

Chapter 58

Corporate Social Responsibility: An Integrative Approach in the Mining Industry

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ABSTRACT

The mining industry has a huge environmental and social impact in the country/region where is located, consequently its contribution for sustainable development has been widely discussed. Corporate social responsibility (CSR) represents a challenge for this industry, namely, its inclusion as a common management practice integrated in the company's management control system. For such, it's imperative that there is a balance between the economic, environmental and social company's concerns. The aim of this article is to study that challenge in a Portuguese subsidiary belonging to a Japanese economic group. The data were collected through interviews and document analysis. The results suggest that CSR practices are not integrated in the management control system, are not part of a long-term environment strategy, and only reflect compliance with Portuguese legislation. It is expected, with this study, to contribute for the literature enrichment about CSR in multinationals companies operating in the extractive industry.

1. INTRODUCTION

A basic principle of Corporate Social Responsibility (CSR) is that enterprises and society are highly interconnected (Wood, 1991), however, the mechanisms that link them have not yet been fully understood (Russo & Fouts, 1997). Reviewing literature on this topic and on its effects on organizations it is noted that the lack of consensus prevails. In the case of environmental regulation, for example, some authors claim that regulation on the environment improves economic performance, while others argue that compliance with these regulations means irrecoverable costs for organizations (Russo & Fouts, 1997). In the literature, the CSR expression is not always used with the same meaning (Votaw, 1972; Carroll, 1999).

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However, “the CSR concept has a bright future because at its core, it addresses and captures the most important concerns of the public regarding business and society relationships” (Carroll, 1999:292). In a comprehensive manner, “corporate social responsibility of business entails the simultaneous fulfillment of the firm’s economic, legal, ethical, and philanthropic responsibilities. Stated in more pragmatic and managerial terms, the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen” (Carroll, 1991, p. 43).

After considering different approaches, this study, such as Martinez et al. (2016), is focused on the analysis of CSR from two disciplines that can provide a better explanation of the need to internalize socially responsible behavior by companies in response to environmental pressures: the institutional theory and the stakeholder theory. Appealing to an integrative approach who tries to understand “how business integrates social demands, arguing that business depends on society for its existence, continuity and growth. Social demands are generally considered to be the way in which society interacts with business and gives it a certain legitimacy and prestige. As a consequence, corporate management should take into account social demands, and integrate them in such a way that the business operates in accordance with social values” (Garriga & Melé, 2004, p. 57).

The choice of the mining sector results from the fact that there are few studies about the performance of CSR in the mining Industry (Hamann, 2004) despite its importance. “For the mining industry, one outcome of the CSR agenda is the increasing need for individual companies to justify their existence...” (Jenkins & Yakovleva, 2006, p. 272).

The relevance of this subject stands out for the reason that CSR is an emerging issue in the management area and in the international business environments. Thereby, the study of this subject has proved to be crucial, in order to fill some gaps existing in the scientific literature, namely about the environmental and social impact of the mining operation and whether or not it contributes for sustainable development (Hamann, 2004; Vintró, Sanmiquel & Freijo, 2014). The social perspective, and its effect on organizations, has been very poorly explored (Lee, 2008). As large corporations (multinationals) own the majority of these holdings it is fundamental to understand their role in implementing CSR practices in their subsidiaries and even to understand its inclusion in their management control system. The connection of CSR to the management control system may lead to a competitive advantage, being that system a means to help the managers identify and handle opportunities and threats (legal, environmental, social, and institutional) according to what Arjaliès and Mundy (2013) have claimed.

In addition, Kolk and van Tulder (2010) argued that, against globalization phenomena and cross-border investments, which led into changes in business environments, when studying multinationals, it should be explicitly taken into account the CSR. However, and despite the relevance of CSR for multinational corporations (MNC), researches on this subject are still in an early stage of development (Cruz and Boehe, 2010; Yang and Rivers, 2009), especially for those operating in different environments and cultures (Hah and Freeman, 2014). This lack of research is surprising, because cultural differences are key-factors for CSR activities (Gray, Javad, Power and Sinclair, 2001).

In this context, the aim of this article is to study CSR practices in a Portuguese mining industry, owned by a foreign multinational corporation, focusing particularly on its environmental and social impacts, and to try to ascertain if the CSR practices are integrated in the subsidiary management control system. In order to meet this objective, the following questions arise: What CSR practices exist in this subsidiary? How were they implemented? Are they part of the multinational’s management control system?

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