Programme Manager for Africa and Latin America, Ethical Tea Partnership)

However, only one respondent from the institutional stakeholders group understood CSR purely from an altruistic and communitarian perspective:

> 'I understand CSR as businesses being able to plough back part of their profits into the community. A lot of companies have been operating in this country for a long period of time, but they have contributed little to the community of Malawi. Talk of tobacco companies which have depended on farmers for the leaf, but see how much they have contributed to the society of Malawi. You can see that they have not contributed that much' (the then Deputy Minister of Trade and Private Sector Development, Malawi Government)

For the majority of institutional stakeholders who draw on the enlightened self interest perspective, CSR is viewed as an attempt by a company to address the balance between the

interests of the non-shareholding stakeholders and the long-term interests of its shareholders. Thus, CSR is the only mechanism by which firms can serve the long-term interest of the shareholders while reasonably contributing to the social good, but also responding to interests of various stakeholders such as suppliers and employees (Reinhardt and Stavins, 2010).

By contrast, for the non-institutional stakeholders, such as estate workers and communities surrounding EPM, CSR was viewed more narrowly, although their views were largely embedded in the communitarian and altruistic perspective. Specifically, CSR was understood to be the mechanism by which the company contributes to the prosperity of its host society in return for the opportunities the host community grants to EPM for wealth generation:

> 'CSR is the mechanism through which a company like EPM uses part of the profits it makes to assist in the development of the area where it operates. We are saying this because, as you are aware the tea companies in this district occupies over three quarters of the arable land. This is the land that we are supposed to get our livelihoods from. So what we are saying is that now that we cannot produce enough from the small pieces of land we have, it is only a right thing for EPM and other tea companies in the area to give back something they generate from our land as a compensation' (Traditional leader in Mulanje district).

> 'Although we acknowledge the fact that EPM provides us with an opportunity to work and earn livelihoods, we believe that EPM social responsibilities may also be viewed in the light of their contribution it makes to our society. The majority of the people in our communities which surround the estates are living in abject poverty. So I believe that this is an area where the social responsibilities of EPM may be seen to be critical' (One of the EPM Tea Estate workers)

It is interesting to note that estate workers did not mention the provision of good working conditions as part of a firm's social responsibilities. These stakeholders (communities and estate workers) didn't seem to regard environmental risks to the host community as a result of their corporate operations as part of the social responsibility of the firm. This is not really surprising given that CSR is a new concept. The nature of CSR and its meaning is likely to be pretty alien to the majority of Malawians, particularly estate workers and communities characterised by low levels of education. Nonetheless, CSR is the only progressive mechanism by which EPM can embrace the principle of social justice by treating such stakeholders with the managerial attention they deserve rather than being viewed as

instruments for achieving the long-term interests of its shareholders. In other words, as the traditional leader above noted, CSR is regarded as instrumental to EPM's consideration of social justice.

b. CSR as a corporate response to societal governance failures by the state

Provision of basic social rights to communities in which EPM operates was one of the central issues that emerged throughout the interviews with nearly all EPM stakeholder groups. This theme was teased out from the principal thematic issue 'nature of social responsibilities of EPM' and other businesses because of its significance in the light of societal governance failure that Malawian society is currently experiencing.

For all the stakeholder groups interviewed, there was a general consensus that CSR represents a significant avenue by which EPM and the rest of the companies in Malawi may assist the government in the provision of basic social rights and contribute to the Government of Malawi's national poverty reduction programme. One respondent was, however, cautious with his responses, and stated that while companies such as EPM are currently expected to provide basic social rights to citizens in the communities where they operate, such assistance should be selective and should only target areas where there is state failure:

> 'Apart from complying with the regulations, EPM constructed schools as part of CSR. On top of that, the estates provide support to schools which are constructed and run by the Government. They built additional school blocks and teachers' accommodation. The schools run by estates were initially intended for their workers' children, but they also allow children from the surrounding areas to attend. I am a product of such schools. The estates' approach these days is that they are no longer building schools in the estates, but they are supporting government run schools. This is what we expect the tea companies to do: to help the government in issues which are far beyond their reach - now that the Government of Malawi can no longer adequately provide such services.' (District Labour Officer, Mulanje District Assembly)

For most of the stakeholders, including an influential member of the community quoted below, EPM's engagement in societal welfare provision is the only mechanism by which

EPM may be seen as 'giving back to the society' part of the profits it generates from their land:

> 'In the past thirty years or so, we were solely dependent on the Government to provide us with good road networks, water supply facilities, hospitals and good education facilities. The Government no longer maintains the roads; we no longer have adequate stock of medicines in our clinics and we have noted high school drop-outs in children because they do not have enough classrooms. We now look to the estates that are operating in our areas for help with additional school blocks, rehabilitation of the water points and the road networks put in place by the Government in those years. We feel that companies like EPM should do their part because we believe they are making lots of profits from our land.' (Chairman, Chikumbu Area Development Committee, Mulanje)

On the whole, EPM is viewed by its host communities as a 'private government' (Moon et al., 2005; Valente and Crane, 2009), a view largely grounded in a communitarian perspective (Logsdon and Wood, 2002).

c.   Corporate responsibility to the environment

Corporate environmental responsibility represents one of the burgeoning phenomena in organisational studies. The impact of EPM's operations on the ecosystem has been an issue of concern to various stakeholders in Malawi. As such, EPM stakeholders were requested to express their understanding of the responsibilities companies like EPM have towards the environment. It was revealed that stakeholders' perceptions about corporate environmental responsibility varied depending on whether the stakeholder was a public interest organisation or a private organisation, and also whether a stakeholder draws on the communitarian or minimalist view.

For stakeholders operating in the private sector, corporate responsibility to the environment was constructed in terms of the minimalist perspective. As the Chief Executive of the Tea

Association of Malawi[69] describes, corporate responsibility to the environment is understood as instrumental to a firm's ability to achieve long-term success and the ability to remain competitive in the markets:

> 'Nowadays things are changing due to environmental issues such as climate change coming to the fore; a lot of consumers want that production does not interfere with sustainability of the environment. So it's not only sustainability of the company, but also of the environment. I just wanted to add the broad picture of how wide and deep tea companies' social responsibilities are.'
> (Chief Executive, Tea Association of Malawi)

Thus, corporate responsibility to the environment could also be interpreted with respect to the extent to which tea companies, including EPM, incorporate stakeholders' concerns about the need to address the negative impacts of their business practices on the environment.

However, not all stakeholder respondents viewed the notion of corporate responsibility to the environment through an instrumental lens. Public interest stakeholders viewed it from normative and communitarian perspectives. As these institutions have a duty to protect the public from any harm that business activities may cause, for them corporate responsibility to the environment implies the integration of their business activities with concerns about environmental preservation:

> 'I think corporate social responsibility as it is conceived in Malawi is narrow; you just look at the social aspects. But there is sustainability which looks at the sustainability of operations: with respect to materials extracted from the environment, or whatever resources they are using be it trees or soils, are they exploiting them sustainably? If they are producing wastes how are they dealing with the wastes? If they are applying pesticides, where do these pesticides go? Is it to the ground water? So I am saying, they should protect this ground water. Are they planting trees in the tea estates to protect soil and water and use some for tea processing? Are they practising water or energy saving technologies? What kind of practices are they using as a company? Can they come out clean if we apply all these criteria by showing their corporate environmental management systems? So that's why the notion of sustainability goes into the whole debate about CSR.' (Deputy Director, Department of Environmental Affairs)

> 'I will start with the issue of environment. I don't think they are doing as much as expected because at the moment I don't think they have a solid environmental management strategy. But they claim that their production process is free of chemical use. But my concern is the disposal of waste water they use which I think find its way into the streams. We need to find out as to whether the water is not harmful to our ecosystem. However, one of the EPM estates has

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[69] Tea Association of Malawi is a grouping of eleven tea producing companies that represents interests of its member companies at policy making levels

constructed some dams for waste water disposal and treatment.' (Official, Mulanje District Assembly)

For such stakeholders, a firm's responsibility to the environment is largely constructed in terms of its commitment to the development of an environmental management strategy or the progress which a particular firm makes in the development of such a strategy.

9.5   Drivers of CSR

EPM has been engaged in various CSR related initiatives for a considerable number of years. Despite a relatively good record of social performance, little is known about the factors that influence EPM to engage in CSR related actions. This research remedies this and the sub-sections below provide a discussion of the major factors that influence and shape EPM's CSR agenda. These drivers are classified into two major groups: intrinsic and extrinsic drivers (See Table 9.5.1 for a summary of the major drivers and their influence over EPM CSR). Internal drivers are the drivers of CSR that are internally generated pressures within the firm's internal environment. For EPM, such pressures include: top management; risk management; pressure from the parent company. Extrinsic drivers are externally generated pressures from the firm's external environment. With respect to EPM, such factors include: the industry (peer) pressure, quest for legitimacy; pressure from the markets; and pressure from investors.

Table 9.5.1 Drivers of EPM's CSR Agenda

Type of Driver	Driver	Degree of Influence / Strength
Internal Drivers	Top Management	High
	Parent Company CSR Policy	High
	Risk Management	High
	Shareholders	High
External Drivers	Export Market Pressure	High
	Community Expectations	Medium
	Industry and Peer Pressure	Medium
	State Regulations and Government Policies	Medium
	Pressure from International Organisations and Certification and Standardisation	High

9.5.1 Internal Drivers

a. Top Managers

Top management commitment to CSR is one of the most significant factors that is institutionalising CSR within EPM. In CSR, such a commitment is vital because, by virtue of their positions and power within their organisations, top managers can potentially play a significant role in organisational moral development when managers have a discretion based on the 'business judgement rule' to use corporate resources on social issues that are based on their ethical values (Reinhardt and Stavins, 2010). Furthermore, top managers' discretion is particularly important in Malawi, where the market place rarely rewards firms for exhibiting socially conscious behaviours, but also rarely punishes unethical behaviours.

For EPM, the managing director (MD) is directly involved in the overall orientation of the EPM CSR agenda and has taken an active role in the actual implementation of the CSR agenda. Such a commitment, as noted elsewhere in this thesis, is evidenced by the efforts he has put in lobbying some stakeholders – government, donor agencies and other companies - to institutionalise the notion of CSR in Malawi.

Such a commitment to CSR, as the sentiments below describe, is influenced by personal values and life experience:

> 'You know my family: my mother came to Malawi in 1928. I have lived most of my life here. So I consider, even if I am not a Malawian citizen, this as my home. My grandfather came to Malawi in the early 1890s. So, my association with Malawi is long and my family has been here for over 80 years and I love Malawi. When I see poverty around me, I feel that I have to put something back; as little as it is something has to go back. We talk often hear that we want to uplift Malawians, but we never seem to see very much.' (Managing Director, Eastern Produce Malawi)

> Mr. Tilley is doing alot of development work in our district because he knows that we regard him as one of us. We believe that because he has lived in this district since he was a very young boy, he also regard himself as one of us. As a member of the development committee in this district, I have on many occasions interacted with him – it appears that he has the welfare of our communities at heart. He is somehow different from other tea estate bosses with regard to issues of the communities in which he operates. (Kulisewa, Chairman, Eastern Produce Tea Outgrowers)

Such a perspective corroborates with Hemingway and Maclagan (2004) and Duarte (2010) who made similar observations on the role of managerial personal values in the institutionalisation of CSR within firms. They argue that while personal values may crucially influence managerial discretion over the direction which an organisation may take with respect to the societal agenda, they equally note that a manager's life and career experiences can be vital to the CSR orientation which a particular firm pursues.

b. Alignment with headquarters or parent company's CSR policy

By virtue of its listing on the London Stock Exchange (LSE), Camellia International Group is expected to demonstrate its commitment towards the mitigation of the business, social and

environmental risks associated with its operations. CSR is certainly viewed by Camellia International Group as a strategy through which it can meet listing requirements, but which can also enhance its reputation as a socially aware firm. Clearly, the perceptions the financial markets may have of Camellia Group's CSR agenda would normally be viewed in relation to how its subsidiaries are addressing social and environmental risks in their operations. This is why, as an extract of the Group CSR policy and sentiments from EPM Managing Director show, the Group's CSR policy has a strong influence on its subsidiaries' ethical policies:

> 'We operate in diverse cultural, commercial and regulatory environment and are exposed to a corresponding wide range of social, environmental and ethical issues. We aim to ensure that these issues are well managed in all of our business, and we attach importance to their continuous improvements. The Board of Camellia plc is responsible for establishing the group's policy on corporate social responsibility and has given the Executive Committee responsibility for ensuring that the policy is implemented across the group in a manner appropriate to those countries and sectors in which our business operate.' (Camellia Corporate Social Responsibility Policy)

> 'The policy of the company that I work for are very strong in this approach [corporate social responsibility]. In India we run schools and hospitals; in Kenya we run a hospital.' (EPM Managing Director)

For Camellia International Group, since most of their subsidiaries operate in countries where regulatory environments are questionable and weak, its ability to influence subsidiaries' practices would obviously be beneficial to its reputation with its stakeholders, such as consumers of its products and services. There is also a general belief that, since Camellia Group is a public company traded on the London Stock Exchange, such actions would normally be reflected in its stock price movements because potential investors would be attracted to invest in a company that has strategies in place to minimise business risks.

Although EPM's CSR agenda may in part be seen as a reflection of the parent company's CSR policies, the positive side about such a posture is that Camellia Group allows its subsidiaries to pursue CSR agendas that are aligned with local expectations. Hence, EPM's CSR practices tend to reflect local stakeholders' expectations and culture. Thus the parent

company is clearly aware of the cross-national variations of CSR issues around the world (Visser, 2007).

c. Risk management

In recent years, EPM has increasingly been exposed to a number of business risks. The interview with EPM's Managing Director revealed that EPM is exposed to a variety of external and operational risks that can potentially threaten its survival. The most significant issues include: corruption and fraudulent practices involving EPM employees. Hence, the drive to prevent and minimise corruption and fraud within its workforce is viewed as one of the significant factors for EPM's engagement in such an ethical agenda:

> 'That is why we put money into Business Action against Corruption and participate in the anti-corruption prevention programmes. Because we believe that corruption in Malawi is widespread, and I feel at times is getting worse. I see corruption where I sit: I had fraud within my own company. I tried to prosecute offenders, only to find out that the offender had an association with a certain individual, and she got away with it. That's wrong. It is a fact of life. We have seen it many times, and this becomes a great frustration for companies to run their business profitably.'
> (Managing Director, Eastern Produce Malawi)

> ''You might have been aware at the Stakeholders' meeting which the ACB (Anti-Corruption Bureau), there was a strong emphasis on the role of the private sector in the fight against this evil. The private companies, including your case study, EPM have recognised the negative impact corruption of corruption and fraud on their business health. Because of this, they have seen that it is more important to support this government agenda of reducing corruption by establishing the Business Action Against Corruption. At the ACB, we welcome this enthusiasm from the private sector, and we feel that our job is going to be easier than when we started some few years ago''
> (Mrs. Phombeya, Principal Anti-Corruption Officer)

For EPM, adopting such an ethical orientation would serve not only to protect long-term shareholder interests – profits and attract more investors, but also hedge it against risks of litigation and reputation loss (Minor and Morgan, 2011).

d. Shareholder Activism

In recent years, there has been a surge in the number of investors that are keen on obtaining ownership of companies that can demonstrate a strong orientation to ethical business practices in order to avoid risks that may pose a threat to their long-term interests (Doh et al., 2004). For EPM, although its practices are to large extent influenced by their parent company Camellia Group, the pressure to embrace ethical business practices is also understood to come from its South African shareholder known as the Industrial Development Corporation of South Africa (IDCSA):

> 'We have shareholders who have invested. We have a minority shareholder – the Industrial Development Corporation of South Africa (IDCSA) who have 26%. IDCSA is an investment arm of the South African Government. IDCSA has a strong CSR. It has a member who sit on the Board of Eastern Produce Malawi.' (Managing Director, Eastern Produce Malawi)

By virtue of its membership on the Board of EPM, IDCSA is considered by EPM to have strong leverage to influence the entire Board through a shareholder resolution over the direction of EPM's socially responsible behaviour. Consistent with Frooman (1999)'s thesis of withholding strategy in resource exchange theory and Doh et al's. (2004) arguments, EPM management's failure to comply with its demands for ethical considerations in its operations could compel IDCSA to withdraw its ownership of EPM, thereby threatening EPM's long-term survival.

9.5.2 External drivers

a. Demands from the export markets

The pressure from western consumers and tea companies and ethical initiative organisations in the West encouraged EPM to embrace ethical practices in its operations and as such has been one of the most significant drivers of EPM engagement in CSR related practices. For the

tea companies in the west, codes and standards are considered to be the most effective means by which they can demonstrate to their consumers their commitment to the promotion of ethical production processes within their supply chains (Barrientos and Smith, 2007; Tallontire, 2007). Such codes and standards are usually a product of collective actions by retailers and the certification or standards organisations based in the developed countries' markets where tea produced in the South is mostly consumed.

As a respondent from a certification and standards organisations in the United Kingdom stated, the western tea companies' decision to purchase from a particular Southern tea producing company is to a large extent dependent on compliance with the standards of organisations such as the Ethical Tea Partnership (ETP) and similar organisations:

> 'So big tea companies like Twinings and Tetley decided to come together and formed this organisation in order to monitor the supply chain, and work towards improving ethical conditions together to make the biggest impacts. We monitor producers based on the local social laws. Since last year, we decided to have a global standard that applies to all regions, but based on the ILO conventions one of which is the freedom of association. These standards are also based on the ETI Base Code in which all the social criteria are covered. The conditions in which tea is being produced are becoming a global concern; so we are working with all these issues: workers conditions, energy and waste management and wildlife preservation. What we are doing now is that we have a programme of auditing these tea estates including Eastern Produce Malawi.' (Programme Manager for Ethical Tea Partnership responsible for Africa and Latin America)

> 'The CSR side, let me go back to certification; we as a group embrace certification probably as far as 20 years ago. We realised that it was a concern by the buyers and consumers as to how our tea was being produced. We realised that this was what was required, and we embraced certification wholeheartedly. These certifications have come through the system – Ethical Tea Partnerships, and today we are one of the few companies in Malawi that have been certified. And the Dutch UTZ and in this group, we are the only company that is Rainforest Alliance Certified, and the only one in Malawi.' (Managing Director, Eastern Produce Malawi)

> 'We are a member of Ethical Trading Initiative (ETI). As such, we are required to buy our tea from producers which follow the ETI standards in all of their production processes. We work directly to help our suppliers, as required. We helped EPM to improve working condition of workers and implement ETI base code, environment and food safety aspects.' (Typhoo Tea Technical Manager responsible for producer relations)

However, such standards and codes, as drivers of ethical practices for Southern tea producing companies, are vulnerable to two fundamental weaknesses. The first weakness is that they are overly reliant on local laws which, as has been argued elsewhere in this thesis, are weak and

rarely enforced by Southern governments. The second weakness is that by virtue of their voluntary nature, compliance with such standards and codes would normally be at the discretion of the manager, and would be most effective when a strong business case for compliance is evident. Nevertheless, these codes have strongly been influential in shaping EPM CSR practices, in particular practices related to ecological preservation, because they helped EPM achieve efficiency in its production processes:

> 'Certification has been a good thing in many ways. The process has made us to look at ourselves, our environmental management practices, and say actually we are not correct in what we do here, and we need to do this. Sometimes it has cost us money, but at the end of the day I look back and say it is part of management.' (EPM Managing Director)

Clearly, it can be argued that pressure from export markets through standardisation and certification, remains one of the strong drivers of EPM's CSR agenda. They can be authoritative if well executed, and benefit from being developed by cross-sector stakeholders (UNCTAD, 2011).

b. The Quest to contribute to the public good and alignment with community expectations

The tea growing areas of Southern Malawi are facing significant socio-economic challenges. These areas are characterised by small landholding sizes, worsening poverty, high population growth, and high prevalence of HIV/AIDS and poor access to basic social services. Such problems are symptomatic of the governance vacuum that has been created by the Government of Malawi's failure to adequately administer the basic citizenry rights to the communities surrounding the tea estates. Such a situation had raised the expectations of various stakeholders, and most importantly, the community stakeholders.

It is widely understood that various stakeholders, including communities, expect EPM to share some responsibilities with the Government of Malawi in welfare provision to these communities:

> 'We believe that companies like EPM have an obligation to help our communities because it is where they get people who work for them. So by helping the government to provide our communities with our needs and development, EPM will also be benefitting' (Focus Group Discussion at Khoviwa Village, Traditional Authority Chikumbu)

> 'We encourage our member tea companies to provide their communities with some social service facilities. The estates have to make sure that there is a primary school in their catchment area; a clinic, an ambulance, and like in the case of HIV/AIDS, we make sure that there is compliance to the work place policy by providing ARVS and other welfare issues to the neighbouring communities. So the basics such as potable water should be provided to the people.' (Chief Executive, Tea Association of Malawi)

For EPM, aligning its social agenda with community expectations is understood to be inevitable, and viewed by EPM as a conduit through which legitimacy of its operations within such communities can be guaranteed. The significance of responding to community expectations, and the desire to serve public interests, as the MD remarks, represents one of the most powerful drivers of EPM's CSR agenda:

> 'As I have talked to you, there is a need for this whole issue of CSR. There is a huge expectation out there for us to help the Malawi Government. So what we have started recently is through Tea and Coffee Merchants Association in Malawi in conjunction with the Tea Association of Malawi, we hold a charity auction. We have just had in the late November whereby a company like ours will donate tea, and the buyers will buy that tea at exhorbitant prices. The tea is given free by the tea factories and the buyers pay very high prices. Those funds will go back into communities, and it will go towards assisting hospitals and other things like that. There are many good things that are being done by the tea industry in this country in response to what our stakeholders expect from us.'

Thus, for such communities, although their expectations are to a large extent influenced by the fact that communities see EPM as an economic giant, and therefore as an alternative provider of social rights, the cultural values of Malawian society influence these expectations. In Malawi, as pointed out elsewhere in Chapter 7, Christian values are strong and influence daily community life.

c.   Pressure from the Industry and Peers

The Tea Association of Malawi is an industry organisation established and incorporated under the Act of Parliament in 1934 to represent the interests of tea producing companies. The association achieves this by engaging with all the tea industry stakeholders, and actively lobbies for public policies that can positively affect the tea industry in Malawi.

The Tea Association of Malawi is considered to have significant influence over various business practices of its member companies. In recent years, the pressure from the international markets on southern producers to address social and environmental risks in the global supply chains of tea have influenced TAML to put pressure on its member tea companies to embrace social and environmental considerations in their tea production processes. In response to such pressures, TAML developed CSR standards and benchmarks which member companies are expected to comply with at least minimally. Compliance with such standards is achieved primarily through a peer-pressure mechanism in which member companies are required to monitor each other's compliance with the standards. Non-compliance with its standards usually results in remedial actions in the first instance, and in the worst cases, sanctions imposed by its governing body. The response from the Chief Executive of TAML confirms how influential the tea industry body is over the direction of EPM's CSR agenda:

> 'So what we look at essentially, is to make sure that we have an environment that is good for our producers; so that our producers can sustainably produce but also can sustainably market. Here we are talking about international markets. I don't know whether you are aware of this- 90% of our tea is drunk by western consumers and 2.5% is drunk locally. And our stakeholdership is out there in terms of consumers. So we make sure that our producers comply with the requirements out there: not only from the consumer point of view, but also every country has its own rules and regulations regarding imports and consumption. So we make sure that there is that compliance. So we have set minimum standards. So what we enforce are the minimum standards, but we allow companies to go beyond that, and we have companies like Eastern Produce which are doing things beyond our minimum standards. Just like Government enforces minimum wage, but they are quite few estates which over pay their workers. We set the benchmark because there are some people that cannot afford to go beyond the minimum standards.'

Arguably, while TAML may be seen as being effective in influencing the CSR practices of EPM and the other tea companies in Malawi, its efficacy is dependent on other factors such as the continued support of its members. It is unclear whether TAML would put pressure on big companies in the event of non-compliance with its standards given that its existence depends on them. Nonetheless, there is no doubt that the Tea Association of Malawi is playing a pivotal role in the institutionalisation of CSR policies and practices within EPM and the rest of its member companies in Malawi.

d.   Pressure to comply with State Regulations and Government Policies

The Government of Malawi's legislation and policies are understood to be one of the primary reasons EPM is engaged in CSR. Essentially, EPM's business practices are regulated by a myriad of mandatory legislations that are relevant to the following primary areas: labour relations and employment conditions; although there are indications that some of EPM's environmental management practices conform to the Environmental Management Act (1996). As EPM's Managing Director states, EPM's CSR practices are a reflection of the various regulations to which its operations are expected to comply:

> We have a policy in the tea industry in Malawi that the minimum age for a tea packer is 18 years of age, and anybody working in a factory is 21 and anyone working with chemicals is 21. On our employment form, we state in the local venacular a condition that they are not below the age of 18 years or 21 depending on where there are being employed. One of the difficult things with Malawi is that there is no Identification Card. I can only look at you and say you are 16, sorry we can't employ you. And you will go to the district labour office, and will finally say this man is 18 or 19 years and you qualify. And then we can go to the District Labour Office here and confirm. This is what we do. (The Managing Director, Eastern Produce Malawi)

The critical regulations play in shaping EPM's CSR agenda was also confirmed by one of the senior government officials interviewed:

> 'We are the custodians of labour related regulations such as the Occupational Health and Welfare Act, Employment Laws. These laws have been domesticated from the eight International Labour Conventions, of which Malawi is a signatory. Our job as a Ministry is to enforce these regulations by conducting inspections, providing information and imposing sanctions in case of non-

compliance. Our laws provide the minimum level of compliance, but our expectation is that employers should provide better conditions for their employees. We influence these tea estates through our District Labour Officers who work with them on a number of labour related issues such as child labour, workers rights and collective bargaining and issues of HIV/AIDS.' (Deputy Commissioner of Labour, Ministry of Labour and Vocational Training)

However, it has to be pointed out that regulations such as the Employment Act (2000), Occupational Health and Workers Safety Act (1997) and Labour Relations Act (1996) are all derivatives of the International Labour Organisation's conventions to which Malawi is a signatory. Not only do these specific legislations provide for the protection of workers' rights, the scope which these regulations cover goes beyond protection of adult workers' rights and include child rights and labour in the commercial agricultural sub-sector.

However, although evidence suggests that EPM's CSR practices are in part shaped by state regulations, the efficacy of state regulations as a driver of CSR practices is rather problematic. First, as with most state regulations, those overseeing EPM's business practices provide a minimum level of compliance by companies. This means that while business practices are compliant with the legislation, that does not necessarily mean that they are achieving good ethical standards. A typical example of EPM's practices is the payment of at least a minimum wage[70] to its estate and factory employees.

Although EPM is on record as paying their workers the above-statutory minimum wage, such a wage is not considered a decent and living wage. With such a wage, the majority of these workers can be barely afford basic living standards. Therefore, reliance on the minimum wage legislation as a driver of good employment practices is likely to be misleading. Second, while state regulations for corporate practices are intended to offer protection to a variety of stakeholders, enforcement of such regulations is constrained by a number of institutional challenges:

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[70] Eastern Produce Malawi pays a daily rate of £0.57 as compared to the legal minimum wage of £0.40 per day.

'You know for a long time, we have not been funded by the Ministry of Labour. So this makes the issue of inspection difficult. In this district, there are just two of us who are allowed to conduct inspections in the whole district. So considering the workload that we already have including settling employee-employer disputes it becomes extremely difficult to execute the inspections. Because of lack of transport in terms of fuel, we sometimes seek assistance from the tea estates to conduct inspections. In a month, I normally do three inspections.' (District Labour Officer, Mulanje District)

However, the critical issue is that such dependence on the tea companies by the Malawi Government official for operational resources can potentially put the official and the enforcement agency in a state of conflict of interest when the firm is found to be non-compliant with the regulations.

e.   Pressure from International Organisations

In recent years, there has been a surge in the number of Western companies that are outsourcing production or buying raw materials from developing countries in a drive to reduce the costs of producing commodities for their western consumers (Barrientos and Smith, 2007). However, this development has meant that pressures are passed on to their producers in the developing countries. These producers are not only required to maintain produce quality, but are also expected to maintain a cost advantage over their rivals. The implication of this, is that the majority of suppliers would be forced to engage in unethical business practices including poor employee working conditions and lower prices (Blowfield and Dolan, 2010).

Recognition of such unethical practices within global supply chains has forced international organisations and western governments to take a leading role in setting out norms and voluntary standards to guide corporate practices. The influence of international organisations on EPM's CSR practices has been pervasive. Evidence suggests that EPM's willingness to

embrace good employment and labour related practices is an attempt to align itself with the requirements of a variety of international collaborative initiatives:

> 'We are founding members in Kenya of UN Global Compact; we are a founder member of Business Action Against Corruption and United Nations Global Compact in Malawi, and we make sure that we do our business to standards required of a member of the Compact and the BAAC. So we work closely with AICC who are the coordinating agent for the United Nations Global Compact in Malawi and the BAAC; they are doing a study on us to check what we say is what we do.' (Managing Director, Eastern Produce Malawi)

Thus, as EPM's Managing Director describes, one of the principal international organisations that influence EPM's CSR agenda is the United Nations through the Global Compact. It is no coincidence that core issues of the EPM CSR agenda, such as upholding workers' rights, ecological preservation, and combating corruption, are among the ten principles of the UN Global Compact. The assertion about the influence of such organisations was corroborated by a respondent from the International Labour Organisation (ILO) in Malawi who describes the role of ILO in influencing EPM's employment policies as follows:

> 'ILO indirectly works with tea estates through various industry bodies such as the Tea Association of Malawi and the Employers Consultative Committee which work in a tripartite arrangement with the Government of Malawi and the trade unions representing workers in Malawi. The work of ILO in this respect has been to provide technical capacities and direct funding to the Government of Malawi and NGOs to implement some employment related activities in line with our Conventions which the Government of Malawi ratified. Within the agricultural sector, as you know is the largest employer in Malawi, we have supported NGOs through our IPEC programme, to help eradicate child labour in the commercial agricultural estates. In fact some of these NGOs we support have taken a leading role in informing the world about the scale of the child labour, and advocating for strong government intervention in this area.' (Programme Officer, International Labour Organisation)

EPM's CSR agenda has also been indirectly influenced by foreign governments. These governments have used a variety of strategies to exert pressure on businesses to adopt ethical practices. The key strategies have included: a) provision of capacity building support to various organisations and the Government of Malawi in CSR related advocacy and policy work; and b) lobbying their [western] companies who have supply chains in Malawi to boycott products produced under unethical conditions.

The response from EPM's Managing Director confirms how western governments are increasingly forcing companies in the developing countries to comply with the highest ethical standards in their operations:

> 'Recently, we had a foreign government that accused and wanted to stop exports because the industry was rife in child labour. I got hold of certain diplomatic people in Blantyre and we actually went to the Government concerned and we challenged them. This was coming from their own country, but nobody from that country had actually ever visited a tea estate to verify for themself if there is child labour in the industry.' (Managing Director, Eastern Produce Malawi)

9.6   Chapter Summary

This chapter has examined the perceptions which EPM's management and stakeholders hold about CSR and the specific nature of responsibilities companies may have in the wider society. It can be argued that there is a marked variation in the understanding of the notion of CSR between EPM's management and some of EPM's stakeholders, although similarities were observed between EPM's management and those stakeholders that serve the interests of private actors like tea producers and tea buyers. Of special interest was that the perception of business oriented stakeholders and EPM's management drew on the enlightened self interest perspective – which posits that CSR is instrumental in enhancing shareholder value. In contrast the perceptions of the other stakeholders were largely grounded in a communitarian perspective constructed in terms of 'giving back to the society in which EPM exists as a citizen'. Such a maze of differences in the perceptions about CSR may not only have implications on the nature of the CSR agenda which EPM pursues, but also on the forces shaping the CSR agenda which EPM can potentially pursue in a given period.

Finally, this chapter has identified and examined the internal and external drivers of the CSR agenda which EPM is pursuing. From this analysis, it is clear that while there are diverse drivers that are shaping EPM's CSR agenda, there were significant interactions between the

internal and external drivers as they shaped it. The next chapter discusses the CSR practices undertaken by EPM in its host communities, and further examines the stakeholder engagement strategies which EPM employs in pursuit of its CSR agenda in Malawi.

<p style="text-align: center;">**CHAPTER TEN**</p>

<p style="text-align: center;">**EPM CSR Practices and the Politics of Stakeholder Engagement**</p>

10.0   Chapter Overview

Having reviewed the industry in which EPM operates, and critically examined the perceptions and drivers of CSR, the purpose of this chapter is to examine Eastern Produce (Malawi)'s CSR and stakeholder engagement practices in Malawi. This chapter is organised into three main sections. The first section reviews the CSR practices of EPM and the strategies it uses to manage the implementation of its CSR initiatives in Malawi. It evaluates these practices in the light of their impacts on the wider society and EPM. The second section critically examines the nature of Eastern Produce's stakeholder engagement. It starts by identifying EPM's stakeholders. It then examines the strategies, structures and processes which EPM employs to engage with its various stakeholders. The final section provides a summary of the major findings of this chapter.

10.1   Eastern Produce (Malawi)'s CSR Practices: An Overview

EPM has been implementing various CSR initiatives in the Southern region of Malawi for over two decades. Such initiatives are, however, concentrated in the major tea producing districts of Thyolo and Mulanje. The objective of EPM's overall CSR programme is to make a positive contribution to the socio-economic development of Malawi whilst at the same time satisfying the long-term interests of its shareholders.

Most of EPM's CSR initiatives have been philanthropic in nature, and largely seen in terms of 'giving back to society'. Through its CSR agenda, EPM has significantly invested in social and infrastructural development projects within its host communities. Such projects have included: the construction of road networks, schools and clinics and the provision of water supply facilities. However, the form of philanthropic initiatives which EPM has implemented within these communities may be viewed as unique and strategic. Although these initiatives may be seen as directly benefiting EPM's host communities, EPM may have also benefited in a significant way from such projects. For example, EPM has been able to transport its farm inputs and harvested tea leaves more efficiently because of the existence of a good road network.

Certainly, the scale of EPM's philanthropic initiatives within its host communities compels these communities to look at EPM as 'a private government', something that Valente and Crane (2009) consider 'logical in these circumstances'[71].

Despite the popularity of such CSR initiatives, the danger is that they can undermine community empowerment. Such initiatives do not encourage active community participation, and as such, do not empower them to solve their own development challenges. Although such initiatives have enhanced EPM's reputation with some stakeholders, philanthropy is increasingly viewed by EPM as a costly undertaking, especially in recent years when EPM's profits have been fluctuating as a consequence of unstable market prices and unfavourable weather conditions.

In recognition of the challenges which its philanthropic CSR agenda could present in the long-term, EPM has gradually shifted from a narrow understanding of CSR as a discretionary activity to a broader view of CSR which sees it as a strategic issue central to its

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[71] The circumstances where the state is dismally failing to provide basic social services to its citizens.

core business (Kambalame and de Cleene, 2006). Whereas the implementation of infrastructural development projects in its host communities were the prevalent forms of CSR initiatives in its early CSR agenda, there has been a shift towards CSR initiatives that are instrumental to its long-term interests such as: labour-related and workplace issues; environmental conservation; capacity building for its smallholder producers; and socially responsible supply chain management. However, it is essential to point out that the non-philanthropic CSR initiatives (sustainability driven CSR practices) can be further classified, in line with Locke (2003), as either minimalist CSR[72] or socially encompassing or classical sustainability driven CSR. Table 10.1.1 below provides a summary of the CSR initiatives or practices EPM pursues as part of its CSR agenda in Malawi.

Table 10.1.1 depicts EPM's CSR Practices in Malawi

CSR Thematic Area	CSR Initiative	Category / Type of CSR Initiative	Coverage / Extent
Social Infrastructural Development	Construction and Renovation of Health Centres	Philanthropic CSR	- 18 health clinics operated by EPM - 2 Wards constructed at government and church operated hospitals - 2 hospitals rehabilitated
	Construction of Schools and Provision of Scholarships	Philanthropic CSR	- 7 schools operated by EPM - At least 2500 have

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[72] Minimalist CSR initiatives are CSR initiatives that are implemented by firms as part of management, either in order to achieve superior performance or to respond to regulatory demands.

CSR Thematic Area	CSR Initiative	Category / Type of CSR Initiative	Coverage / Extent
			been assisted by EPM scholarships.
	Construction of Road Networks	Philanthropic CSR	-
	Water Supply Provision	Philanthropic CSR	250,000 people reached out by EPM's water supply projects
	Provision of electricity	Philanthropic CSR	40 households reached out by EPM's rural electrification scheme.
Employment or Labour Relations	- Provision of good work conditions (pay above minimum wages and other benefits)	Minimalist CSR	-
	- Non-Gender discriminatory practices	Minimalist CSR	-
	- Elimination of Child labour in estates and tea factories	Minimalist CSR	-
Institutionalisation of Business Ethics within	- Prevention of Corruption and Fraud	Classical Sustainability CSR	-

CSR Thematic Area	CSR Initiative	Category / Type of CSR Initiative	Coverage / Extent
EPM and its supply chain	- Preferred Suppliers' Initiative: A Socially Responsible Supply Chain.	Classical Sustainability CSR	
Sustainable Environmental Management	- Planting of trees	Classical Sustainability driven CSR	
	- Use of Energy Saving Technologies	Classical Sustainability driven CSR	
	- Minimal Chemical Use	Classical Sustainability CSR	
Smallholder Farmers Development	- Provision of training and farm inputs	Classical Sustainability CSR	11,000 out-growers assisted with technical skills in commercial tea production
	-	Classical Sustainability CSR	
	- Provision of transport for tea to the factory		
	-		
	- Enhanced access to lucrative markets	Classical Sustainability CSR	US$496,000 premium received from sale of tea to the Fairtrade network.

The shift from a predominantly CSR agenda to a sustainability driven agenda demonstrates a

maturation of EPM's CSR agenda, and the increased awareness of CSR as a strategic issue

for innovation beyond the philanthropic logic of 'giving back to the society' (Halme and Laurila, 2009). However, the maturation of the EPM CSR agenda has not consistently matched structural developments within EPM. The reason for this could be the 'hang-over' effects of two decades of a largely philanthropic agenda which did not necessarily require cross-departmental coordination of such initiatives. Despite a strong managerial commitment to CSR, evidence suggests that there are low levels of integration and coordination between the structures or departments within EPM in the implementation of CSR initiatives. For instance, there is no single department within EPM which is assigned the task of coordinating all its CSR efforts. As evidence in Chapter 9 shows, EPM to a large extent depends on the active involvement of its managing director for the direction, oversight and coordination of its CSR agenda.

The sub-sections below provide a detailed review of some of the important CSR initiatives which EPM has implemented over the past four decades.

10.1.1 Corporate Community Investment (CCI): When EPM becomes a 'Private Government'

EPM's CSR focus within its host communities in the two tea growing districts has typically been on social development, primarily by increasing community access to social amenities. For EPM, the provision of important social amenities to its host communities symbolises a significant contribution towards the development of the capabilities of the poor majority living there, and aids efforts to move them out of poverty (Jenkins, 2005). For these communities, the existence of a well-developed infrastructure would normally enhance the integration of their rural economy into the national economy. The sub-sections below provide

a detailed review of some of the main CSR initiatives which EPM has implemented in these communities over the four decades.

a. Construction and Maintenance of Roads

Poor road infrastructure is one of the significant challenges rural communities face in their efforts to improve their living standards. This is a result of many years of government failure to invest in the construction of the road infrastructure in Malawi. EPM has filled some of this gap and has had a long tradition of providing better road networks [73] to communities surrounding its tea estates and factories in the two tea growing districts. It has achieved this by providing financial support to the local government structures in the two host districts to implement some of the road network development and maintenance projects in the communities surrounding its tea estates. The expectation of EPM was that such infrastructures would improve the quality of life within its host communities through enhanced access to basic social amenities which would otherwise have been difficult with a poor road network. Although provision of such infrastructure may perhaps be seen as beneficial to such communities, the availability of good road networks is equally beneficial to EPM. Certainly, a good road network makes it easy for EPM to maintain the quality of the tea it harvests from its estates and from smallholder tea growers because the roads make the transportation of tea relatively easy and timely.

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[73] EPM has a history of constructing feeder roads within its estates and villages surround them.

b. Provision of Health Services

The adoption of the Structural Adjustment Policies of the International Monetary Fund (IMF) had forced the Government of Malawi to reduce its spending on basic social services. Provision of health services to its citizens has been one of the areas critically affected by the rolling back of the state. As a result, the government has failed over the years to construct new health facilities and to renovate the existing dilapidated health facilities, and has subsequently failed to provide adequate health care to its citizens. For EPM's host communities, the expectation is that private tea producing companies such as EPM could assist the government in the provision of basic health care and in undertaking the renovation of existing facilities:

> 'We stay in clamped hospital wards when we go to Mulanje District Hospital. We are always told by the hospital officials that the Government is failing to provide adequate space in the hospitals because they say it does not have adequate funds to construct new wards. Now that government can provide us with adequate health facilities, our hope is on well-wishers that can assist the government in such areas. Lucky enough here in Mulanje and Thyolo districts, we have tea companies like EPM which has renovated and built new wards and hostels at the government hospital as well as Mulanje Mission Hospital[74]. (One of the community members at the focus group discussion in Mulanje district)

In response to such expectations and the increasing recognition of the need to plug the gap left by the GoM, EPM has for a long time been engaged in the construction of hospitals in its tea estates and currently runs eighteen health clinics scattered across their tea estates.

Although such hospitals were primarily intended for its employees, community members surrounding its tea estates have also benefited from the services provided at the estates health centres. However, such an open-arm approach proved problematic for EPM, as the pressure from the surrounding communities on its health centres increased in the face of the limited resources it had to operate them.

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[74] The sentiments have been translated by the Author

In recent years, as a result of the challenges with the initial approach, EPM has changed its approach to the provision of health services. Essentially, it has stepped up its efforts to assist the Government of Malawi by rehabilitating dilapidated facilities and constructing new health facilities within existing government health centres in order to improve their capacities. For example, EPM has contributed towards the rehabilitation of two district hospitals and constructed two new wards at these hospitals in order to expand their capacity. However, these health centres have served as community epicentres for HIV/AIDS management related programmes. These health centres have been providing Voluntary Counselling and Testing (VCT) services for EPM's employees and the communities surrounding the health centres in collaboration with Medicine San Frontiers. In addition, these centres have served as the collection points for Anti-Retro Viral (ARVs) drugs for HIV positive community members. For EPM, working with healthy communities is beneficial because it guarantees EPM access to a more productive workforce, something which is instrumental to EPM's achievement of long-term success in Malawi.

c. Provision of Education Services

For several decades EPM has been committed to education programmes for the communities surrounding its tea estates. The objective of this initiative is to assist the government in the development of human capital; thereby contributing to the sustainable development of its host communities. Crucially, EPM's expectation is that by providing these communities with education facilities, they would not only be in a better position to contribute to EPM but would also able to develop their capabilities to meet their long-term development needs.

EPM owns seven primary schools scattered across its tea estates which have been attended over decades by at least 2700 children of its employees and children from the surrounding villages. Through a partnership with the Ministry of Education[75], EPM has provided its schools with adequate learning aids and well-trained teachers recruited within the districts. In addition to these locally-trained teachers, EPM has through its partnership with several organisations in the United Kingdom utilised the services of gap year students from the United Kingdom to assist teaching in EPM's primary schools:

> 'It's a tragedy but I think education in Malawi is one of the areas that need interventions. We as a company run seven schools – we educate about 2500 – 2700 children mainly from workers around, and from the neighbouring communities. In our schools, we bring gap year students in the UK who come for 6 months of their Gap year and teach in our schools just to improve the standards of education in our schools. Again we have been doing that for 5 – 6 years now.' (Managing Director, Eastern Produce Malawi)

As a result, these estate schools have over the years become popular among the tea workers' children and those from the villages surrounding EPM's tea estates. One of the study respondents, a senior official in Mulanje District Assembly, testifies about the contribution of EPM to human capital within its host communities:

> 'The schools run by the estates were initially intended for their workers' children, but they also allow children from the surrounding areas to attend. I am a product of such schools, and I wouldn't have been here today if they had denied me a chance to attend their school' (District Labour Officer, Mulanje District Assembly)

However, in recent years EPM has shifted its education programme focus from expanding ownership of primary schools in its estates towards donation of school blocks to the government and the provision of secondary school scholarships to children that come from its host communities.

Moreover, as the government's ability to provide education services to its young citizens has continued to falter in response to the demands of neo-liberalism, EPM has continued to scale-up its support for public schools through the provision of new classrooms, teachers' houses

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[75] The Ministry of Education has provided EPM with the advisory services which included the monitoring of teaching standards in these schools.

and learning aids. The impact of such assistance has improved standards of learning and enrolment within the supported schools.

d. Provision of Reliable Water Supply

The provision of a reliable water supply, just like all other public services in Malawi, has been declining at a fast rate because of inadequate state funding. In areas where private companies have become part of the socio-economic fabric, there has been increased societal expectation for these actors to step up their efforts in the provision of such services. Access to reliable water supplies has been one of the most critical problems in the two tea growing districts for several years.

For EPM, host community expectations and the desire to assist the government in provision of safe and portable water are considered to have been the major impetuses for its commitment to its community based water supply initiatives:

> 'Then from our company point of view, every year we put money to support projects for villages surrounding our estates which approach us we need water supply. I have brought water supply for them because I see there is a need' (EPM Managing Director)

EPM has been providing its host communities in these two districts with potable water for over two decades. Through its partnership with local government departments , EPM has implemented several water supply projects reaching out to over 250,000 people:

> 'This time there is a gravity fed water project from Likhubula river and that water supply serves 250,000 people probably on the western side, and that water supply was not running correctly. So, in collaboration with the Government, we have the system back up and running, and now it supplies probably about 75% of the area it used to supply. There is more that needs to be done to totally improve that system. But there is another water supply which has been in existence for many years but the pipes have been stolen, we also rehabilitated that system. We have many different projects that we have done and we will continue to do.' (EPM Managing Director)

Not only has EPM partnered with the Government of Malawi in this project, it has also established partnerships with other global companies. Through its partnership with MARS in

the United Kingdom, EPM has constructed several boreholes in the two districts to provide safe drinking water. Provision of safe drinking to these communities is a remarkable initiative in the EPM CSR agenda of providing public goods. Moreover, from a social justice and fairness perspective, such an initiative would be viewed as a mechanism by which EPM could compensate these communities for the impact of its operations on the water resources which the communities depend on for their livelihoods.

e. Rural Electrification Programme

In Malawi, a significant proportion of households have no access to electricity. This problem is profound in the rural areas where less than one percent of the population are connected to electricity. The current demand for electricity outstrips the current capacity of the sole electricity supplier - ESCOM[76] - leading to frequent power outages. For companies, the economic impact of such disruptions to their production processes has been very significant, and potentially threatens the survival of some businesses.

It is against this background that EPM has taken a leading role in the implementation of a rural electrification programme in partnership with the Malawi Government. To that effect, EPM has invested £4,000 into the £16,000 programme which has so far reached out to forty households in the communities surrounding its tea estates (Malawi Voice, 2010), although there are indications that more households would be reached by the programme.

While such efforts are plausible given the current economic climate, the current coverage of this programme is limited to a relatively small number of households. As part of its attempts to increase coverage of this programme, EPM, in collaboration with other members of the Tea Association of Malawi, is in the final phase of establishing small hydro-electric power

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[76] ESCOM stands for Electricity Supply Commission of Malawi. ESCOM is the state- run company currently the only supplier of electricity in Malawi

stations on a number of tea estates. The scheme is expected to address not only the problems of coverage within its host communities, but also to reduce the problem of unreliable power supply experienced by these companies (TAML, 2009).

The major benefit of this programme to these communities is enhanced community access to various service providers. This was alluded to by the MP for the area in the project handover ceremony;

> 'We have a vocational training school here which has been failing to operate due to the absence of electricity. So we are optimistic that the coming of this initiative would invite many businesses in the process of developing this area.' (The Member of Parliament for the area where EPM operates as quoted by Malawi Voice in May, 2010)

10.1.2 Integrating Sustainability into EPM's 'DNA': Towards a New CSR Agenda

a.   Provision of Better Labour Related Conditions

EPM, through its relationship with tea buying companies and standards and certification organisations[77] in the West, has been implementing various employment related programmes to improve the working conditions of its workforce. Such initiatives have included:

i.) payment of the above - minimum statutory wages and other benefits, including provision of better accommodation for workers' families with necessary utilities including water and electricity, and free meals at work;

ii.) provision of employment contracts to all workers regardless of their employment status, translated into local language for ease of understanding about the terms and conditions of their employment;

iii.) development of child labour policy;

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[77] The standards and certification organisations that work with EPM include: Ethical Tea Partnership, the Rainforest Alliance and UTZ of Netherlands. These organisations conduct periodic audits that assess EPM compliance with their standards and codes in areas of workers conditions and environmental management

iv.) provision of protective clothing for those workers that have high exposure to chemicals in its estates and factories;

v.) provision of adequate medical care and HIV/AIDS workplace services;

vi.) provision of crèches and child development facilities in workers' homes;

vii.) provision of technical assistance in food production to meet workers' household needs for food.

Although these initiatives may be viewed as instrumental to the motivation of its employees to work hard and continue working for EPM, these labour-related CSR practices are viewed as critical to increased access to western markets where consumers are strongly concerned about the treatment of workers (Barrientos and Smith, 2007; Tallontire, 2007; Tallontire et al., 2011). Certainly, EPM's efforts to mainstream labour-related practices as a strategic issue of its core business demonstrates EPM's commitment to embrace good ethical practices in its business conduct. Moreover, it confirms how the strong 'moral pressure of the market place' as Heiss et al. (2002) put it, can make a company orientate itself to become an ethical organisation.

However, embracing such ethical practices is not without some costs. As sentiments from the EPM Managing Director and the respondent from a standards organisation – ETP may indicate, there is discomfort by tea producers concerning the increased costs of production if they are to have wholesale adoption of labour practices which are embedded in the codes and standards:

> ''We make recommendations, for improvement, but we don't try to dictate to them what they should do. They have to make their own decisions because they have their own budgets. They say sometimes it's expensive to implement a raft of recommendations especially of labour practices which are usually crucial to our codes and standards''. (Programme Manager for Africa and Latin America, ETP)

> 'Our workers are treated equally with same conditions except that one is permanent and one will be seasonal worker. Tea production in Malawi as I said earlier is very seasonal; we have a tremendous crop in one season and there is nothing in another season. So, it's not sustainable for

tea companies to keep a huge labour force when there is nothing to do. But they get equal rights, equal pay and everything is exactly the same.'

Despite efforts by EPM to improve working conditions for its unskilled workers, more work remains to be done in order to ensure that workers' rights are guaranteed. Two particular areas of concern remain: a.) the freedom for collective bargaining; b.) gender-sensitive flexible working patterns. These were crucial issues identified through focus group interviews with women workers, and seasonal and regular workers in EPM estates and factories.

An issue of particular interest was the freedom to engage in collective bargaining. Although EPM's Managing Director stated that EPM provides an enabling environment for undertaking unionised actions, estate and factory workers consider EPM's actions as a 'smoke screen'. For the majority of workers interviewed, the workers' committee, which management recognises as an appropriate channel for workers' grievance, is considered as serving the interests of management.

> ''In the past, we had a trade union in the tea estates which had a lot of problems. They never organised meetings to hear our problems. Then another union came which also asked to be their members – in the process we got confused. All these unions had established their offices in the district, but it did not take long before they closed due to financial constraints as they failed to secure sufficient membership. We were then asked by our managers to join the workers' committee so that work-related problems should be passed on to estate and factory management. Although we felt that this was a good thing to do, we noticed that there was a problem there. Our fears were confirmed when discovered that some of the workers' committee leaders were acting on behalf of management to spy on some of us who are critical of some company's actions''
> (Anonymous EPM Employee)

Essentially, as the workers stated, the committee serves as 'spies' for management to report on everyone with a strong opinion on employment related issues - a practice which has led to the punishment of such opinionated workers. Furthermore, the antagonistic relationship between various apex trade unions and a serious lack of capacity in the trade unions operating within the industry have acutely compounded the lack of bargaining power for estate workers.

b.   Capacity Building of Smallholder Producers

Smallholder tea producers, organised under the Government of Malawi run Smallholder Tea Authority (STA), have over three decades made a significant contribution to Malawi's tea exports to international markets. During this period, as pointed out in Chapter 9, smallholder tea growers had enjoyed tremendous support from the Government of Malawi and the Commonwealth Development Corporation. However, in recent years, such support has declined significantly as a result of a government's 'scaling back' agenda. Consequently, such producers have faced serious constraints ranging from poor production efficiency to lack of access to lucrative markets.

By recognising the need to improve the quality and yield of tea from smallholder farms, EPM established a partnership with smallholder farmers in order to improve the tea production efficiency of their farmers, and provide a reliable market for these smallholder farmers:

> 'When those guys [smallholder farmers] came, we saw that there was a need to assist these people. Not only in getting a regular payment, but also in getting the return for the labour' (EPM Managing Director)

Such a commitment by a private firm to the development of smallholders makes EPM a pioneer tea company in Malawi. Through this partnership, EPM assisted farmers to get organised into a democratically driven growers' association known as the Eastern Outgrowers.

The association started in 2000 with sixty producers, and its membership has grown over the years to eleven thousands growers in 2010. Following its establishment, EPM has provided it with technical advisory services and revolving loans for farm inputs in order to build its capacity:

> ''I don't belong to the Eastern Outgrowers scheme, but I have seen how beneficial this scheme has been to some of my friends and to our communities. Personally, I see two major benefits of this scheme to those who participate. As you know, the costs of buying fertilisers for our tea fields and the tea planting materials are very high, and that it is difficult to access loans from the

banks. So, for those farmers who are in the scheme, I think having an access to such loans these days is something that one has to be pleased about'' (A Smallholder tea grower in Thyolo district)

The principal benefit of the association to the smallholder tea growers is that, by virtue of their membership of this association, these growers would have increased access to profitable markets, so that tea growing could become a profitable business venture.

Undertaking capacity building for smallholder farmers is a complex process that demands a significant degree of commitment from the change agents to ensure the achievement and sustainability of the desired outcomes. Crucially, as part of its commitment to address the constraints these farmers face in tea production and marketing, EPM established a department responsible for the capacity building of these outgrowers. The department is headed by a senior manager who is assisted by two middle managers:

> 'We have two smallholder managers employed by Eastern Produce whose sole job is to go round to advise them on every aspect of tea production and all the normal good agricultural practices. We also have a General Manager who apart from these other responsibilities, in fact we would call him the Operations Director , part of his portfolio is to oversee the smallholders and also to keep an eye on the operations of Eastern Outgrowers Trust to see if everything is running' (EPM Managing Director)

Not only has EPM established this department to show its commitment to the development of smallholder tea growers in Malawi, it has also assisted these growers in accessing lucrative markets in the West. Essentially, EPM is on record as being the first tea company to link its growers association to the Fairtrade Foundation when the association obtained its first Fairtrade Certification in June 2007:

> 'I spent 18 months with some of the smallholders meeting people; going round to various aid agencies and talk and said look could you help with money to put up various things. After 18 months of great frustration, I then said to the Chairman of our smallholders, Mr Armstrong Khoza, let's do it ourselves because I can see we are not going to win. So what we did was the process of registering our growers under fair-trade. Fairtrade Foundation you are probably aware of it, it has a stringent certification that you have to go through, we assisted them and we got the certification in 2007 for the smallholders and fair-trade. We also as a company applied for certification as a processor. They don't have a factory, and we buy the leaf and we process it on their behalf.' (EPM Managing Director)

For the growers, there are several benefits of this initiative which can be seen beyond the traditional benefits of accessing lucrative markets. Following the Fairtrade certification, these growers received a premium of US$496,000 from the sale of their tea through the fair-trade system (Fairtrade Foundation, 2010). Such a premium has had far reaching benefits for the association and the wider community. First, as a result of receiving the premium, the association established a loan revolving fund for tea production inputs, and also procured a tractor to transport green leaf from growers' fields to the tea factory. Secondly, some of the premium was spent on various community infrastructural projects and the purchase of ambulances to transport sick people in the communities to the district hospitals.

Through this initiative, smallholder tea growers are increasingly empowered to make decisions about development projects that are needed in their communities through the premium committee:

> 'And with the Fairtrade funds coming in, we established a committee that decided that we build leaf blocks and shades, 33 leaf shades so that any farmer within those blocks could take the tea to any of these shades from where our tractors pick the leaf from before taking it to EPM factories for processing and sales. And it's also a village meeting place, it doubles up : it's a shade that can be used for village meetings. We have put in boreholes in certain villages; We have put in schools; We have put a maternity wing and shelters for guardians.' (Armstrong Khoza, Chairman, Smallholder Tea Development Committee)

Moreover, by virtue of being members of the growers' association, their voice and interests are increasingly being heard at major policy fora for agricultural development in Malawi. For example, one of the pioneer members of the Eastern Outgrowers Association is the current chairman of the umbrella organisation for smallholder tea producers in Malawi – the Smallholder Tea Development Committee that promotes the interests of smallholder tea growers at policy development fora and to the tea producing companies.

Certainly, undertaking capacity building initiatives for its out-growers represents an extra but innovative dimension to the EPM CSR agenda. The benefits of an initiative which is closely related to its core business is that it not only enhances EPM's reputation with its community

stakeholders, but guarantees EPM a sustainable source of good quality tea leaf in adequate quantities. This argument partly supports what Heiss et al. (2002) noted about the business case for engaging in CSR initiative that are directly related to the firm's core business. They argue that corporate social initiatives which are directly related to the mission of the firm have a high likelihood of enhancing the firm's reputation with its stakeholders while at the same time dispelling accusations of CSR being used as a public relations tool. It can also be argued that, such an initiative reflects the 'bottom of pyramid' approach (Prahalad and Hammond, 2002). Arguably, by viewing these farmers as a responsive and untapped resource, EPM is taking advantage of this opportunity to improve and sustain the volumes of tea which it exports to international markets.

c.   Institutionalisation of Business Ethics within EPM and its Supply Chain

Western consumers' pressure for ethical production in the global supply chain has changed the landscape of the relationship between a buying company and its suppliers (Gereffi et al., 2005; Millington, 2008; Pedersen and Andersen, 2006). There is no doubt that such pressure has been passed on to producers in the South, usually through a wide range of lead firms' driven standards and codes (Gereffi et al., 2005; Pedersen and Andersen, 2006).

For EPM, an export-oriented company and founding member of the UN Global Compact Malawi Chapter, such pressure has meant a re-evaluation of its practices and those of its suppliers' networks. Crucially, EPM has developed several initiatives including policies and codes of conduct for governing and managing its relationship with its internal stakeholders (employees and Board) as well as external stakeholders such as suppliers. Within the scope of this thesis, two significant initiatives are discussed in detail in the subsequent sections. These include: the institutionalisation of business ethics and the preferred suppliers' initiative.

i. Anti-Corruption Initiative

EPM, by virtue of its membership with the Business Action Against Corruption (BAAC), has in the past five years been committed to the mainstreaming of good ethical practices within its operations:

> 'We put money into BACC. Why do we do that? Because we believe that corruption in Malawi is widespread, and I feel at times is getting worse. I see corruption where I sit: I had fraud within my own company; I tried to prosecute offenders only to find that offender because she has an association with a certain individual, gets away with it. That's wrong. It is a fact of life; we have seen it many times and this becomes a great frustration for companies to run their business profitably.' EPM Managing Director

As part of its risk management strategy, EPM developed a Code of Conduct and Ethics for its employees and Board. The Code serves as a guide for both employees and the Board not only in their conduct with EPM's external stakeholders, but also in their day to day internal operations. These codes have been embedded in various strategic and operational areas of management, and are subject to rigorous and periodic auditing and the enforcement of compliance by both the internal Audit Department and external auditing firms.

Complementing the code of conduct is the establishment of the position of Ethics Officers who work collaboratively with the Auditors to ensure compliance of the code and CSR related policies by EPM employees and EPM respectively. EPM, with the assistance of a South African Consultant, provided training to these officers on all aspects of business ethics. Such training has, according to EPM's Managing Director, enhanced the officers' ability to mainstream ethical issues into corporate operational strategy. Thus, the orientation EPM took demonstrates a radical shift in thinking within EPM about ethical issues. Essentially, ethical and CSR related issues are no longer viewed by EPM as peripheral issues and a misallocation of shareholders' funds, but are seen increasingly by businesses as integral to serving the long-term interests of shareholders.

ii. The Preferred Suppliers' Initiative: Towards a Socially Responsible Supply Chain Management

Building a reputation for integrity in business transactions represents the most defining feature of EPM's efforts to address ethical risks within its supply chain. Critical to the achievement of such a reputation is the ability of EPM to influence its suppliers to embrace ethical business practices. EPM achieved this by fostering special relationships with its suppliers which were governed by its Code of Conduct. This code sets terms and conditions which suppliers who want to work with EPM are required to comply with. The salient feature about this code is that it is largely based on the international standards[78], the employment related regulations and BAAC Codes which are instrumental to EPM's increased access to international markets and the legitimacy of its operations in Malawi.

On the basis of compliance with this code, EPM develops the list of preferred suppliers which its managers use in making decisions regarding the procurement of goods and suppliers. For EPM, the commitment to such an initiative is shown by undertaking periodic audits of their preferred suppliers' business practices to check compliance with conditions and terms of the code.

While such actions may appear to be EPM's attempt to build a positive image to its stakeholders (e.g. suppliers, international buyers, the Government of Malawi and western consumers)[79], such efforts are aimed at the institutionalisation of ethical practices in Malawi. EPM contributes to this agenda not only by conducting awareness meetings with its preferred suppliers about the business risks associated with corrupt practices, but also by 'naming and shaming' any corrupt firms it might have conducted business dealings with. Given the

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[78] A significant proportion of the EPM's Suppliers' Code is based on the ETI Base Code that Ethical Tea Partnership bases its audits on.

[79] A reputation of good ethical practices under which commodities for supplying the northern buyers are produced guarantees EPM long-term markets for its tea.

impetus for major companies to engage in collective action to eradicate corruption, the impact of such peer pressure has been significant. Offending firms have eventually ended up on the black lists of the majority of major companies, something that tends to threaten the survival of corrupt firms.

iv.   Sustainable Environmental Management

Commercial tea production is an economic activity that is associated with a high impact on the ecosystem. As such, sustainable use of ecological resources by the tea producing companies is critical for the sustainability of these companies. For EPM, this issue has become more significant in recent years, because of increasing pressure from western buyers for ecologically friendly tea production processes which is manifested in the various Codes and Standards which EPM is obliged to comply with.

EPM contributes to ecological preservation by mainstreaming a vast range of environmental management actions in its production processes. Such actions include: re-afforestation of the mountains which provided fuel wood for the processing of tea; sustainable waste and effluent management; limited and judicious use of agricultural chemicals in tea production and the adoption of energy saving technologies:

> 'Environmental management is one of the issues that tops the list of activities of our CSR agenda; we know that deforestation has reached a crisis point in the communities where we operate. Besides a regular tree planting programme on our estates, we have a programme that trains our workers and members of the community in the use of energy saving stoves. All kitchens in our estates use these stoves.' (EPM Managing Director)

According to Sharma (2000), the strategic actions which a firm pursues to preserve the environment can be understood either as conformance or voluntariness in nature. For Sharma, an environmental management orientation by a firm can be considered conformance when a firm's actions are not only a direct response to pressure from its stakeholders, but are also

crucial to improving shareholder value. On the other hand, a firm can be viewed as pursuing a voluntariness strategy when it undertakes environmental management practices that are not seen as a response to its stakeholders, but are based on social justice considerations.

For EPM, its environmental strategy can be seen as a largely conformance in nature, although its efforts towards curbing further deforestation can largely be seen as voluntary. Although these initiatives can be seen to be making a positive contribution towards environmental sustainability, it is clear that EPM's pursuit of such initiatives was a direct response to stakeholder pressure and the quest to increase shareholder value:

> ''We get certification from ETP, UTZ, Rainforest Alliance, we must meet certain international environmental standards be it in our waste reduction and management, fertiliser and herbicides and pesticides application – we have to stay away from riverines, and conserve and plant more trees. So we have to put that in place. It has made us focus on what really needs to be our responsibility. It is part of our ethical responsibility; things we are really supposed to do. And has made us to look at ourselves, and say actually we are not correct in what we do here, and we need to this. And sometimes it has cost us money but at the end of the day, I look back it is part of management and has made us reduce some of the costs and made us continue to market our tea at international markets.'' (EPM Managing Director)

> ''Labour related issues are becoming a global concern so we are working with all these issues related to tea: workers conditions, energy and waste management and wildlife. Now that we have started with environmental management, most of them are not aware about how they can manage their wastes. In very few cases, they don't want to participate anymore. If that happens, then the buyer who is a member of ETP cannot buy their tea. So that's like the benefit for all these estates. Nowadays, companies are worried about the consumers and markets, because of globalisation companies are concerned about the communities and the people that produce for you and the environment.. So we aim at improving the conditions in their estates, in exchange for wider international consumer market.'' (ETP Programme Manager for Africa and Latin America)

Thus, for EPM, the benefits of undertaking environmental preservation are many, and have included: a reduction in operational costs as a result of reduction in fertiliser and chemical use and savings on fuel use and achievement of competitive advantage with respect to access to western markets that require good environmental practices (Banerjee et al., 2003; Menon and Menon, 1997; Sharma, 2000). Not only is sound environmental management crucial for cost minimisation and the achievement of competitive advantage by EPM, it is also the basis

on which EPM maintains its reputation with its western buyers. As international markets continue to put a primary emphasis on the quality aspect[80] of products from developing countries, EPM's reputation for sound environmental management practices is likely to be crucial to its increased access to international markets.

10.2   The Politics of Stakeholder Engagement

10.2.1 EPM's Stakeholder Engagement Strategy and Practices

As part of its CSR policy, EPM engages with a number of stakeholders inside and outside Malawi. The overall objective of its stakeholder engagement is to develop an understanding of its stakeholders' expectations in an attempt to align its operations with the interests of its stakeholders. Central to this overarching objective are the issues of corporate image building (reputation) amongst its stakeholders as a socially responsible firm, and the desire to sustain the legitimacy of its operations in Malawi. However, as noted in the following sections, the extent to which EPM engages with its various stakeholders and the strategy it pursues to engage with them has depended traditionally on managerial perceptions about the relative influence of a particular stakeholder over its operations. As Table 10.2.1 below shows, EPM's stakeholder engagement strategies have over the decades moved from a predominantly transactional phase through the transitional phase to the transformative phase.

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[80] The most relevant quality aspect in this case is the level of chemical contamination

Table 10.2.1 EPM's Stakeholder Engagement

Stakeholder Category (Group)	Dominant Type of Stakeholder Engagement and the Scale of Engagement			
	Transactional Engagement	**Transitional Engagement**	**Transformative Engagement**	**Confrontational Engagement**
Host Communities	High (associated with corporate donations and bottom-up approach to community development)	Medium (EPM uses both donations and two way communication)	Low	-
Private Actors (Suppliers and other companies)	-	-	High (usually seen in terms of strategic alliances)	-
Private standards organisations and Western Buyers	Low (usually associated with compliance with standards and codes)	Low	High (characterised by joint learning, trust and shared benefits)	-
Specialist Organisations (MSF and Probec)	Low	Low	High (characterised by joint learning, trust and shared benefits)	-
Government of Malawi	High (through corporate donation;	Low	Medium (characterised by	-

Stakeholder Category (Group)	Dominant Type of Stakeholder Engagement and the Scale of Engagement			
	Transactional Engagement	Transitional Engagement	Transformative Engagement	Confrontational Engagement
	it usually governed by laws and regulations EPM has to comply to)		mutual identification of projects and mutual sharing of roles)	

a. Community Engagement: A Transitional Journey towards Sustainability

Community engagement is one of the four core values of EPM and its parent company Camellia International plc, but is also perceived as the basis of its CSR agenda in Malawi. The degree to which EPM engages with its host communities has tended to vary, and could be viewed as a manifestation of the historical development which both EPM's CSR agenda and Malawian society have undergone. As such, the nature of EPM's engagement with its host communities could largely be seen from two broad perspectives. On the one hand, it could be seen from the context of its community development perspective which is normally constructed in terms of the top down implementation of the community projects which it implements in the communities surrounding its tea factories. On the other hand, its engagement with communities has tended to draw on the sustainability viewpoint [81] –

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[81] The sustainability viewpoint as used in this context draw on the triple bottom line framework by John Elkington in 1997 which states that businesses should not only consider the economic interests, but has to consider integration of the societal issues such as the environment and social welfare if they are to survive in the long-term. On the basis of the interviews with EPM's managing director, community respondents and a section of estate workers, EPM is currently pursuing the sustainability driven engagement strategy, as stated elsewhere in this thesis, because of its realisation of the fact that an engaged and empowered community can not only enhance its likelihood of anticipating social problems that may affect its operations, but also helping out the communities - where it draws the critical resources such estate and factory workers and land resources from – to achieve development.

normally seen in terms of implementing its CSR initiatives whilst mainstreaming the notions of community empowerment. Crucially, in recent years, a realisation of the scale of the problems its host communities are faced with and its fluctuating revenue, EPM has progressively moved from pure donations towards initiatives that empower its host communities while ensuring that such initiatives are central to its core business. Such a shift in the form of CSR initiatives has corresponded with a transformation of its stakeholder engagement strategy from a predominant transactional one towards a sustainability driven or transformative strategy. The next three sub-sections therefore provide an account of the transformation of EPM's stakeholder engagement strategy.

i. Top – Down Community Development Approach: The First Wave of Community Engagement

The first wave of EPM's CSR was characterised by the provision of social infrastructure within its host communities. EPM, like many private companies, had a limited understanding about the processes and strategies necessary for the active engagement of communities in its development initiatives for their welfare. As such, EPM pursued a transactional and paternalistic engagement strategy with its host communities (Bowen et.al, 2010). This strategy considered community participation as a non-fundamental issue which could not have warranted managerial attention. The most significant feature of this strategy was that although the majority of such projects reflected the needs and priorities of the host communities, the identification of community projects was undertaken unilaterally by EPM based on managerial perceptions about the community needs and priorities. In exceptional circumstances, however, and at the discretion of the EPM management and the Government of Malawi, the local community leaders and elites were consulted to allocate land for a

community development project. There is no doubt that the relatively weak bargaining position of these communities may have influenced EPM to pursue such a passive engagement strategy.

This is not surprising given that during this time, Malawi was under a political dictatorship, such that individuals and society in general had no opportunity to question the decisions made by those in powerful positions, including decisions made by corporate executives. The impact of such a system was more severe for rural communities which had limited space for engagement with any development actors and this situation arguably forced them to become passive recipients of development initiatives, including those from corporate actors such as EPM.

ii. Bottom – Up Approach to Community Development: The Second Wave of Community Engagement

Following a change in the system of governance in 1994, there was a radical shift in the way development projects were implemented in Malawi. During this period, community engagement became more institutionalised, and participatory development, as opposed to the 'top-down' approach, has become the most popular development method in development practice. Such relationships, although largely controlled by EPM, may be considered as a 'transitional' form of engagement, built on a foundation of two-way dialogue and the virtue of community empowerment (Bowen et.al, 2010).

Such a change in the relationship with EPM's communities coincided with increased awareness about the negative impacts of community dependence on philanthropic initiatives and EPM's declining ability to meet all the social development needs of its host communities.

As a result, EPM re-examined its CSR agenda and the engagement strategy it had long pursued for its host communities. The new strategy was developed in such a way that it aligns itself with the current decentralisation policy framework and the Local Government Act of 1998. Such an alignment was critical for EPM's community engagement because the central issue within these policy and regulatory frameworks is the involvement of local governance structures and the mainstreaming of participatory development approaches in all the development projects implemented in Malawi. Moreover, EPM's expectation was that this strategy would be an important vehicle by which EPM would tap into its host communities' capabilities in addressing their socio-economic challenges. Hence, in recent years, EPM has increasingly placed an emphasis on its host communities about the need to work together proactively to address challenges they (the communities) face:

> We were always asked: can we join in the clinics and can we join in the ambulances? The number of people was just too great, and the distance travelled were too great this is where the need to assist the smallholders link up with the Fairtrade Foundation came up. From the Fairtrade money, they bought ambulances. The idea was to get one to be based in Mulanje and one based in Thyolo. The ambulances collect from villages, sick people, and that does not necessarily mean that they serve only for people who are supplying a leaf to Eastern Tea Produce. These are the communities' ambulances, they run and operate them. We just assist with maintenance of these vehicles. The running and operations of the vehicle is entirely theirs. (EPM Managing Director)

Such a change in the direction of community engagement in its CSR agenda and active involvement of the community stakeholders in initiatives that may have direct impact on their welfare underscores the fact that EPM does not see communities as mere recipients of philanthropic donations. EPM is increasingly viewing these communities as having the potential in finding sustainable solutions to their development problems.

Cognisant of the need to harness this potential from its host communities, EPM has in recent years shifted its emphasis from a single issue based model of delivering its CSR agenda to a sustainability model which is increasingly seen as a viable option for addressing not only issues of community empowerment, but also ones that are core to its business. Such a perspective suggests that communities were progressively taking centre stage in the

development initiatives implemented by EPM. Such a perspective was confirmed in interviews with EPM's Managing Director and selected members of its host communities which revealed that that EPM's engagement strategy with its host communities is becoming more inclusive by integrating the communities' inputs into various CSR initiatives it implements within its host communities:

> 'We saw that our villages had problems with accessing potable water in our villages. We approached EPM for assistance with water boreholes. Within a short period of time, they came to our village and had meetings with us through the Village Development Committee[82], and asked us to form a sub-committee to oversee the project implementation.' (Secretary, Mabuka Area Development Committee)

> 'Then from our company point of view, every year, we put money to support projects for villages surrounding our estates who approach us: we need school, we need water supply. We then look at the project together with their village and area development committees; we look at the costs, and do surveys. This time there is a gravity fed water project from Likhubula river and that water supply serves 250,000 people probably on the western side' (EPM Managing Director)

Increasingly, as part of its engagement strategy with its host communities, EPM is using the local governance structures at community levels such as the Area Development Committee (ADC). These are locally constituted institutions[83], but are mandated by the Local Government Act (1998) to participate in the identification and implementation of any development initiatives in the area.

Placing such structures at the core of its engagement strategy and community development programmes has been beneficial to both the communities and EPM. Such an orientation has not only helped to improve EPM's relations with its host communities, but has also gradually enhanced community empowerment. The additional benefit to EPM of such an approach has been that EPM has been relieved of the projects implementation burden, as control of implementation is becoming increasingly shared with the beneficiary communities. Certainly,

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[82] The Village Development Committee is the basic planning unit within the Decentralisation Policy Framework and Local Government Act (1998)

[83] These institutions are elected by all the members of the community, the election of whom is overseen by technical people (elected staff from the Government, NGOs) that work in that particular community. These elected staff have their Area Executive Committee mandated by the Local Government Act to provide technical support to the Area Development Committee.

this has allowed EPM to concentrate its efforts on its core business while 'doing good' in its host communities.

While the late 1990s and the beginning of the new millennium have seen an increasing focus by EPM on proactive engagement with its host communities through their decentralised governance structures, such a perspective has several limitations. The most significant limitation concerns the sustainability of EPM's philanthropic agenda. Crucially, the project or single issue based engagement with its host communities did not adequately prepare the communities to undertake initiatives to address their own development challenges. This is because such projects involved huge capital outlays, which despite the communities having organisational capacities to manage such projects, may not have been possible without external financial support.

iii. Sustainability Driven Approach to Community Development: The Third Wave of Community Engagement

The growing concerns about the sustainability of its community development initiatives in the face of a harsh economic climate influenced EPM to reorient its engagement strategy with its host communities:

> 'With companies being financially squeezed, you make sure that the projects you put in money will be sustainable, and are there for long term; not these funny programmes that we see: with no sustainability into the future in any form.' (EPM Managing Director)

The basic premise for its new strategy is that the sustainable development of EPM's host communities can be achieved only if such communities possess certain capabilities to address their own challenges. Such capabilities may include: access to vital resources such as human, financial and social capital for the implementation of development projects. As such, EPM

recognised the need to utilise the potential which the smallholder tea sector can have in driving community development:

> 'There is a tremendous potential in Mulanje especially to expand the smallholder sector for the benefit of the whole community. We talk often here that we want to uplift Malawians, but we never seem to see very much. And this is one way positive that we could do it.'

Such an orientation involved organising the growers into a well-functioning association that became instrumental in securing funds and spearheading community development. Unlike in previous forms of community engagement, EPM took an advisory role for the association. This orientation was beneficial to both EPM and its host communities. Whereas this initiative was seen as a significant driver for community led development, evidence elsewhere in this chapter, suggests that EPM benefited from such a new engagement strategy, as such a relationship guaranteed the company with a steady flow of good quality tea leaf in adequate quantities.

Moreover, by linking these farmers to lucrative markets, EPM was able to facilitate increased access by the communities to capital for undertaking community projects within their areas. As part of its commitment to ensuring the sustainability of this initiative, EPM through its smallholder development unit, undertook a leading role in providing guidance to these farmers in the formation of several association committees. Essentially, such committees, apart from enhancing accountability and enhancing community relations with EPM, were given the responsibility of undertaking the identification and implementation of any development initiatives as a development arm of the existing local governance structures[84].

On the whole, it can be argued that the engagement strategy which EPM pursued has been transformative, largely because its host communities have moved from dependence on EPM

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[84] In an attempt to avoid duplication of efforts and as requirement in the decentralisation policy of the Malawi Government, any community development structures formed are automatically co-opted in the decentralised (local governance) structures in which case their activities are normally coordinated by the village level planning structure - VDC.

for development initiatives to becoming reliant on their capabilities to solve some of their development challenges.

b. EPM's Engagement with Non-Community Stakeholders: A Win-Win Scenario

EPM engages with a variety of non-community stakeholders in the implementation of its CSR agenda. Such stakeholders include: suppliers; tea buyers; certification and standards organisations; the Government of Malawi (at central as well as local levels); development NGOs and Community Based Organisations; industry organisations such as TAML and to a limited extent the Trade Unions.

Given the wide range of stakeholders EPM engages with, and the complexity of issues central to such relationships, the EPM's strategy for engagement with its stakeholders is understood to be multifaceted. Just like the objectives of the community engagement strategy, the primary objectives of EPM engagement with these stakeholders are: a.) to build a reputation as a socially aware company; b.) to enhance the legitimacy of its operations in Malawi.

The nature or form of engagement strategy which EPM pursued in engaging such stakeholders has to a large extent been contextual, and varies depending on the salience of the stakeholders. Crucially, EPM's focus of its engagement strategy with these stakeholders has continued to evolve as new issues for engagement emerge. The engagement strategies which EPM has been pursuing range from cross-sector partnerships and collaborations to strategic alliances with other private companies. Hence, EPM engages with these stakeholders at three strategic levels. These levels include: a.) EPM strategic alliances with other private actors in Malawi; b.) Cross-sector Partnerships: EPM engagement with development NGOs; c.) EPM

engagement with the Government of Malawi. The next three sections examine these levels of engagement in detail.

i. Strategic Alliances

Strategic alliances have become a popular strategy in Malawi by which private companies can make a unique contribution to the sustainable development agenda. As the internal and external environments continue to evolve, and more issues continue to emerge, the management of operational and reputational risks has become too complex to be dealt with single-handedly by these companies in Malawi (Kambalame and Cleene, 2006). For example, the primary risk that faces companies in Malawi is the unprecedented rise in corruption (Government of Malawi, 2006a:6).

For the majority of large business organisations, including EPM, it was inevitable that they had to address such operational risks. EPM and other large companies in Malawi viewed corruption as a complex problem which needed concerted efforts from all players in the economy. It was difficult to tackle this constraint considering a diversity of interests, relative power relations and the mistrust[85] that has existed for a long period of time. By recognising the extent of loss such risks posed to businesses, and also following the Government of Malawi's public announcement of its commitment to fight corruption, in 2004, a private sector coalition for a fight against corruption was established with EPM being instrumental in the initial stages of the alliance:

> 'The business community in Malawi as well views corruption as a serious hindrance to the general growth and operation of businesses' (An excerpt from BACC Flyer, undated)

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[85] There was a general fear in some businesses in Malawi that by upholding high ethical standards such as zero-tolerance to corruption, they might be putting themselves at a competitive disadvantage over other companies that may be engaging in corrupt activities in their procurement and marketing operation while claiming to be members of the alliance.

> ''We have a very conservative approach to our business. We are founding members in Kenya and Malawi of UN Global Compact; we are founder members of Business Action Against Corruption (BAAC) in Malawi. While on one hand, we think fraud and corruption reduce our profitability, on the other hand, as a good corporate citizen, we have to help the government's cause in fighting this evil. As you know, the current government is committed to the fight against corruption''
> (EPM Managing Director)

Despite a shared understanding of values and despite a strong sense of trust within this community, it was still difficult to establish such an alliance. Hence, in 2005, the business community sought the partnership brokering services of a South African based CSR advocacy organisation, the African Institute of Corporate Citizenship (AICC) and the United Nations Global Compact. The negotiation process culminated in the formation of Business Action against Corruption (BAAC), with EPM being a founding member. Through this partnership, the business community developed a Business Code of Conduct, an initiative which remained as the basis for future engagement amongst partners. This partnership was viewed by the private sector as a vehicle through which their participation in high level policy making processes was to be guaranteed.

As part of its obligation to the alliance and its code, EPM has over the past four years committed to the production of an annual state of progress report. Such reports, although obligatory on partners, serve as a medium through which best practices are shared, and provide an opportunity to address common challenges which partners face as they attempt to institutionalise ethical issues within their businesses.

EPM's Code of Conduct, which is largely based on the BAAC Code, has also been the basis on which it has established terms of its engagement with its suppliers and internal stakeholders such as employees. Consistent with the alliance requirements, EPM established the position of an Ethics Officer who has not only been instrumental in the institutionalisation of the BAAC Code into EPM, but has also liaised with the BAAC on issues related to the development of the alliance.

The second type of alliances which EPM has established as part of its wider stakeholder engagement is the alliance with its loosely connected network of suppliers. By virtue of being the largest tea company in Malawi, EPM is considered to be the most powerful company in the agricultural sector in Malawi. As such its existence is considered crucial to the survival of many agribusinesses with which it has connections. For many agribusinesses, forging strong ties with EPM is considered a unique capability through which they can achieve competitive advantage.

Nevertheless, for EPM, forging business relationships with various suppliers, with some of whom it has had no previous business transactions, posed a number of operational and reputation risks to its long – term success. In the light of such risks, and the need to avoid them, EPM developed a Code of Conduct for its suppliers as a principal mechanism for their engagement:

> 'We have a responsibility to: our buyers, our packers and suppliers that we do day to day business with. For our suppliers, we ask them to have a very similar approach to the way we conduct our business. We ask periodically: do you have a minimum wage? Do you do CSR? We also have a preferred supplier list, and we have criteria for choosing suppliers. If they do meet our criteria, then they become a first choice in our procurement decisions. That's how we work with them. We don't want our reputation to be affected by the actions of our suppliers' (EPM Managing Director)

This was however confirmed by the sentiments from one of EPM's suppliers who pointed out that compliance with the EPM Code was crucial to their continued engagement with the company:

> 'We have been a regular supplier of farm equipment to EPM since the 1950s, and our relationship
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> with EPM has been very cordial. It has over the several decades, provided us with substantial
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> business. Since 2006 or thereabouts, the terms of our relationship have changed. In order to
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> maintain this relationship, EPM has since 2006 asked us to uphold high standards regarding the
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> employment conditions of our staff. EPM has also been educating us on the dangers of engaging
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> in corrupt activities in our business. We are, annually, supposed to fill in a questionnaire sent by
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> EPM that touches upon all the issues of corporate responsibility such as minimum wages etc. As a

business which benefits substantially from our healthy relationship with EPM, we have no choice but to accept their demands.' (Sales Executive, Planters Tea Agency suppliers engineering equipment)

While compliance with its code was considered critical for its business relationship with its suppliers, stakeholder communication about the code and ethical issues in its supply chain was also central to its stakeholder engagement strategy with these business organisations.

On the whole, and notwithstanding the motivation and benefits of its engagement strategy with its suppliers, the balance of power between EPM and its suppliers influenced the nature of its relationship with its suppliers. Such a perspective is consistent with the resource dependency view and Frooman's resource withholding thesis (1999). As survival of EPM's suppliers was dependent largely on their strong business ties with EPM, the company was in a strong position to influence their actions with respect to ethical issues.

ii.   EPM's Engagement with International Private Certification and Standards Organisations and Buyers

EPM engages with various international organisations that represent and promote the interests of the northern tea companies. The principal organisation which EPM interacts with is the Ethical Tea Partnership (ETP); although in recent times, the Rainforest Alliance and UTZ have begun to forge close relationships with ETP in order to harmonise their influence over EPM's labour and production practices. EPM's relationship with these organisations is principally governed by the standards and codes developed by these international organisations. The principal standards and codes that influence EPM's practices are developed by the Ethical Tea Partnership – an initiative of some of the United Kingdom tea packers and buyers. The emergence of this code, as a respondent from ETP states, was a

result of the desire to protect their reputation and to build an image as socially responsible tea companies:

> Basically, ETP was created in 1997 as a result of lots of reports and journalism about bad practices by big companies like GAP and Nike. And for tea companies in the UK, it was about the conditions in which tea was produced. So big companies like Twinings and Tetley decided to come together and formed this organisation in order to monitor the supply chain and to work towards improving ethical conditions together to make the biggest impacts. We monitor producers based on the local law. (ETP Programme Manager responsible for Africa and Latin America)

The ETP code principally focuses on labour practices and to a certain degree product quality standards. Moreover, at the time of fieldwork for this research, ETP had just started piloting the environmental standards in its revised code. The interesting feature about the ETP Code is that it places an obligation upon producers to comply with the local laws – which are largely domesticated from internationally ratified conventions such as the International Labour Organisation. The kind of relationship ETP fosters with EPM is centred on compliance with the ETP standards which is monitored and verified through regular audits performed by international auditing agencies. Certainly, compliance with the ETP Code forms the basis by which the engagement between EPM and ETP is nurtured. However, ETP has recently taken a less stringent approach to the enforcement of the standards and code. Increasingly, ETP's auditing is based on self-assessment and periodic externally commissioned audits and 'continuous improvement' programmes; in which case, producers who fail to comply with the standards are supported to address the audit queries or issues:

> 'What we are doing now is that we have a programme of auditing these tea estates. At the moment, we are just concerned at helping the tea producers improve these issues. We normally have a continuous improvement programme with the producers and we normally give them the audit reports which show their compliance or if not areas which they need to improve. We make recommendations for improvement but we don't try to dictate to them what they should do. They have to make their own decisions because they have their own budgets.' (Programme Manager, Africa and Latin America)

It is clear that power relations may have played a significant influence in the nature of engagement which EPM pursued with these stakeholders. Since the global tea market is dominated by a few (six) western buyers, these buyers are able to wield more power in

pressurising the southern producers to adopt their stringent standards as a 'passport' for their business relationships (Blowfield and Dolan, 2010; Millington, 2008). Hence for EPM, since there are no alternative lucrative markets to switch to, the managerial ability to respond to the interests of western buyers with urgency is considered as fundamental to the achievement of a competitive advantage over its rivals in Malawi.

iii. Cross-Sector Partnerships: EPM's Engagement with Development NGOs

The recognition of its lack of capabilities in delivering certain sustainable community development initiatives and the desire to integrate social and environmental issues into its core business prompted EPM to re-orient its broader engagement strategy. Such a strategy signalled EPM's prospects of engaging with its 'public interest' stakeholders, such as NGOs, which are considered to have unique capabilities which EPM may not possess. For such NGOs, a partnership with EPM was seen as a cost-effective mechanism through which they could scale up their specific interventions. Typical examples of such partnerships are the partnerships EPM fostered with Medecins San Frontieres (MSF) and Pro-Bec in Thyolo and Mulanje districts respectively. These partnerships are discussed below.

a. EPM Partnership with Medecins San Frontieres in HIV/AIDS Management Programme

Following the rising number of HIV/AIDS cases in recent years and its impact on the operations of EPM and the wider communities where EPM operates, there were growing concerns within EPM's management that such a crisis could not be addressed single-handedly by EPM. On the other hand, MSF which has traditionally operated in Thyolo district through government run clinics and hospitals had witnessed an unprecedented rise in

the number of HIV/AIDS cases in Thyolo district, and realised that it needed to increase coverage of its interventions in the district. For both EPM and MSF, there was a realisation of the need to address a common problem – HIV/AIDS- through a partnership that would draw on each partner's unique competences and capabilities.

For MSF, partnership with EPM enabled it to scale up its outreach of HIV/AIDS intervention by using EPM's health facilities. Similarly for EPM, given that it had limited capabilities in the management of HIV/AIDS, its partnership with MSF facilitated access to the necessary expertise in HIV/AIDS management and the drugs for treatment of its employees and outgrowers who were affected. Thus, the cross-sector partnership which EPM fostered with MSF provided it with the ability to address some business risks, such as the loss of a productive workforce and tea growers to death and long-term illnesses, and also costs of providing treatment to sick employees.

b. EPM's Partnership with GTZ – Probec: Bio Energy and Environmental Conservation Initiative

Commercial tea production poses a serious threat to the environment because of its huge demands for fuel-wood during processing, and its heavy reliance on chemicals in tea growing. A realisation of the impacts on the environment of its operations, particularly on forest resources, and the call for EPM to address some of its energy needs and the growing risks of deforestation and environmental destruction in the surrounding communities by some of its powerful stakeholders, influenced EPM to establish a partnership with the German Agency for Technical Development (GTZ) and Pro-bec. Through this partnership, EPM implemented a basic energy and environmental conservation programme in Mulanje district by piloting and

promoting basic energy saving technologies among its employees and the surrounding communities.

Thus, although EPM and GTZ have totally different values and capabilities, the shared understanding of the common challenges and awareness of their unique competencies, have been significant drivers for a partnership. Certainly, EPM had adequate financial capacity to purchase the piloted technology, while GTZ - Probec developed the low cost -energy maximising stoves – popularly known as the rocket stoves, which were piloted on EPM estates and in EPM employees' homes:

> 'One successful programme that came to Malawi is by the German Technical Assistance Programme which developed these rocket stoves. These are energy efficient stoves. They were doing in villages; we showed interest in these stoves and now they came to us, and we said yes. So we assisted to make the first model, and today all our labour is fed: they get one meal a day and we use those stoves today to cook the food, they are smokeless. Because they are energy efficient, they have helped cut our maintenance costs. Before we used steam boilers to generate steam to heat the pots to cook the food. So in a lot of estates, firewood consumption has gone down.' (EPM Managing Director)

Thus, as the Managing Director of EPM describes, adoption of such an externally looking environmental management initiative, was not only beneficial to the preservation of the environment, but also helped EPM to minimise its operational costs and enhanced the welfare of its employees. Given that EPM had a wide range of constituents which include its smallholder tea outgrowers and its employees, GTZ was able to expand the outreach and impact of its programme. The realisation of mutual benefits from this partnership underscores the crucial roles of cross-sector partnerships in sustainable development.

iv.   EPM's engagement with the Government of Malawi

EPM relationship with the Malawi Government dates back to several decades during which EPM embarked on social development projects in the two tea growing districts of Mulanje

and Thyolo. The major objective of such an engagement has always remained the sustenance of the legitimacy of EPM's operations in Malawi.

Despite the many years of its relationship with the Government of Malawi, EPM's engagement strategy still remains uncoordinated [86] and unclear. The early years of implementation of EPM's CSR initiatives were characterised by minimal engagement with the government in the identification, planning and overall management of such initiatives. Under special circumstances, the Malawi Government was consulted to allocate sites for infrastructural development, but implementation of such projects solely rested with EPM and its externally hired contractors.

However, in recent years, EPM has been changing its approach to state engagement in all aspects of its CSR agenda. In contrast to the unilateral determination of the community development that characterised its engagement strategy in the past, in recent years EPM has increasingly adopted participatory approaches to community development. This has meant that EPM is increasing engaged in collaborative work with other players in development including the Government of Malawi.

For example, while the relationship which EPM fostered with the Government of Malawi in the past could be seen from a narrow paternalistic view of philanthropic donations, in recent years, a two -way dialogue with the government has been a prominent feature in its engagement with the Malawi Government. For instance, while in the past, the identification and implementation of community development initiatives was single-handedly done by EPM, in recent years, a joined – up approach (EPM and Government of Malawi) to community development has become a distinct feature of EPM's involvement in the

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[86] At present, EPM does not a specific unit within its structure to coordinate its engagement with the Government despite the fact that it is expected to work more with the government than before. EPM depends largely on its Managing Director to perform engagement roles with the government departments.

community. Critical to this new form of partnership is the understanding of the greater shared benefits and recognition of the areas in which the Government of Malawi and EPM could complement one another.

Finally, EPM engages with the government through compliance with several corporate regulations and several government driven initiatives aimed at promoting good ethical practices in business operations. The relationship EPM fosters with the government could be understood at both the central and local levels, although the latter is understood to be the most prominent level at which EPM-Government engagement is usually done.

Alongside compliance with government regulations related to EPM's operations, EPM has supported nation-wide campaigns by the government to combat child labour in the agricultural sector. At district level, EPM had conducted joint-awareness campaigns with the Labour Office in the communities surrounding its tea estates about the impacts of child labour. Not only has EPM supported government campaigns on child labour matters, it also provides capacity building assistance to the labour officer in the district to conduct unannounced periodic estate visitations to monitor compliance with labour related regulations. Such a relationship, according to the sentiments of district level officials from the government and the EPM Managing Director, underscores the fact that both parties not only had a strong sense of trust in each other, but also had a mutual understanding of the benefits they would likely gain from such an engagement.

10.3   Chapter Summary

This chapter has examined the CSR practices undertaken by EPM in response to the social and environmental impact which its operations have on Malawian society in general, and its

host communities in particular. It can be argued that a significant proportion of the CSR practices are largely geared towards a corporate philanthropy which largely is seen as 'giving back to society', although in recent years, there has been a gradual shift towards a broader view of CSR as a strategic issue central to the core business. Finally, a critical analysis of stakeholder engagement practices and their implications for the EPM's overall CSR agenda was achieved. Essentially, the engagement strategies adopted by EPM, and the degree to which it engages with its various stakeholders tended to vary depending on the salience of each stakeholder group and its engagement objective. Nonetheless, EPM's engagement practices have changed over the years from being largely transactional to being transformative and sustainability focussed.

The next chapter brings together various strands of key findings from the empirical chapters (7 to 10), and relates them to the existing body of knowledge, and in particular to the four thematic issues of this study.

11.0   Introduction

This study has investigated the notion of corporate social responsibility in Malawi. It has done so by undertaking an empirically based, exploratory, qualitative case study aimed at developing an in-depth understanding of the perceptions about CSR, CSR practices, and the politics of stakeholder engagement. This chapter is divided into four sections. The first section discusses the degree to which this study has answered and achieved its questions and objectives set out in Chapter One in relation to theoretical perspectives. The second section considers the managerial and public policy implications of the study. Following this, is a discussion of the study's limitations. This is then followed by a discussion of the possible future areas of CSR research. The chapter finally ends by setting out the significant contributions of this study to the body of knowledge.

11.1   Summary of the Study

11.1.1 Discussion of Major Findings

This study has generated a number of significant findings which have implications for managerial and public policy practice and for future CSR research. In this section therefore, a summary of the major findings is discussed in relation to the dominant theoretical perspectives.

a.   Managerial and Stakeholders' Perceptions about CSR

In chapter 4, the study set out to understand the CSR agenda which the case study companies are pursuing by considering in the initial instances an examination of the various perceptions managers and stakeholders of these firms hold about the notion of CSR, and by providing an explanation of any variations and similarities in their CSR perceptions. This study confirms the proposition that conceptualisation of CSR tends to vary across disciplines and context, and remains largely contested (Cramer et al., 2004; Dahlsrud, 2008; Freeman and Hasnaoui, 2011; Moon, 2007). Hence, it is clear from this study that perceptions about CSR tend to significantly vary between managers and stakeholders, although it can equally be argued that some similarities in CSR perceptions between certain groups of stakeholders and managers were observed. However, managerial perceptions across the two industries significantly differed.

It was found in Chapter 7 that management in the mining company defines CSR as 'an investment a firm makes within its host society as part of the contract with its host society'. Thus, CSR was seen in terms of sustaining legitimacy in the eyes of its government and community stakeholders whose expectations were aligned with corporate practices. On the other hand, CSR was viewed by Paladin management as a strategy for managing risks from litigation and other forms of stakeholder activism. Such a narrow understanding about CSR is reflected in Paladin's orientation towards piece-meal interventions undertaken in its host communities aimed at enhancing its image in the eyes of such stakeholders. Such an understanding suggests perhaps that Paladin's management views CSR in terms of social performance which is largely associated with long term interests of the firm, in line with Wood (1991)'s proposition.

On the other hand, EPM's management broadly understood CSR as a business sustainability issue (Chapter 9). CSR was defined as 'a firm's responsibility towards care of the environment, the upholding of ethical business practices and active participation in societal governance'. This suggests that CSR was also regarded as a risk management and competitive strategy as well as a tool for gaining legitimacy for EPM's operations within its host communities. In a nutshell, EPM management sees CSR as both a social obligation issue and a social responsiveness issue supporting Wood (1991)'s proposition (for details see chapter 2).

Certainly, variations between the managerial perceptions across the two companies not only reflects the varying degree of threats and opportunities which firms operating in different industries may get exposed to (Sharma, 2000), but also reflects the influence of managers' personal values and life experiences on organisational ethical orientations (Hemmingway and MacLagan, 2004; Whitehead, 2006). First, in Chapter 4, the study set out to examine the extent to which the background of the company and personal values of CEO can influence the firm's position on societal issues. It is hard to determine the personal values of Paladin's CEO given the scope of this study. However, the limited information available about his background suggests that his experience in the South African mining industry may have influenced his perception about the firm's social responsibilities, and the nature of the CSR agenda which Paladin pursues in Malawi. As Fig (2005) notes, in post apartheid South Africa, CSR is generally regarded by companies as a social investment in particular because of the connotation associated with the term 'responsibility[87]' in the term CSR. On the other hand, for EPM, it can be argued that the CEO's many years of experience living and working in Malawi where the spirit of charity is highly regarded by society, and for a company with long

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[87] According Fig (2005), the business world in South Africa view that if they use CSR and the word responsibility in their social actions, then such a use would be deemed as an acceptance of the corporate sector complicit in the apartheid system and the responsibilities for the ills of such a system on the certain segments of the South African society.

standing history of looking at CSR from a broader perspective may have to a large degree influenced his perceptions about CSR.

Secondly, with respect to the influence of threats and opportunities which a company is exposed to over the managerial perceptions, it can be argued that the perception of low degree of exposure to threats of legitimacy loss from the Government, as a result of 'regulatory capture' in spite of the high social and environmental impacts of their operations may have influenced Paladin's CEO to understand CSR in terms of corporate philanthropy rather than in broader terms. Conversely, the high degree of threats of legitimacy loss within its host communities and the public relations' opportunities which corporate donations can create for Paladin in such deprived communities may have influenced the CEO to view and articulate CSR from such a narrow perspective. Clearly, corporate donations especially to deprived communities in which Paladin operates can easily and potentially change the perceptions of the stakeholders who can confer legitimacy of its operations.

Similarly, for EPM, the pressure from buyers for ethical production of tea and the opportunities which the embracing of CSR issues can bring to EPM, may have influenced the CEO's broad view on CSR that draws on a sustainability perspective. This entails that EPM's Managing Director understands CSR as a broader and 'sustainability driven' concept with a fine balance between economic, social and environmental considerations (see Chapter 9). This is because, as part of the conditions for maintaining its relationship with western buyers, EPM was expected to embrace the form of CSR which integrates corporate philanthropy, environmental preservation and labour and employment issues in its decision making processes. It is on the basis of the CEO's ability to draw on the sustainability (an all inclusive) perspective that EPM continues to access these export markets – which are critical for the sustainability of its business.

On the other hand, this study has shown that the majority of stakeholders, irrespective of the sector and status[88], understand CSR as a mechanism by which companies get involved in community affairs. Such an understanding was constructed primarily in terms of 'giving back to the society' part of their profits. However, other stakeholders also viewed CSR in terms of social justice and fairness. For example, CSR was viewed by community stakeholders in the tea industry as a corporate response to the negative impacts of their operations on societal welfare, such as loss of land and water supply sources, which are critical livelihood needs. In contrast, although the mining communities were exposed to serious social and environmental risks arising from the mining operations, these stakeholders cared less about the firm's responsibility towards managing such risks, and were only interested in Paladin's potential to provide them with philanthropic donations.

Nonetheless, these stakeholders understood CSR from a narrow cultural and traditional value perspective in which society expects firms to contribute towards the social good in return for social legitimacy. In considering the general perception of CSR in the developing world, Visser (2006 & 2008) notes that, conceptualisation of firm's social responsibilities is to a large extent influenced by entrenched cultural traditions of 'ubunthu', to such an extent that philanthropic CSR is considered secondary to economic responsibilities. Visser (2008)'s conceptualisation of CSR and the findings from this study suggest that Carroll's (1979 & 1991) models, as shown in Chapter 3, may not entirely help create a better understanding of CSR in developing countries like Malawi. Hence, companies interested in pursuing CSR in Malawi have to come to terms with the understanding that societal welfare provision could be part of their social responsibilities in such a society.

Of particular interest however were the CSR perceptions of institutional stakeholders of both case study companies. These stakeholders' views about CSR were constructed in terms of the

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[88] Whether they are the public interest stakeholders or business interest stakeholders.

triple bottom line framework: economic, social and environmental responsibility (Elkington, 1997). Furthermore, unlike in the mining industry, it can be argued that a congruence in the managerial and institutional stakeholders' understanding of CSR existed to a large degree within the tea industry.

b. Drivers of CSR

In chapter 4, this study set out to examine the various influences of firm's behaviour towards social action. Crucially, such analysis was intended to identify the extent to which the case study companies were driven by external influences from the external stakeholders or by those pressures which are internally generated from internal stakeholders. Managerial and stakeholders' interpretations about CSR issues within the two case study organisations, as noted in Chapter 7 and 9, had a significant bearing on the nature of the pressures exerted on a particular company to respond to social issues. These pressures were distinctly divided into two major groups: internal and external drivers, in accordance with Muller and Kolk, (2010). Moreover, these pressures were either seen as instrumental or relational in nature (Aguilera et al., 2007). The most significant feature about these drivers is that the two case study companies' CSR agendas were influenced by certain drivers which were common to both organisations. Nonetheless, it was also found that there were considerable variations in the nature of CSR drivers across the two industries.

In Chapter 7, the study revealed that externally generated pressures, such as CSO activism, compliance with project financers and international public and private regulatory demands had a stronger influence over Paladin's CSR agenda than internally generated pressures, such as top management commitment and pressures from employees. By virtue of the industry in which it operates, it was interesting to note that although the business case for CSR was

largely considered on the basis of reputation protection amongst its powerful stakeholders, such as the international public and private regulatory institutions, the mitigation of risks associated with social legitimacy, which stakeholder activism threatened, featured prominently in driving Paladin's CSR agenda forward.

Similarly, in Chapter 9, it was found that externally generated pressures such as demands for ethical practices from export markets and peer pressure from the industry had a significant influence over EPM's CSR agenda. However, unlike the case of Paladin, internally generated drivers such as top management commitment, shareholder pressures and pressures from the parent company uniquely interacted with the external drivers in shaping EPM's CSR agenda.

Essentially, on one hand, the business case for CSR for EPM in the early years was largely based on the notion of maintaining social legitimacy. In recent times, instrumental considerations of reputation management, business risk management and the achievement of competitive advantage as a result of its determined response to buyer pressure have been the dominant drivers for the EPM CSR agenda. Such dynamics of CSR drivers reflect the changing expectations of various stakeholders and the dynamism in the stakeholder salience (Jawahar and McLaughlin, 2001; Mitchell et al., 1997; Suchman, 1995). For EPM, by virtue of its drive to remain competitive in export markets, the nature of its CSR agenda was seen to be significantly influenced by demands from Western consumers and tea companies to engage in an inclusive CSR agenda – an agenda that puts emphasis on addressing the social and environment concerns. Certainly, a huge focus within the EPM CSR agenda is on meeting the stringent environmental and social standards developed by the international certification and standards organisations that represent western tea companies.

The strong influence of externally generated drivers of the CSR agenda of these two case study companies suggests that the extent to which a firm is vulnerable to externally generated

pressures is contingent upon a number of factors. For the two case study organisations, their size and ownership structure and the industry in which they operate may have been strong determinants of their vulnerabilities (Brammer and Pavelin, 2004; Bowen, 2000; Hendry, 2006; Lynch-Wood et al., 2009; Muller and Kolk, 2010; Rugman and Doh, 2008). Clearly, their large size and predominantly foreign ownership, alongside the social and environmental impacts their operations pose to Malawian society, mean that EPM and Paladin's practices will continue to attract intense scrutiny by their powerful stakeholders. Hence, EPM and Paladin are likely to align their CSR agenda with the standards set by such stakeholders.

c.   CSR Practices

In Chapter 4, it was noted that the CSR practices pursued by a given firm can be divided into two major groups namely: social performance and social responsiveness (Preston and Post, 1985; Sethi, 1975; Wood, 1991). The difference between the two terms rests on the rationale and perspective which firm managers tend to draw in the implementation of their CSR agenda, and most importantly, the CSR initiatives that are integral to such an agenda. For example, while social performance can be viewed largely as the initiatives which a firm undertakes to achieve its long-term interests, social responsiveness can be regarded as initiatives which a firm pursues to alleviate societal challenges, but which are not implemented to achieve its long term objectives (Karnani, 2011).

The way firms and stakeholders define CSR, and firms' perceptions about their social responsibilities influence the CSR practices pursued by a given firm. Certainly, the contested nature of the concept of CSR has not only given way to the difficulties in determining what type of activities can constitute socially responsible behaviour (Preston and Post, 1975; Sethi, 1975; Wartick and Cochran, 1985; Wood, 1991), but has also led companies to determine

their social responsibilities on the basis of what they value (Karnani, 2011; Whitehouse, 2006).

Following an empirical examination of CSR practices in the two case studies (Chapters 8 and 10), it was found that in general the nature and level of integration of CSR initiatives implemented by these companies was influenced by their industries. These initiatives varied from pure corporate philanthropy to those initiatives that not only serve the public's interests, but are also directly connected to the firm's core business. For example in Chapter 8, it was revealed that, by virtue of its limited managerial view about its social responsibilities, Paladin's CSR initiatives were to a large degree philanthropic and transactional in nature. These initiatives were in the form of piecemeal community projects which were fundamentally unrelated to its core business.

Paladin's decision to implement such piecemeal interventions, as argued in Chapter 8, is not surprising given that Paladin does not have a long standing history of implementing CSR agenda, and reflects the fact that Paladin (Energy) Limited and its Malawian subsidiary started their operations in 1993 and 2005 respectively. Jawahar and McLaughlin (2001) suggest that an organisation would be inclined to pursue a defensive strategy in the start-up phase when dealing with stakeholders such as the government and local communities that confer the organisation with legitimacy for its operations. For Paladin, it would appear that such piecemeal interventions were meant to meet minimum legal and societal obligations to fend off sanctions from both the government and the local communities. Furthermore, given the short history of Paladin Energy and its Malawian subsidiary coupled with a lack of record of CSR agenda implementation, it can be argued that Paladin's CSR agenda currently may not yet conform to one that is mature. This is perhaps why such a paternalistic CSR agenda was characterised by a top-down approach, without necessarily soliciting the active involvement of its host communities in the implementation of such projects. Hence, they

were often undertaken at the discretion of managers, whose determination of projects to support, was strongly guided by a pragmatic rationale to serve the long-term interests of shareholders.

Central to such an instrumental perspective to its corporate philanthropy was the strong focus on building a reputation of a caring company which could potentially secure long term social legitimacy within the host communities. Given the instrumental rationality attached to such projects, evidence suggests that they failed to adequately address the pressing development challenges which its host communities were facing.

However, pure corporate philanthropy, based on enhancing social legitimacy and reputation building, as exemplified by Paladin, is not without its limitations. As Whitehouse (2006) suggests, the danger of attaching philanthropic CSR to reputation building is that such motivated firms can be seen as manipulative, with a general lack of concern for societal wellbeing. To overcome such a potential misrepresentation of a firm's CSR objectives, Heiss et al. (2002) argue for the pursuit of strategic corporate philanthropy; in which case a firm's CSR agenda can uniquely be connected to its core objectives.

In addition to corporate philanthropy, Paladin undertook a relatively small number of CSR initiatives that were core to its business. The most significant initiatives included: waste management and provision of better working conditions for its employees. The distinguishing feature about these initiatives is that, unlike the philanthropic initiatives, they were predominantly seen as inward looking (Banerjee, 2001), were aimed at minimising risks of litigation (Porter and van Linde, 1995) and achieving competitive advantage in attracting and retaining good quality employees (Turban and Greening, 1997). Essentially, the benefits of such initiatives were not identified and realised beyond internal stakeholders, such as employees and shareholders.

On the other hand, in Chapter 10, it was found that EPM pursues a mix of CSR initiatives which range from philanthropic activities to sustainability focused activities. Such a shift not only reflects the fact that the understanding of EPM management and key stakeholders about the social responsibilities of businesses has over the past years moved from a narrow perspective to a broader sustainability perspective, but also the dynamism of the CSR business case. Essentially, its initiatives have transitioned from being largely philanthropic and paternalistic towards being sustainability focused.

The early years of EPM's philanthropic initiatives were generally understood to have a strong focus not only on achieving social legitimacy within its host communities, but on also portraying a good image to the Government of Malawi as a development conscious firm. On the other hand, its later CSR agenda reflect EPM's attempts to achieve a competitive advantage, mitigation of business risks, and align its CSR agenda with shareholder demands and the changing parent company's CSR policies, whilst meeting local expectations.

Accordingly, there has also been a gradual change in the nature of the CSR initiatives which EPM implemented in its host society. For instance, unlike in the early years of its CSR agenda when provision of social infrastructure was the principal CSR initiative, in recent years, its CSR agenda is manifested by sustainability driven initiatives such as capacity building initiatives of the tea out-growers, environmental conservation, an anti-corruption drive, and the provision of good working conditions for its workforce. Such a transformation from a predominantly philanthropic CSR agenda to a sustainability driven agenda reflects a maturation of EPM's CSR agenda. Unlike Paladin, EPM has operated in Malawi for nearly 60 years. Hence, one would argue that, by virtue of its long existence in Malawi, EPM may have developed a better understanding of the challenges which its host communities face and the crucial issues necessary for achieving the sustainable development of such communities. Its recognition of the communities' challenges and their gravity may have compelled EPM to

embark on sustainability driven CSR initiatives such as the establishment of the outgrowers' schemes to increase smallholder productivity and communities' sustainable access to development, but also to guarantee its access to a reliable supply of good quality tea. Furthermore, EPM and its parent company's long standing history of working with western buyers who are driving the tea global chains and its drive towards maintaining a positive relationships with these buyers could be the rationale for EPM's efforts towards embracing an inclusive CSR agenda that takes into account the social and environmental risks associated with its operations. The inclusive approach EPM had undertaken is, on the other hand, consistent with what Jawahar and McLaughlin (2001)'s thesis about the CSR posture which companies in the mature stage adopt. Clearly, according to Jawahar and McLaughlin (2001)'s organisational life, EPM is current at the mature and stable stage. At this stage, EPM is considered to have already established good relationships with financial providers and the markets, to an extent that it has not only become more readily able to respond creatively to the interests of its various stakeholders, but also works towards satisfying the interests of financial and market stakeholders.

d.   Stakeholder Engagement

In Chapter 4, the study set out to examine and analyse the key stakeholders of the case study companies in terms of their salience in the eyes of company managers and their interests or stakes in the two firms' operations. Linked to the notion of stakeholder salience and interest was the concept of stakeholder engagement – the relationship of which is discussed below. Furthermore, in Chapter 4, the study set out to examine the strategies which the case study firms employ in engaging their stakeholders. As stated above, the key issue for analysis was

to look at whether the choice of a given engagement strategy depends on the salience of each stakeholder group to be engaged or the firm's consideration of the notion of fairness.

In Chapters 8 and 10, it was found that there were significant variations between the stakeholder engagement practices which the two case study companies followed. The central elements of such variations were the industry-effects and stakeholder salience (thus, whether the firms engaging or not engaging with a given stakeholder group was perceived as a threat or an opportunity). Notwithstanding the significance of the industry-effects on the engagement practices of each of the two organisations, stakeholder salience was the most crucial determinant of the stakeholder engagement strategies and the nature of the relationships which each organisation pursued with its stakeholders. Mitchell et al. (1997), using the salience framework, classified stakeholders of a given firm in terms of their power, legitimacy and urgency. A stakeholder analysis was undertaken to examine not only the interests various stakeholder groups have in the two case study companies, but also to identify the attributes within such stakeholder groups. In general, the findings of this study suggest that the attention which a particular stakeholder group receives from managers is directly related to the perceptions managers hold about each of their company's stakeholder. This implies that for those stakeholders that were perceived to have power to influence the company's decisions, legitimate claims in a given company's operations, and whose claims require urgent attention by managers, the probability is that managers were more compelled to respond to their needs than those which do not possess all the three attributes at a given time. For example, for both case study companies, stakeholder groups such as the regulatory institutions (national and international), public and private standards organisations, shareholders and financial institutions (in particular, for Paladin) were considered as the most salient stakeholders whose interests were responded to by managers with urgency.

Not only did the notion of stakeholder salience matter to stakeholders who possessed the three attributes of power, legitimacy and urgency. The findings from this study suggest that there were similarities between the managers of EPM and those of Paladin in terms of the perceptions they hold about certain stakeholders' salience and the patterns by which they responded to their interests. For example, since the NGOs or CSOs were considered by managers as having no legitimate claims in their respective companies' operations, managerial responses to the interests of these organisations, in particular their demands for the upholding of certain social rights for their constituencies, were usually lukewarm and aimed at minimising damage to the reputation of their companies. Importantly, although the campaigning NGO[89] and CSOs did not have legitimate claims in the companies' operations, this group of stakeholders were considered powerful enough to threaten the survival of these companies if their interests were not met with urgency. For these stakeholders, their interests were usually responded to by managers after episodes of confrontations that could have damaged the companies' reputation.

However, the managerial attention to the interests of other stakeholders who lacked any of these attributes varied across the two case study companies. The typical example of such variations could be observed with respect to managerial attention to the interests of host communities which are largely powerless but have legitimate claims in the operations of two case study companies. For example, on the one hand, Paladin's response to the interests of community stakeholders may be considered as lukewarm, as evidenced by the fact that Paladin implemented piecemeal CSR interventions when it was under intense pressure from powerful stakeholders such as civil society organisations and financial institutions to assist the host communities. On the other hand, the study finds that although community stakeholders of EPM can be considered powerless in their relationship with EPM, EPM

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[89] Plan International through its linkages in the West indirectly put enormous on EPM and other tea estates to put in place a child labour prevention policy.

managers responded to community stakeholders' interests with urgency. This was evidenced by its long-standing record of implementation of community development initiatives, dating back to the early 1960s, in response to the expectations of the host communities.

In the mining industry in Chapters 7 and 8, it was found that the extent to which Paladin responded to the needs of a particular stakeholder group depended on the extent to which such stakeholders was considered as threatening or as crucial for its survival. Hence, the concerns of stakeholders who provided Paladin with critical resources for its survival were given adequate managerial attention at the expense of the interests of less powerful but legitimate stakeholders who neither posed a threat or an opportunity to its operations. For example, evidence in Chapter 8 showed that Paladin pursued a pro-active engagement strategy in its relationships with its powerful stakeholders, such as the central government, public global regulatory organisations and project financers. Crucially, these stakeholders provided Paladin with critical resources for survival, but also legitimised its operations in Malawi.

Paladin's engagement strategy with other stakeholders including the local government, CSOs and its host communities was noticeably varied, and ranged from passive to confrontational engagement. For less powerful but legitimate claimants such as the host communities, the nature of Paladin's engagement was markedly passive, to such an extent that their concerns only attracted managerial attention after powerful claimants' interventions. Paladin's relationship with the local government was broadly passive, and lacking a genuine concern for soliciting inputs from such decentralised and local governance structures. Clearly, such a passive engagement by Paladin can be considered as a tactic by Paladin to deflect criticisms from other powerful stakeholders that its CSR programmes are not aligned to district level priorities.

Overall, it was argued that the form of stakeholder engagement Paladin pursued in Malawi can be seen in the continuum of transactional to transitional nature depending on the stakeholder group which Paladin interacted with. For stakeholders such as the central government, project financers and global regulatory institutions, evidence suggests that Paladin pursued a transitional engagement strategy that was characterised by frequent two-way communication. On the other hand, transactional engagement strategy, characterised by one – way communication and limited interaction, was the predominant form of strategy which Paladin pursued in its relationship with local government, the host communities and certain CSOs which were less confrontational.

At one extreme, given the confrontational approach which some CSOs pursued in their relationship with Paladin, the engagement strategy Paladin adopted was understood to have taken a 'divide and rule' form which created divisions within CSOs' ranks and files and the eventual weakening of vibrant CSO activism. Such a strategy was meant to guard against its reputational damage in the light of intense CSO activism which employed market-based strategies that were seen as having potentially far reaching implications for Paladin's survival.

Like Paladin, the study revealed that the depth and breadth with which EPM responded and engaged with its different stakeholders was influenced by the relative degree of each stakeholder's salience. However, unlike the nature of Paladin's stakeholder engagement, EPM's stakeholder engagement agenda was viewed to have evolved over the years from a transactional focused engagement which was characterised by one-way communication and unilateral identification of issues to a transformative broad based engagement with an emphasis on joint identification of CSR issues and initiatives and shared benefits.

In the initial years of the EPM's CSR agenda, a transactional engagement strategy was understood to be the predominant strategy EPM pursued when relating to its community and

government stakeholders. The mechanism or tool by which EPM engaged such groups of stakeholders was philanthropy in the form of social infrastructural development. The major thrusts for this engagement strategy were two-fold: the first was to build a good image with its host communities and the government; the second was to attain legitimacy for its operations in its host society. On the other hand, in the later phases of its CSR agenda, the relationship which EPM fostered with its various stakeholders oscillated between transitional and transformative focused forms of engagement with the transformative form becoming predominant in recent years.

The transitional relationship EPM fostered with its community and government stakeholders was increasingly seen in relation to an increased focus on two or three way consultations in the identification and implementation of philanthropic initiatives. The desire to implement a cost effective CSR agenda meant that fostering a transformative relationship with its stakeholders, based on the shared understanding of mutual benefits and joint learning, was the only the mechanism by which the sustainability of its operations and CSR initiatives could be guaranteed. Through this form of engagement, CSR initiatives that were directly related to EPM core objectives were jointly identified and implemented.

Such a change in focus and in the strategies for engaging its stakeholders suggests a maturation of EPM's CSR agenda, and reflects EPM's desire to align its stakeholder engagement policy with that of its parent company which puts an emphasis on sustainability driven stakeholder engagement strategies. It further demonstrates the fact that the business case remains the fundamental determinant of the direction and form of EPM's stakeholder engagement agenda. Certainly, for EPM, the business case for stakeholder engagement has over the years been dynamic, transitioning from a strong focus on achieving and maintaining the legitimacy of its operations within its host society to better risk management and achieving a competitive advantage.

11.2   Implications for Public Policy and Practice

There are a number of empirical results generated from this study that can be viewed to have implications for public policy and practice in Malawi. In a developing country context where CSR is a relatively new phenomenon, and where the business case for CSR is usually weak, the government role in the promotion of CSR is considered vital. Drawing on Fox et al. (2002), this section will focus on a number of areas for government interventions that are relevant to the major findings of this study. This study examined the CSR agenda of two case study organisations operating in two different industries with totally different CSR issues. Hence, although there may be several areas where policy actions may overlap, adequate considerations have been taken into account in the provision of policy prescriptions to reflect some variations in the findings.

First, it can be argued that the success with which CSR can be institutionalised in Malawi should take into consideration the importance of creating awareness about the notion of CSR not only to the business community, but also to the wider citizenry. Evidence from this study shows that there are significant variations between stakeholders and firm managers in terms of their understanding of the social responsibilities of the firm. Crucially, there is a role for the state in bringing a shared / common understanding of CSR among various actors if CSR is to be well institutionalised in Malawi. As such, awareness of the exact social responsibilities which a firm can reasonably assume in a given society can help stakeholders and managers not only understand the potential limits of the role of business in societal issues, but can also serve as strong external and internal drivers of sound corporate environmental and social practices (Graham and Wood, 2006).

As stakeholders' access to information about CSR improves, it is much more likely that stakeholders would become empowered to hold businesses accountable for their unethical

practices (IFC, 2002). The important action for government in this case therefore would be to invest in CSR education programmes. The government can take a leading role in the development of curricula at all levels of education that incorporate business ethics and CSR related subjects. Despite the significance attached to the notion of business ethics in today's business world, it is disappointing to note that business ethics does not significantly feature in business education even at the tertiary level of education. Clearly, such an action can potentially help future leaders and consumers develop a strong understanding of business ethics at an early stage; a development which could be a crucial driver of the institutionalisation of CSR. Furthermore, the government can promote learning and exchange of information among the various players and also act as a hub for the dissemination of CSR related information and best practice to all stakeholders, including the business community.

Second, evidence from this study suggests that stakeholders strongly influenced the CSR agenda pursued by case study organisations. In countries such as Malawi, where CSR is a relatively new phenomenon, the state can potentially undertake the following actions to help stakeholders influence corporate practices. For example, standards, codes and certification can play a significant role in shaping various corporate practices related to working conditions and environmental protection, as evidence in the tea industry in Chapter 10 suggests. Governments can only intervene in this area by facilitating and supporting the development and monitoring compliance of home-grown multi-stakeholder standards and codes. Such standards and codes, unlike the ones developed by international standards organisations which have stringent guidelines (Tallontire et al., 2011), could potentially be seen by non-compliant companies as attractive as they would normally reflect local conditions and norms. Moreover, such codes and standards could offer such firms a strong business case in terms of increased access to export markets (Utting, 2002). Similarly, governments could lobby and work with the various international standards organisations

which represent international buyers in order to localise their standards. Such a localisation can be achieved by aligning their standards and codes with national laws domesticated from international treaties.

Third, evidence from Chapters 7 and 9 suggests that a positive interaction between top management and instrumental rationality was crucial in shaping the CSR agenda of the two case study companies. Thus, for governments to incentivise companies to pursue proactively a CSR agenda, deliberate efforts should be made by government to show top managers its commitment by rewarding companies that demonstrate commitment to societal wellbeing. Governments can play a leading role in developing incentives that are directly connected to firms' long-term interests (Fox et al., 2002; Porter van Linde, 1995). They can demonstrate this by rewarding socially responsible and innovative firms with a competitive advantage over their non-CSR oriented rivals. This can be achieved by creating market conditions that punish socially irresponsible firms.

Fourth, the mandatory regulation of corporate practices has been one of the most contentious issues in CSR. It has become more significant in Malawi in recent years with the coming of relatively powerful foreign multinational companies and the weak bargaining power of the Government of Malawi and its ineffective regulatory framework (see Chapters 6 and 7 for details). Although the ability of the state to regulate business practices at present is limited, it can pursue other regulatory actions to influence firms to mitigate their social and environmental risks. The critical issue for the state can be to achieve a fine balance between its objective of maximising the public good and encouraging firms to go beyond mere compliance with minimum standards (Scherer and Palazzo, 2011). Crucially, it is the nature of CSR regulation that can prove to be a critical issue in achieving such a balance in policy options and outcomes (Ayres and Braithewaite, 1992).

Governments in developing countries can initiate statutory regulations that could promote corporate disclosures of their social and environmental practices in their periodic business reviews. However, such a policy intervention would require governments to set realistic and sector specific indicators of what the governments deem as socially responsible behaviour. Similarly, regulations can also place an obligation on company directors to move beyond meeting the interests of firms' shareholders, as is the case with the current UK Companies Act 2006. Essentially, such legislative frameworks would aim to achieve increased transparency and accountability for corporate practices.

Fifth, the evidence in Chapter 7 suggests that civil society organisations (CSOs) can play a significant role in influencing corporate responses to social issues – an action Zadek (2007) terms 'civil governance'. Such organisations have a strong ability to mobilise their constituents and other powerful stakeholders so that they can potentially punish unethical companies using protests and other market based mechanisms (Bendell and Murphy, 1999; World Bank, 2000).

However, as revealed in Chapter 9, CSOs' actions in putting pressure on Paladin were understood to have been severely constrained by a lack of support from the Government of Malawi. Governments can create an enabling environment where CSOs would be in a stronger position to hold firms accountable for their actions. Certainly, governments can take a leading role not only in the facilitation of increased genuine dialogue between CSOs and firms, but also in the arbitration of disputes that could potentially arise from such engagement processes.

Finally, as evidence from Chapter 8 and 10 reveals, cross-sector partnerships can play a crucial role in sustainable development. Through such partnerships, the CSOs, government and businesses can bring a wide range of strategic capabilities that could be instrumental in

addressing societal problems. For instance, businesses can bring their financial and managerial capabilities whereas the state and CSOs can bring their capabilities in identifying strategies for the delivery of public services. In addition, CSOs, can bring their strong understanding of community development problems and solutions. The state's role in this area can range from facilitating and supporting partnerships between CSOs and businesses to direct and active participation in tri-partnerships as new forms of societal governance.

11.3   Study Limitations

A case study, inductive based methodology, as argued in Chapter 5, can potentially provide a unique epistemological base for an empirically grounded and exploratory study of CSR and other business ethics related areas. However, it can be argued that the methodology adopted in this study is not without its limitations. This section discusses the principal limitations of the study which can also be considered as a basis of possible recommendations for further research.

The first principal limitation of this study is that it employs a relatively small number of cases. Studies that use small numbers of cases are usually criticised for generating findings which are context-specific, and therefore lack generalisation to other situations and contexts. For this study, it can be argued that the findings generated from the two case study organisations are not in any way representative of multinational companies let alone all the companies operating in Malawi. However, in studies that are aimed at developing an understanding of phenomenal issues like CSR, it is the depth of issues, gained from a qualitative -interpretative and exploratory study, rather than the breadth, that is of crucial importance. Thus, although this study has generally provided some insights into the notion of CSR in Malawi, it can be

argued that by virtue of its exploratory nature, it is by no means an authoritative description of CSR in Malawi.

The second limitation of this study concerns the subjective nature of the respondents' experience in which case, there cannot be an assurance that their insights reflected the objective reality of the phenomena under study. However, it can be argued that utmost care was taken to triangulate the evidence obtained from interviews with other sources of data to minimise the possibility of encountering 'socially desirability bias', and its subsequent impact on the study findings.

The third and final limitation of this study is that it recruited a relatively small number of executive managers. Attempts were made to recruit multiple managers, but the researcher encountered problems in convincing gatekeepers to facilitate interviews with more managers. For example, the researcher was told at one organisation that most of the senior managers had a busy schedule of work at the time of the fieldwork, while at the other organisation, the senior manager reiterated that his perceptions represented the organisation's understanding of CSR issues.

Although the study did not recruit a large number of managers at various levels within the organisations in order to get their insights about CSR, it should be recognised that such an issue could have proved critical if this study's aim was to investigate the influence of organisational culture on CSR. The next section provides recommendations for addressing some of the limitations of the present study, and articulates a future direction for research which could extend the evidence reported in this study.

11.4   Recommendations for Further Research

Potentially, there are a number of areas in which this study could be regarded as a base for further research on CSR in Malawi. First, this study, as stated in Section 11.3 of this chapter, suffers from limited generalisation of its conclusions largely, because the study utilises a small number of cases. Hence, the primary recommendation for further research is the replication of this study using multiple case studies. Ideally, such a study could involve both local and multinational companies of varying sizes operating in different contexts within Malawi. As stated elsewhere in Chapter 6, a comparison of the CSR performance of different companies operating in different industries could prove to be a challenging issue. Hence, the development of a set of indicators for measuring and benchmarking CSR initiatives could be seen potentially as the only feasible mechanism for measuring CSR. However, further research should be undertaken to investigate the suitability of the benchmarking of the CSR performance of different companies operating in different industries.

Second, Chapters 7 and 9 in this study, have revealed that CSR in Malawi, just like in many developing countries, remains a contested concept, and largely viewed by many stakeholders as a mechanism by which firms contribute to poverty reduction and development. Although this study has attempted to show the relationship between CSR and community development, further research is needed to investigate the impact of CSR initiatives on the development outcomes within the host communities. Such studies could focus on capturing a combination of quantitative and qualitative data.

Finally, this study has investigated the drivers of CSR in two case study organisations which are among the small number of multinational companies driving the CSR agenda in Malawi. However, it has not investigated the reasons why national companies are lagging behind their multinational counterparts. Therefore, further studies are needed to investigate the barriers

which local companies face in CSR adoption and implementation, and also assess the potential of such companies in pursuing the CSR agenda. Certainly, some investigation into the barriers to CSR adoption and implementation would aid policy makers in the creation of a conducive environment in which national companies can be encouraged to pursue the CSR agenda. The next section provides a summary of the major contributions that this study has attempted to make to the body of knowledge.

11.5   Major Theoretical Contributions of the Thesis

The major contribution of this thesis is in the following areas:

a.) This thesis has provided an empirically based investigation of the CSR agenda in Malawi, and has directly contributed to attempts by scholars to develop an in-depth understanding of the nature of CSR in a developing country context; an area which is currently under-researched (Visser, 2006). Specifically, the present study has not only provided insights into managerial and stakeholders' perceptions about CSR and CSR drivers, but has also attempted to explore the link between the CSR agenda and the stakeholder engagement practices which the case study companies pursued. As this study is largely empirical, unlike the majority of studies in this area (Lockett et al.,2006; Taneja et al., 2011), it is a significant contribution to an under-developed and under-researched area of literature.

b.) As indicated in Chapter 4, stakeholder theory / engagement has been constructed overtly in terms of managerial and organisational level theorisation. Certainly, such a managerial-focused view of corporate stakeholding and social responsibility has been a centre of scholarly attention in extant literature on CSR (Freeman, 1984; Hill and Jones, 1992; Jones and Wicks, 1999). Despite such an interest, for the past two

decades, stakeholder theory / engagement has witnessed a huge interest from moral (normative) theorists (Donaldson and Preston, 1995; Evan and Freeman, 1988; Greenwood, 2010; Jones et al., 2007; Noland and Phillips, 2010; Phillips, 1999).

c.) Stakeholder theory / engagement in its purest form is considered to have its foundation in the normative perspective (Donaldson and Preston, 1995; Greenwood, 2007; Phillips, 1999). This suggests that any process and decisions to engage stakeholders ought to uphold and have sufficient considerations for the principles of fairness and social justice (Greenwood, 2007; Kaler, 2002; Phillips, 1999). Notwithstanding the appropriateness of such divergent stakeholder theorisation to different contexts, this study pushes the normative frontier by showing that stakeholder engagement can be strategic and can be used by companies in developing countries to pursue corporate long-term interests. It has done so by showing that corporate stakeholder salience patterns are a reflection of a series of complex interactions between instrumental influences (business case) and industry influences on the firm. By and large, this study has shown that the behaviour of these companies towards social issues is influenced largely by the influences of the powerful stakeholders who hold critical resources for their long term viability. Fundamentally, it was found that companies tended to place different levels of priority towards different groups of stakeholders depending on their degree of pressure they exert. The degree of pressure the various groups of stakeholders exerted on the case study companies depended on their perceptions of the scale of their industry's impact on the environment and wider society. For example, Paladin's CSR agenda can to a large extent be viewed as responding to the interests of financial institutions, global governance institutions, such as IAEA, and the civil society organisations because of their power to significantly affect its operations through withdrawal of project

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financing, litigation and protests. This group of stakeholders tend to exert more influence over companies operating in the mining industry because of its strong interest in ensuring that mining companies minimise the social and environmental risks associated with their operations. Similarly, for Eastern Produce (Malawi), it was found that the response to buyer demands and shareholder pressure were the major factors influencing EPM's CSR agenda – in which workers' rights and child labour issues - are a prominent features. Embracing such issues into its business serves as a guarantee by which EPM could access the export markets which are controlled by western buyers and thereby continued funding of its Malawian operations. These stakeholders are interested in seeing EPM integrate such issues into its business because they could equally threaten their long-term interests – profits- given that the global agricultural supply chains are increasingly under scrutiny.

In Chapter 4 it was stated that this study would establish whether the CSR agenda pursued by the case study companies is value-driven –pursued as enlightened self-interest or because CSR is viewed by these companies as their response to their moral duty. It can be argued therefore that, this thesis, by having a combined focus on the normative stakeholder and the enlightened self-interest theories, has addressed a gap in CSR research that draws insights from both perspectives in order to have a better understanding of variations in corporate orientations towards societal issues. As Carroll (1991) shows, it is only by combining the stakeholder and instrumental perspectives, that CSR theorists can provide unique insights into why managers respond differently to different social stimuli. Hence, Carroll (1991) proposed a framework on which managers can draw for the development of their CSR agenda. However, such a proposition has not been subjected to empirical tests. This study's contribution has been to test and confirm the validity of Carroll's proposition by

drawing on the enlightened self interest (popularly known as the business case) and the stakeholder perspective. This study conforms fundamentally to Carroll's (1979)'s CSR theory and his recent work (Carroll and Shabana, 2010) and Lindgreen et al. (2009) in that the CSR agenda pursued by the case study companies in Malawi largely draw on the instrumental perspective rather than the normative perspective as suggested by Visser (2006) in his conceptualisation of CSR in developing countries. However, significant strands of evidence in this study[90] supports Visser (2006)'s reconstruction and reordering of Carroll's pyramid of social responsibilities to reflect priorities in the developing world. This study has identified an implicit ranking of the responsibilities which a firm can generally assume in the Malawi society in line with Visser (2006). In Chapter 7 and 9, it was revealed that while the case study companies were primarily interested in fulfilling the long-term economic interests of the firm, on the basis of the pressure to comply with the regulatory frameworks in Malawi, legal responsibilities were the second level of responsibilities the case study companies and other companies in Malawi can assume. However, due to serious institutional weaknesses within the Government of Malawi with respect to enforcement, compliance with the legal framework is usually left to the discretion of the companies. This was followed by the philanthropic responsibilities which was widely regarded as the mechanism by which companies including Paladin and EPM could assist in improving the welfare of the society in which they operate, as part of the notion of 'giving back to the society in which the companies draw their critical resources for their survival'. The final level of responsibilities was the ethical ones, which on the whole, they were given the lowest priority, although evidence (Chapter 10) suggests that only EPM pursued ethical issues in its CSR agenda. However, for EPM, ethical

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[90] Such evidence can be found in Chapters 7 and 9 which detail the perceptions of firm's social responsibilities by managers and various stakeholders, and the drivers of CSR.

ones such as ethical employment practices[91] and prevention of corrupt practices were directly connected to the narrow economic perspective of increasing shareholder wealth[92], rather than the normative perspective.

Central to the stakeholder perspective highlighted in this study is the notion that stakeholders have a significant influence on how firms to respond to pursue certain social actions. However, as evidence in Chapters 7 (section 7.3) and 8 shows, certain moral and legitimate claimants who lack power are rarely given adequate managerial attention. This is an area where the enlightened self interest perspective has complemented the stakeholder perspective in this study particularly because the enlightened self interest perspective shows how instrumental considerations (reputation and risk management and competitive advantage), in particular when they come under threat from powerful stakeholders who may advocate for the interests of less powerful stakeholders, can help the interests of less powerful stakeholders get adequate managerial attention.

d.) Finally, the inductive qualitative method used in this study is the most appropriate method for the research questions that this study has answered. However, this method still has been applied rarely in CSR and business ethics related research (Lockett et al., 2006). By using this method, this research has been able to provide some unique insights into CSR and business ethics (Taneja et al., 2011). Furthermore, the application of this method to this research has made a significant contribution towards addressing the disproportionate attention which CSR scholars have over the decades

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[91] These practices include upholding of non-discriminatory practices based on gender and provision of good working conditions, and elimination of child labour in its estates and factories.
[92] According to interviews with EPM and the Anti-Corruption Bureau officials and a review of documents, EPM was compelled to develop and implement the anti-corruption agenda because fraud and other corrupt practices posed a serious threat to its long-term economic viability.

placed not only on CSR theoretical development, but also on positivist and deductive

CSR research.

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APPENDIX A: SAMPLE LETTER TO COMPANIES AND INTERVIEW SCHEDULE OR GUIDE

a.   A SAMPLE OF THE LETTERS SENT TO CASE STUDY ORGANISATIONS

12th November 2009

The Manager

Company X

P.O. Box

Blantyre

Malawi.

Dear X

RESEARCH ON CORPORATE SOCIAL RESPONSIBILITY IN MALAWI

Andrew Ngawenja Mzembe is currently pursuing doctoral study programme in Management in the University of Huddersfield Business School in the United Kingdom. In partial fulfilment of the requirement of the Degree of Philosophy (PhD) in Management, Andrew has to undertake field work for his research project entitled: '**Corporate Social Responsibility in Malawi: An Exploratory Case Study'**. The main objective of his research project is to examine the corporate social responsibility (CSR) agenda in Malawi by using a case study of three firms. The study is expected to commence in early January 2010.

In the light of this, your company has been chosen to participate in this study because of its unique contribution it makes to the socio-economic development of Malawi, but also because of the significant strides your company has recently made in embracing the notion of corporate social responsibility.

Data and information acquired from your company will be treated with the utmost confidentiality, and will be used for academic research purposes only. Should you wish Andrew to sign a confidentiality agreement with your company, please feel free to let us know, and will cooperate fully.

Your cooperation in this study will be highly appreciated.

Yours Sincerely,

Dr Julia Meaton.

Director of Studies.

APPENDIX B. INTERVIEW GUIDE

Opening Remarks

The interview is expected to last between half an hour and one hour. Information gained from this interview will be treated with the utmost confidentiality, and will not be used for any purposes as other than for academic purposes. Your cooperation in this interview is highly appreciated.

In order to ensure that I collect as much information as possible, I would appreciate if you could permit me to tape record this interview. However, if at any point you feel like to say something else that you think should not be recorded, please feel free to ask for the tape recorder to be switched off.

FOR COMPANIES

Perceptions about Corporate Social Responsibility

- What do you understand by the concept of corporate social responsibility?

- How relevant is it to business today?

- Why is CSR relevant (or not) for CSR in Malawi?

- What do you consider as the social responsibilities of companies operating in Malawi?

- How has your company changed since the rise of CSR debate in Malawi?

- How could CSR as development agenda be institutionalised in the context of Malawi?

Drivers of corporate social responsibility

- Corporate social responsibility is a relatively new phenomenon in Malawi, and the rest of the developing countries. Your company is one of the few companies in Malawi that is implementing a number of corporate social responsibility related activities. What motivates your company to engage in such activities?

- What is the role of top management team in driving the CSR agenda within your company?

Stakeholder engagement and Partnerships

- How do you define the term stakeholder?

- Which stakeholder groups do you regard as the most and least salient?

- What could be the criteria that you use to assign salience to each one of your stakeholders?

- How would you describe your relationship with these stakeholders:

  - Government
  - Employees
  - Trade Unions
  - Community
  - Suppliers
  - Customers
  - Civil Society Organisations
  - Industry associations

- What national and international CSR related initiatives is your company engage in?

- To what extent have these initiatives shaped and/or continue to shape your CSR agenda?

CSR Initiatives

- What are the CSR initiatives your company is implementing and/or have implemented?

- How are your stakeholders involved?

- How is impact of your CSR initiative measured?

FOR COMMUNITIES

- What are the most pressing socio-economic challenges that your community is currently facing?

- Who do you think could help solve these challenges?

- What challenges do you think could be tackled by businesses?

- How do you define the concept of Corporate Social Responsibility?

- What do you think are the roles of businesses in a society like yours?

- What was your involvement in the initial development phase of the mine by the Paladin in your area (For Paladin only).

- What is your opinion about the operations of the company X in your community?

- What was your involvement in the projects that company X has funded in your community?

C. **NGOs and CSOs' Interviews**

Perceptions about corporate social responsibility

- What do you understand by the concept of corporate social responsibility (CSR)?

- How relevant is it to business today?

- Do you think that there is a need for CSR in Malawi? Why?

- What do you consider as the social responsibilities of companies in society?

- What has so far changed since the rise of CSR debate in Malawi?

    Stakeholder engagement and Partnership

- What is your relationship with company X?

- What kind of partnerships do you have with any other private companies in Malawi (if you

    have)?

- If you have any partnership arrangements, what are the conditions for engagement?

- What are the critical issues that you considered or consider before entering any form of partnerships or engagement with any organisations or companies?

- What is your organisation's influence over company X operations?

- In what ways do companies you engage with impact on your organisation?

- What do you think are the best tactics for making companies more socially responsible?

- What role do you think critical or confrontational campaigns might have on CSR agenda of

    various companies?

D.   REGULATORY INSTITUTIONS

- What is your department's involvement in the operations of company X.

- What has your involvement in company X operations impacted on your organisation or department?

- What constraints does your department encounter in the course of its relationship with company X or any other companies?

- How can CSR be institutionalised in Malawi?

List of Interviewees from the Private Sector

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr. Rick Tilley	Managing Director	Eastern Produce Malawi (EPM)	EPM Head Offices – Mulanje District	4.01.10
Mr. Rick Tilley (1st Repeat Interview)	Managing Director	Eastern Produce Malawi (EPM)	EPM Head Offices - Mulanje	25.02.10
Rick Tilley (2nd Repeat Interview)	Managing Director	Eastern Produce Malawi (EPM)	Telephone Interview	30.3. 2012
Mr. Clement Thindwa	Chief Executive	Tea Association of Malawi Limited (TAML)	TAML Offices – Blantyre	8.01.10
Mr. Marshal Chilenga	Corporate Lawyer	TF and Partners Limited	TF and Partners Limited - Lilongwe	5.01.10
Mr. A. Kamtimaleka	Programme Officer	Institute of Directors (IoD) Malawi	IoD Malawi Offices – Blantyre	7.01.10
Miss Nina Kamzingeni	Legal Officer	Press Corporation Limited (PCL)	PCL Head Offices – Blantyre	7.01.10
Mr. Nyirenda	Operations Manager	Malawi Stock Exchange	Malawi Stock Exchange Head Offices – Blantyre	6.01.10
Miss Mzithembi Mbekeani	Public Relations Manager (CSR Expert)	Bottling and Beverages Group Limited (BBGL)	BBGL Head Offices – Blantyre	7.01.10
Mr. Neville Huxham	Country Director	Paladin (Malawi) Limited	Paladin (Malawi) Offices – Karonga	18.01.10
Mr. Neville Huxham	Country Director	Paladin (Malawi) Limited	Paladin (Malawi) – Lilongwe	27.01.10
Anonymous	Middle Manager	Paladin (Africa)	Marina Lodge –	18.01.10

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
	(Malawian)	Malawi Limited	Karonga	
Anonymous	Plant Operator	Paladin (Africa) Malawi Limited	Plant Operator's House – Karonga	21.01.10
Anonymous	Cleaner	Paladin (Africa) Limited	Cleaner's House – Karonga	21.01.10
Anonymous	Security Guard	Paladin (Africa) Malawi Limited	Security Guard's Home – Karonga	23.01.10
Anonymous	Mechanic	Paladin's Contractor	Mechanic's House – Karonga	23.01.10
Anonymous	Clerk	EPM Limited	Mulanje District Centre	11.01.10
Mrs. Edna Chamgwera	Regional Officer	Malawi Chamber of Commerce and Industry (MCCI)	MCCI Regional Office - Lilongwe	8.02.10
Mr. Shah Khan	Group Technical and Ethical Manager	Typhoo Tea Limited	Telephone	18.05.10

List of Interviewees from the Government of Malawi

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr. G. Mothisa	District Labour Officer	Mulanje District Council	District Labour Offices	11.01.10
Mr. G. Munthali	Fisheries Officer	Department of Fisheries	Mr. Namandwa's Fish Farm	11.01.10
Mr. D. Chokazinga	Chief Executive	Malawi Bureau of Standards (MBS)	MBS Head Offices – Blantyre	12.01.10
Mr. Ralph Chirwa	Principal Revenue Officer (Taxation)	Malawi Revenue Authority (MRA)	MRA Headquarters – Blantyre	12.01.10
Mr. Mwanyongo	Assistant Director	Department of Environmental	DEA Headquarters	1.02.10

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
		Affairs (DEA)	Lilongwe	
Dr A. Kamperewera	Deputy Director	DEA	DEA Headquarters – Lilongwe	1.02.10
Anonymous	Senior Officer	DEA	DEA Headquarters – Lilongwe	1.02.10
Hon. Steven Kamwendo, MP	Deputy Minister (Formerly)	Ministry of Trade, Industry and Private Sector Development (MTIPD)	MTIPD Headquarters – Lilongwe	2.02.10
Mrs. A. Mchiela	Principal Secretary	Ministry of Labour and Manpower Development (MoLMD)	MoLMD Headquarters – Lilongwe	4.02.10
Mr. L. Mwasikakata	Deputy Labour Commissioner	MoLMD	MoLMD Headquarters – Lilongwe	4.02.10
Mr. A. Gondwe	Director of Planning and Development	Karonga District Council	Karonga District Assembly Offices	22.01.10
Mr.Owen Chirwa	Principal Agricultural Development Officer	Karonga District Council	Marina Lodge - Karonga	22.01.10
Anonymous	Local Government Official	Karonga District Council	Karonga District Assembly Offices	26.01.10
Mr. S. Mwenenguwu	Health Surveillance Assistant	Karonga District Health Office	Wiliro Health Centre	26.01.10
Mrs. R. Sichali	Health Surveillance Assistant	Karonga District Health Office	Wiliro Health Centre	26.01.10
Mrs. P. Phombeya	Principal Officer (Anti-Corruption)	Anti Corruption Bureau (ACB)	ACB Head Office – Lilongwe	3.02.10

List of Interviewees from the Civil Society and other Organisations

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr. L. Mafula	Economic Governance Programme Manager	Malawi Economic Justice Network (MEJN)	MEJN Head Offices - Lilongwe	3.02.10
Mr. A.Chiputula	Programme Officer (Formerly Deputy Director in Ministry of Trade and Industry)	MEJN	MEJN Offices - Lilongwe	3.02.10
Mrs. M. Mwamlima	Programme Coordinator	National Association of People Living with HIV/AIDS in Malawi (NAPHAM) (Karonga Chapter)	NAPHAM Offices – Karonga	29.01.10
Mr. K. Munthali	Executive Director	FOCUS	FOCUS Offices – Karonga	29.01.10
Mr. N Sangole	Project Coordinator	Sustainable Agriculture Business Initiative	AICC Head Office - Lilongwe	5.02.10
Mr. R. Mwangonde	Country Director			5.02.10
Mr. Jurgen - Matthias Seeler	Technical Advisor (German Development Cooperation) – AICC	AICC	AICC Head Office - Lilongwe	5.02.10
Mr. Kapote Mwakasungula	Director	Uraha Foundation	Uraha Foundation Office	25.01.10
Mr. W.Mwagomba	Manager	Karonga Cultural Museum	Karonga Museum Offices	25.01.10
Mr. G. Mwamondwe	Coordinator	KANREDA	Mwamondwe's Home	25.01.10

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr. M. Kayembe	Projects Officer	Mulanje Mountain Conservation Trust (MMCT)	MMCT Offices – Mulanje	13.01.10
Mr. D.H. Dunga	Executive Director	The Society of Accountants in Malawi (SOCAM)	SOCAM Head Offices - Blantyre	15.02.10
Celine Gilart	Programme Manager – Africa and Latin America	Ethical Tea Partnership (ETP)	ETP Head Office – London	15.07.2010
Mr. K. Simwaka	Programme Officer	International Labour Organisation	International Labour Organisation – Lilongwe Offices	27.01.10

List of Community Interviewees

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr Feston Kayira	Community Member	Kayelekera Area	Wiliro Health Centre	19.01.10
Mr. Pascal Simbeye	Resident near Town Centre	Not Applicable	Karonga Town Centre	29.01.10
Mrs. V. Mwambene	Smallholder Farmer	Not Applicable	Juma Village - Karonga	19.01.10
Mr. A.K. Mwakasungula	Retired Diplomat	-	Karonga Museum	21.01.10
Mr. Wales Mwangolera	Committee Member	Kayelekera Village Development Committee	Kayelekera School	19.01.10
Mrs. E. Gondwe	Smallholder Farmer	Not Applicable	Juma Village - Karonga	19.01.10
Mr. K. Gondwe	An Opinion Former	Not Applicable	Kayelekera Village	20.01.10
Anonymous Displaced and Resettled Village 1	Not Applicable	Not Applicable	Kayelekera Village	20.01.10

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
Mr. Kennedy Mhango	Karonga Resident	Not Applicable	District Assembly's Office	21.01.10
Anonymous Displaced and Resettled Village	Not Applicable	Not Applicable	Kayelekera Village	20.01.10
Anonymous Displaced and Resettled Village	Not Applicable	Not Applicable	Kayelekera Village	20.01.10
Anonymous Displaced and Resettled Village	Not Applicable	Not Applicable	Kayelekera Village	30.01.10
Mrs. B. Mwambungu	Business woman	Karonga Town Centre	Karonga Town Centre	21.01.10
Anonymous	Village Development Committee Member	Kayelekera Area	Wiliro Health Centre	30.01.10
Mr. P. Nazombe	Secretary, Area Development Committee	Mabuka Area Development Committee	Nazombe's House	16.01.10
Mr. J. Kulisewa	Chairman	Eastern Produce Outgrowers Trust	Mr. Kulisewa's House	13.01.10
Mr. Armstrong khoza	Chairman, Smallholder Tea Development Committee	Smallholder Tea Development Committee	Mr. Khoza's House	16.01.10
Mr. H. Kombezi	Member	Eastern Produce Outgrowers Trust	Mr. Kulisewa's House	14.01.10
Mrs. Grace Biziwiki	Smallholder Farmer – Bvumbwe, Thyolo district	Not Applicable	Bvumbwe Agricultural Office	15.01.10
Mr. Aloysius Namakhwa	Community Member	Not Applicable	Mulanje Market	14.01.10
Miss Bertha Maliton	Smallholder Farmer	Not Applicable	Mulanje	13.01.10

Name of the Respondent	Position	Organisation	Place of Interview	Date of Interview
			Agricultural Office	
Mr. Yosofat Mwinjilo	Smallholder Farmer	Not Applicable	Bvumbwe Agricultural Office	15.01.10