Stakeholder interactions and corporate social responsibility (CSR) practices: Evidence from the Zambian copper mining sector

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Abstract

Purpose – This paper critically explores the interactions of key stakeholders and their impact upon CSR practices in the Zambian copper mining sector.
Design/methodology/approach – This case study of the Zambian copper mining sector utilises an overall political economy framework, focusing on power asymmetries between the state and MNCs. Within this context, we draw on both stakeholder salience theory and legitimacy theory in order to explore the interactions of key stakeholders and their impact upon CSR practices.
Findings – We find power asymmetries between the state and MNCs existing according to a number of different dimensions which are exacerbated by a number of factors including divisions within the government itself as a key stakeholder. However, despite the existence of stark power asymmetries, we find that in the Zambian context, there are some possibilities for agency on the part of civil society, and so that legitimacy theory has some (albeit limited) explanatory potential.
Originality/value - The paper contributes to the literature on CSR in developing countries by exploring these issues in a critical case, that of the Zambian copper mining sector on which the economy is so heavily dependent.

Key words - Corporate social responsibility; mining sector; civil society; the state; developing countries; Zambia.
Paper type – Research paper.

1. Introduction

In this paper we explore the complex relationships between key stakeholders that shape Corporate Social Responsibility (CSR) practices in a developing country context. Whilst there is a limited number of recent studies focusing on CSR-related issues in developing countries generally (Belal *et al*., 2015; Belal and Owen, 2007; Lauwo *et al*., 2016), there is in particular a paucity of such research on Africa (Rahaman, 2010). Furthermore, much CSR research is not attuned to the particularities and realities of the developing countries setting and so fails to be relevant to local stakeholders and contexts (Blowfield and Frynas, 2005; Fox, 2004), and to capture the socio-economic and political challenges in these countries. CSR remains a politically contested area of power relationship imbalances such that there are important gaps between companies' CSR discourse and practices (Frynas, 2005). In developing countries, the environment is less enabling so that the state, as an actor, has an important role to play potentially in motivating and/or enforcing CSR (Hamann, 2006; Idemudia, 2008).

Against this background, we explore the above issues using the Zambian copper mining industry as a critical case, given the country's almost total dependence on the sector contributing up to 70% of foreign exchange income and over 10% of Gross Domestic Product (GDP) in 2014 (IMF, 2015)[1]. Such a high degree of dependence is suggestive of the stark power asymmetries likely to exist between Zambia, as a developing country, and the foreign-owned Multinational Corporations (MNCs), with their consequent effect upon CSR practices. Given such power asymmetries, Lauwo *et al*., (2016) argue that legitimacy theory approaches commonly used in CSR research, are inappropriate to developing countries contexts.

Indeed, despite CSR initiatives by MNCs, the companies' operations in Zambia continue to have a detrimental social, economic and environmental impact on the country, including tax evasion (Christian Aid, 2015; Counter Balance, 2010), environmental degradation, negative impact on human health, labour and human rights abuses (Das and Rose, 2014; Human Rights Watch, 2011; Lindahl, 2014). Our contribution lies in our focus on the dynamic interaction processes between different key stakeholders in this particular context and on how this interaction impacts on CSR practices (Idemudia, 2011). In so doing, we give voice to both managerial and non-managerial stakeholders in the MNCs, as well as in the government and its regulatory agencies, local municipal councils, and civil society.

The paper is organised as follows. The first section discusses the theoretical approach adopted in our study, providing key background to understanding the role of CSR stakeholders in developing countries and of the mining sector in particular. Then, we describe our research approach, the particular socio-political economic background to Zambia and the CSR developments in the mining sector so as to set the context for our empirical analysis. We subsequently present and discuss our findings, concluding that despite stark power asymmetries present in the relationship between the state and MNCs, some agency, albeit limited, is possible, as civil society in particular co-opts previously dormant stakeholders so as to increase both its own salience, but more importantly that of the state.

2. CSR processes and stakeholder interactions

2.1. Theoretical approach

The CSR literature (Parker, 2005, p. 844) is "voluminous, disparate, eclectic, and still without commonly agreed philosophies or standpoints" so that one of the challenges in CSR research results from this lack of any agreed theoretical perspective to drive systematic research (Gray *et al*., 1995). Stakeholder theory (Clarkson, 1995; Freeman, 1984) and legitimacy theory (Lindblom, 1994; Suchman, 1995) have been dominant theories within CSR research that is concerned with explaining the interaction between organisations and their environment.

According to legitimacy theory, organisations exist in society under an expressed or implied social contract and continually seek to establish congruence between the value system of the organisation and the value system of society. Legitimacy theory has been used to explain the motivation behind CSR disclosures (Deegan, 2002), where corporate disclosures and practices are used as instruments of external accountability to influence (or even manipulate) stakeholder perceptions (Milne and Patten, 2002)[2]. While legitimacy theorists focus on the importance of compliance with the expectations of society, stakeholder theory regards CSR as part of the dialogue between the organisation and its stakeholders. By placing the organisation at the centre of analysis, a stakeholder is broadly defined as "any group or individual who can affect or is affected by the achievement of the firms' objectives" (Freeman 1984, p. 25). The theory posits that the organisations' continued existence requires the support of various powerful stakeholders with conflicting demands and that stakeholder approval must be sought and, if necessary, the organisation's activities adjusted to gain that approval (Roberts, 1992). Given this reasoning, organisations must identify the key stakeholders influencing the CSR agenda, as CSR should be directed towards meeting their needs (Baur and Palazzo, 2011; Gray and Guthrie, 2007).

However, as Gray *et al*., (1995) argue, legitimacy theory and stakeholder theory are in fact overlapping, rather than competing theories, while the concept of legitimacy itself is relevant to various theoretical approaches such as stakeholder theory, institutional theory and resource dependence theory (Chen and Roberts, 2010; Deegan, 2002). From this perspective, mining companies need to identify the demands of various stakeholders so as to ensure long-term success (Mäkelä and Näsi, 2010), whereas failure to acknowledge and address their concerns could stigmatise companies as operating in an irresponsible manner (Gordon *et al*., 2012), so jeopardising their perceived legitimacy. Visser (2008), for example, notes that corporations in developing countries engage in the provision of social services that would be seen as government's responsibility in developed countries. Non-Governmental Organisation (NGO) activism in developing countries may also create legitimacy gaps, so providing significant motivation for companies to engage, or else attempt to engage, in responsible business practices in order to acquire or else maintain legitimacy (Doh and Teegan, 2002; Lauwo *et al*., 2016). Alternatively, organisations may use legitimation techniques, such as linking themselves to other institutions, in order to develop moral and cognitive legitimacy. Siddiqui and Uddin (2016) give the example of the Bangladeshi state which depends on businesses, not only for economic reasons, such as investment and employment, but also because of businessmen's influence over state politics in the particular context of Bangladesh.

Whilst we draw on both stakeholder theory and legitimacy theory in our analysis, we argue that by themselves, these theoretical approaches are insufficient to capture the complexity of stakeholder interaction with regard to CSR practices in developing countries. In this regard, legitimacy theories as applied to developing countries are questionable as despite the increasing social and environmental impact of corporate activities, companies continue to carry out these activities unchallenged (see Banerjee, 2008). Indeed, Lauwo *et al*., (2016, p. 1043) argue that the extent to which stakeholder and legitimacy theories "can explain the contradictions and dilemmas faced by developing countries with respect to CSR practices has remained problematic [as] they pay little attention to the broader socio-political, economic, historical and power structures that shape CSR reporting practices".

Therefore, we depart from stakeholder theory, which is strictly organisation-centred (Gray *et al.,* 1995) and defines issues of legitimacy and responsibility based on narrow business interests (Banerjee, 2008). Instead, our analysis is based on a critical interpretation of reported stakeholder views in order to explore the complex relationships among stakeholders in the CSR arena. In order not to underplay the role of other processes outside the immediate realm of the MNCs, MNCs are not placed at the centre of analysis, but are regarded as part of a complex web of interactions (see Figure 3 in section 4.1). Moreover, the stakeholder groups are not internally homogenous, as there may be conflicts within the groups, while their interaction is rather complex (Hamann *et al*., 2005). Relationships among stakeholders are reciprocal and dependent on contingent factors and path dependent, in that future interactions are constrained and informed by previous developments and actions. Such a multi-stakeholder interaction approach resonates with the approach of the (environmental) management plans of mining companies operating in Zambia which emphasise a proportionate partnership approach to defining a development strategy for the Copperbelt communities (*ibid.,* 2005).

Moreover, the processes that inform CSR initiatives and the interaction of stakeholders who are seeking to leverage their interests are bounded by the local socio-political and economic context. The lack of human and institutional capacity to address stakeholders' concerns and promote CSR in developing countries has been highlighted by the literature (Fox, 2004; Idemudia, 2011). However, the structural determinants and constraints which enable or constrain CSR initiatives and development in African countries are largely undetermined (Idemudia, 2014). Similarly, stakeholder theory approaches to CSR pay insufficient attention to the role of power and to stakeholder interactions within a framework of political economy[3]. The widely used stakeholder salience framework (Mitchell *et al*., 1997) identifies and assesses the salience of various stakeholders for companies based on the combination of three stakeholders' attributes, i.e. power[4], urgency, and legitimacy. Within this framework, previously dormant stakeholders may have little or no interaction with a firm but management should remain cognisant of them because the dynamic nature of relationships means that dormant stakeholders will become more salient to management if they acquire either urgency or legitimacy. Other studies, offer different views as to the importance of urgency and legitimacy as a stakeholder attribute (Neville *et al*., 2011), and argue that salience may be assessed in terms of stakeholder coalitions around issues and organisational fields (Neville and Menguc, 2006). Additionally, Neville *et al*., (2011) raise further criticisms of Mitchell *et al*., (1997), in arguing that power, moral legitimacy and urgency should be located on a spectrum, rather than being treated as dichotomous variables and they argue, echoing Mitchell *et al*., (1997) that stakeholder salience itself may be highly complex in nature.

Importantly, however, from the perspective of CSR in a developing country context, power dynamics among CSR stakeholders cannot be studied without considerations of the local institutional dimensions shaped by the country's colonial past and the current neoliberal mandate of development affecting CSR practices. Interactions among stakeholders are seen as being shaped by legal and economic conditions that are oriented towards meeting foreign expectations reproducing a CSR model in which MNCs are seen as the main drivers of economic progress and social welfare (Adanhounme, 2011).

In the current study, stakeholders are seen to be embedded in a complex nexus of relationships which are not only defined by the desire to gain legitimation (Mitchell *et al.*, 1997; Patten, 1992), but are also permeated by power asymmetries (both between the MNCs and other stakeholders and among the different stakeholders) (Banerjee, 2008; Covey and Brown, 2001; Puxty, 1991; Rajak, 2006). An understanding of the dynamics of power and in particular, of power asymmetries inherent within a particular institutional context, is key in order to gain insights into the legitimating actions of key stakeholders, and of the relevant interactions between these actors with regard to CSR practices.

In the context of power asymmetries, these are usually discussed with regard to the relationship between governments and MNCs operating in developing countries. These power asymmetries, for example, manifest themselves at the very outset in terms of the negotiation of mineral development agreements between the host state and MNCs, so leading to a governance gap (Hilson, 2012), such that the state can see its capacity to enforce regulations promoting corporate accountability as being significantly compromised (Lauwo *et al*., 2016). Similarly, Siddiqui and Uddin (2016) acknowledge the state's inability and/or unwillingness to stop human rights abuses, especially those committed by MNCs. They cite clear evidence of what they term the "state-business nexus" in perpetuating human rights disasters, with "this nature of the state creat[ing] the necessary conditions for businesses to disregard human rights in businesses" (Siddiqui and Uddin, 2016, p. 696). Moreover, given the existence of weak institutions, high rates of corruption and the inability of governments to implement regulations (Visser, 2006), there have been increased calls for "surrogate accountability" in developing countries (Sinkovics *et al*., 2016). Such surrogates, which can take a variety of forms (governments, supra-national bodies, partnerships among corporations or civil society) may be better equipped to pressurise power wielders to do what is "right" (Rubenstein, 2007). However, with respect to Zambia specifically, Hamann and Kapelus (2004, p. 90) argue that, "in the case of the Copperbelt, the danger is that it is too remote for consistent surveillance from independent and critical organizations".

In the next section, we discuss the role of the various stakeholders in developing countries and, in particular, CSR in the extractive industries.

2.2. Role of stakeholders in developing countries

Whilst CSR is generally seen as being influenced by societal expectations (Carroll and Buchholz, 2014), the picture that emerges for developing countries is more complex. In the context of developing countries, CSR debates focus on the complex relationship between CSR and development and the impact that CSR initiatives have on developing countries' socio-economic development (Reed and Reed, 2004). CSR initiatives vary across different countries as these are shaped by the local social, political, economic and institutional contexts (Alfonso *et al.,* 2010). The lack of understanding of the complex relationship among CSR practices, local actors and contexts, and development results in a recurring tension between common CSR expectations and local challenges and opportunities (Hamann, 2006).

Although the CSR agenda in developing countries is determined mainly by the interaction between MNCs, civil society and the state (Fung, 2003; Vogel, 2008), a conflict between the power of corporations and that of the state has been observed (Scherer and Palazzo, 2007; Sikka, 2010), with the latter affording autonomy to MNCs, resulting in the transfer of political power to many of these entities (Lehman, 1999). Thus, much of the decision-making of MNCs, including that related to their social and environmental responsibilities, has been left free from any control or influence by governments (Bailey *et al*., 1998) due to the significant economic benefits they bring to developing countries. Such dependence is often exacerbated by fears that MNCs may relocate if enacted regulations are perceived to encroach on companies' decision-making (O'Dwyer *et al*., 2005). Such a level of autonomy, then, enables MNCs to prioritise global, as opposed to local expectations. From this perspective, an MNC may claim to be operating responsibly, whilst local stakeholders believe otherwise (Lawrence, 2007), resulting in differing stakeholder interpretations of companies' responsibilities and potential conflict (Gordon *et al*., 2012).

It is against this background that the role of civil society has increased in promoting CSR practices in developing countries, as the majority of governments fail to provide the infrastructure and environment enabling the promotion of CSR (Utting, 2002; Welford, 2004). Corporate behaviour has been exposed to public scrutiny as a result of civil society activism (Dahan *et al.,* 2010). Another critical role played by civil society lies in the representation of the less powerful voices in society (Banerjee, 2001). As Blowfield and Frynas (2005) note, the voices of the less privileged, the less powerful, have largely been ignored, so that civil society is seen as a "voice" or representative of those who are individually voiceless.

Despite the arguments above, there has been a growing recognition also of the new opportunities arising for the state to deploy CSR for governance purposes and to regulate corporate behaviours through CSR (Gond *et al.,* 2011; Moon, 2002). However, Visser and Tolhurst (2010) note that African governments are yet to evolve national policies that could help promote CSR in the region, while Idemudia (2011) identifies the lack of a clear and consistent governmental CSR policy framework, in Nigeria, as a constraint to the effective development of CSR. Other key stakeholders in this context include supranational financial institutions, like the World Bank, which can exert significant pressure and so act as a major influence on companies' CSR activities (Rahaman *et al*., 2004).

In this connection, extractive industries and the mining sector in Africa face also great pressures to embrace CSR due to their large-scale effect on the environment and local population. However, mining companies have failed to address the origins that give rise to economic development and environmental problems by adopting CSR approaches that reproduce the shortfalls of past incomplete agendas imposed by external actors (Campbell, 2012). Hamann and Kapelus (2004) examined the CSR practices of mining companies in both South Africa and Zambia and found that there are still important gaps between mining companies' CSR activities and accountability. Importantly, they argue that in Zambia CSR practices have little influence on fundamental business decisions based on profitability, which often have the most significant social impact. Instead, CSR activities played primarily an "ameliorative role in the context of significant social disruptions and uncertainty in the wake of privatisation" (Hamann and Kapelus, 2004, p. 90). Similarly, Lungu and Mulenga (2005) in a commissioned report on the CSR practices in the Copperbelt region found significant changes in CSR approaches, with deterioration after the privatisation of the state-owned Zambia Consolidated Copper Mines (ZCCM). Whilst these are important studies on the Zambian Copperbelt, they are more limited in scope and importantly, do not focus specifically on the interaction between key Zambian stakeholders in terms of determining CSR practices, the key research question of the current study.

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

3. Research approach

In this study, we address a variety of stakeholders with diverse interests and expectations regarding the copper mining corporate activity in Zambia. In Zambia, as in other African countries, the development strategy of the mining sector is supposed to be based on the proportionate partnership of various stakeholders promoting a multi-stakeholder dialogue (Hamann *et al.,* 2005). We were interested in investigating the actual processes that inform CSR practices in the particular local context through the dynamic interaction of multiple stakeholders. Therefore, we focused on the interactions among the main stakeholder groups identified by the literature as important actors in the CSR agenda in developing countries (broadly categorised as mining companies, the state and civil society). However, we also included representatives from other important local and international stakeholder groups such as, higher education institutions or academia (Gray and Guthrie, 2007), national accountancy bodies (Tilt, 2009), the local community (Banerjee, 2007), stakeholder engagement initiatives (Andriof and Waddock, 2002) and supranational or international financial institutions (Rahaman *et al*., 2004).

We draw upon rich material from 43 semi-structured interviews (see Appendix 1 for the detailed list of interviewees)[5] with individuals representing the three main stakeholder groups, together with other stakeholders. Key representatives from 39 different institutions, who occupied senior management positions or had considerable leadership roles, were targeted and identified using a snow-balling technique (Titscher *et al*., 2000). Further, in order to gain access to some stakeholders, formal authorisation/introduction had to be obtained[6]. The data-gathering protocol involved the use of face to face interviews, which were recorded on a digital audio recorder with the permission of the respondents. The interviews lasted between 45 to 90 minutes while written notes were also taken during the interviews. The 43 interviews were conducted by one of the co-authors during his three-month fieldwork in Zambia between October and December 2011. Interview questions were based on the interview protocol and stakeholders were encouraged to elaborate freely. In order to elicit rich interpretations, interviewees were questioned about CSR in an unprompted manner in order to capture their understanding of the CSR processes, its components and significance (Maignan, 2001).

The recorded interviews were subsequently transcribed in their entirety. The transcripts, together with any relevant notes taken during the interviews, were then analysed thematically. Analysis of the transcribed data was directed at the search for underlying themes and sub-themes in addressing our research objective whilst remaining sufficiently flexible so as to profit from "opportunistic" dimensions that may arise in the research (Buchanan *et al.,* 1988). The quotations used present the "thick description" (Denzin, 1994, p. 505) as they appear to represent a particular theme. However, in analysing the interviews, we are relying on the interviewees' self-descriptions regarding what we identify as power (or power asymmetries) and the effects of their actions and resultant interactions. This is potentially inherently problematic for us so that we recognise this as a possible limitation of this type of research. Each interview was numbered and the quotations in the analysis below are in the format of "*interview number, page from relevant text*".

In our analysis of the relevant power asymmetries, we utilised an overall political economy framework and drew on both concepts of legitimation from legitimacy theories and stakeholder salience theory (Mitchell *et al*., 1997; Neville *et al*., 2011), whilst acknowledging limitations in both sets of theoretical approach. The next section sets the socio-political and economic context for this analysis.

4. The Zambian socio-political and economic context and CSR developments

The copper mining industry in Zambia has been a major contributor to national development ever since the discovery of one of the world's largest deposits of copper and cobalt ores in the Copperbelt province. After independence in 1964, the industry was nationalised and put under the management of the national parastatal company, Zambia Consolidated Copper Mines (ZCCM). In addition to contributing to government revenue, ZCCM also provided local communities with infrastructure, water, medical care, education and other facilities (Hamann and Kapelus, 2004). Zambia's reliance on the sector was such that at its peak, it accounted for more than 80% of the country's foreign exchange earnings, over 50% of government revenue and at least 20% of total formal sector employment (CSO, 2004). As can be seen from Table 1, the country continues to be highly dependent on the sector.

[Table 1 about here]

Following the oil crises and falling copper prices in the 1970s to 1990s, the economy collapsed such that per capita income declined by 50% during this period, leaving the country the 25th poorest in the world (Ferguson, 1999, p. 6). This exposed the susceptibility of the country's economy to external factors affecting the copper prices[7], so highlighting the fragility of the Zambian economy given its reliance on this commodity.

International donor support was sought and provided but made subject to certain conditions by the World Bank and International Monetary Fund (IMF). These Structural Adjustment Programmes (SAPs), including privatisation, formed a significant part of the liberalisation solutions seen as a panacea for African postcolonial economies (Adanhounme, 2011).

The privatisation of ZCCM, under World Bank's guidance, during the period 1997-2000, resulted in the formation of seven companies which were eventually bought by seven MNCs. Entry of the MNCs into the sector marked an important change in its management, given its strategic role in national development.

With privatisation, there is now no restriction on ownership changes which exposes the sector to systemic pressures for "short-term" profit maximisation (Sikka, 2010). Given fluctuation in world copper prices, investors may decide whether to exit Zambia, only to be replaced by new entrants, so potentially impacting CSR practices. In the former ZCCM companies, the government continues to hold between 10% to 20% ownership through the state owned ZCCM Investments Holdings (ZCCM-IH), which minimally entitles the government to

mining companies' dividends. However, all available evidence suggests that this shareholding gives the government little influence over the companies. Overall, the industry landscape has changed dramatically, as it is now both MNCs and State-Owned Enterprises (SOEs) that are the key players. Appendix 2 gives details of the major copper mining companies operating in Zambia showing both their ownership and percentage of copper production.
Overall, mining activity has increased as new large-scale mining operations have started up alongside the former ZCCM companies. The entry of MNCs (SOEs) has witnessed increased investment in the sector with cumulative new investment since 2000 approximating USD 10 billion by 2013 (USD 4 billion by 2008) (ICMM, 2014) [8]. This has resulted in increased copper production when compared to the significant drop in the 1990s (see Figure 1). Importantly, this increase in copper investment has raised stakeholder expectations as to the MNCs' sectoral contribution to the country.

[Figure 1 about here]

As the diversity in ownership and mining activities has increased, the government has been faced with the challenge of how to effectively manage the growing sector. Thus, there was need to streamline the government ministries and regulatory agencies in line with the sectoral changes[9]. The regulation of the mining sector is depicted in Figure 2 below. The capacity of these government ministries and regulatory agencies is an important factor when considering the regulatory powers of the government. According to the Worldwide Governance Indicator (WGI), the regulatory quality of Zambia is still relatively low[10], with important implications for the regulation of the sector.

[Figure 2 about here]

4.1 Stakeholder interaction and demands for change

Whilst there have been notable benefits resulting from the increased MNCs investment, there have also been adverse outcomes which have raised concerns about the social and environmental responsibilities of the mining companies and the inability of government (or other stakeholders) to hold them accountable. It has been observed that the overall quality of employment and the proportionate contribution to total formal employment of the sector remains low (ICMM, 2014), despite the recorded increases in employment levels due to increased casualisation. Further, relative to the increased copper production, the proportion of the industry's contribution to government revenue has remained low (ZRA, 2013), whilst there have been reported tax evasion schemes on the part of some mining companies (Christian Aid, 2011).

Concerns have been raised also regarding the ability of government to regulate the sector and whether the mining companies are responsible enough to prevent or at least minimise the adverse impacts of their operations (Lungu, 2008a). Within the mining townships, there has been a major deterioration of social infrastructure such as housing, health, water and sanitation. Social infrastructure had been previously under the responsibility of the ZCCM, but is now being undertaken by the municipal councils, whose financial capacity is greatly constrained (Lungu and Mulenga, 2005). The limited benefits, despite the increased mining investment and copper revenue, have been attributed mostly to the lopsided development agreements that these MNCs entered into with the Zambian government (Christian Aid, 2011).

Concerns over these detrimental effects of mining have given rise to some civil society activism. With respect to development agreements, for instance, the contentious issues relating to taxation and stabilisation clauses, which have negative implications for government revenues, bolstered a public outcry that MNCs were "milking the country" of revenue (Biau, 2010, p. 23). It is also against the background of such public outcry that the then opposition political party, the Patriotic Front, gained support on the promise of increased development as mining companies would be made accountable (Lungu, 2008b). The presence and activism of civil society is expected to grow in view of the "stable" political environment[11] and the external pressure from donors (including the World Bank and IMF) for governance reforms. However, the growing diversity of investors also implies that CSR prioritisation is not uniform across the sector (Marquis *et al*., 2007), while local communities' developmental needs are found to be largely ignored in companies' CSR strategies (Van Alstine and Afionis, 2013). Some CSR related activities, such as the resurfacing of roads, are seen as largely reflecting legitimation responses of the mining companies to stakeholder pressures (Egels and Kallifatides, 2006)[12] rather than as initiatives that can address more fundamental local issues.

Against this background and as part of the requirements for financial assistance obtained from the World Bank in 2007, the Zambian mining sector perceived the need to manage stakeholder pressure after the privatisation of the mines, and created the Zambia Extractive Industry Transparency Initiative (ZEITI) in 2009, which became Extractive Industry Transparency Initiative (EITI) compliant in 2012. The ZEITI is a forum which brings together the three key stakeholders groups (mining companies, the government and civil society) and produces reconciliation reports on what mining companies pay to the government and what government receives as revenue from mining companies. The ZEITI aims at addressing tensions arising from the perceived lack of transparency in the negotiations of the mining agreements, lack of access to information on mining companies' contributions to the government, and the absence of sustained multi-stakeholder dialogue (ZEITI, 2017).

In summary, while there are undoubtedly instances of good practice with regard to CSR projects undertaken by the mining companies, what is most apparent from both the literature and our review of the Zambian context in this section, concerns the nature of the power asymmetries present in the relationship between the state and the MNCs. Figure 3 attempts to capture the complex channels of interactions among the stakeholder groups in the mining sector in Zambia and guide the analysis of our empirical evidence.

[Figure 3 about here]

5. Empirical analysis

Power asymmetries: the empirical evidence

The different forms of power asymmetry arise largely from the institutional constraints outlined in Section 4 above. However, in attempting a dynamic analysis of the interactions and so of the changing power of the various key stakeholders in the Zambian context, we remain conscious that power is transitory by its very nature, such that it can be acquired or lost. Such a perspective we argue is crucial given our political economy study of the interplay of power and the goals of power wielders (Zald, 1970).

From Section 4 above, the various MNCs operating in Zambia emerge as the power wielders or as dominant stakeholders (Mitchell *et al.*, 1997) in their relationship with the state, given the importance of copper mining to the economy (Lauwo *et al.*, 2016; Visser, 2008). In attempting a finer grained analysis of the Zambian case, the following dimensions of power asymmetry are apparent:

A. Dimensions of power asymmetry in the Zambian copper mining industry

At the national level:

a) Strength of the MNCs versus the state (and the local community) and
b) Strength of the MNCs versus a vital state institution: the Zambia Revenue Authority (ZRA).

Reinforcing and heightening these power asymmetries are capacity constraints:

c) Capacity constraints: civil society versus MNCs and the state (the state-business nexus) and
d) Capacity constraints: the state versus the MNCs.

Finally, exacerbating the impact of such power asymmetries in terms of their effect upon CSR practices are *divisions within* key stakeholder groups:

e) Divisions *within* stakeholder groups: within the state and
f) Divisions *within* stakeholder groups: within MNCs as a group-their views of CSR.

Turning to each dimension in turn, we find the following:

At the national level:

a) Strength of the MNCs versus the state (and the local community)

Starting with the most obvious power asymmetry, two different civil society interviewees view the MNCs operating in Zambia as being economically powerful, with both the government and the local population dependent upon them in terms of local governance and social welfare. These interviewees raise concerns about the economic dependence of the government on mining companies and the government's position in trying not to "scare away" the MNCs, so lessening any potential power of civil society organisations. The government is thought to treat the MNCs "like gods", adopting a soft stance towards them and signing favourable agreements for the MNCs.

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

If we decompose a key stakeholder, the state, into one of its important constituents or ministries, this perspective is illustrated further.

b) Strength of the MNCs versus a vital state institution: the Zambia Revenue Authority (ZRA)

As to be expected, the ZRA acts as a vital conduit in the relationship between the MNCs and the state given that it acts as tax collector. This of course is important given the dominant percentage of Zambian tax revenue arising from the mining sector. However, one civil society interviewee alleges:

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

In both cases above, regarding MNCs power versus that of the state generally, and then versus the ZRA, interviewees are unequivocal in viewing the corporates as occupying the position of unambiguous power wielders or as dominant stakeholders in Mitchell *et al.,*'s (1997) terms. Given the particular weakness in the state's ability to collect taxes due, this has knock-on effects in the proper functioning of other state institutions. Moreover, MNCs power is further augmented by a range of different capacity constraints on the part of other key stakeholders.

Reinforcing and heightening these power asymmetries are *capacity constraints*:

c) Capacity constraints: civil society versus MNCs and the state (the state-business nexus)

One interviewee representing the supranational financial institution gives an insightful view into the current role and efficiency of civil society. In the context of the ZEITI forum discussed in Section 4 above, this interviewee highlights the inability of civil society to break down important information and to make it relevant to the public in order to demand change. From this perspective, civil society is considered good at advocacy but poor at analysis.

Given MNCs' role as power wielders or as dominant stakeholders in the Zambian context of severe institutional constraints on the part of the state, civil society has the potential to act as surrogate account holders (Belal *el al.,* 2015; Rubenstein, 2007) pressurising the powerful to act in an ethical manner (Sinkovics *et al*., 2016). However, other constraints in turn, relating to civil society's power of analysis render this difficult. This same interviewee, W1, makes another important point: that civil society fails to engage with the community and seems to speak only to other civil society stakeholders.

From this relatively independent perspective, interviewee W1 not being part of any of the three key stakeholders groups in Zambia (i.e. the state, companies or civil society), argues that Civil Society Organisations (CSOs) fail in their key role highlighted in Section 4, relating to their potential activist role in arousing interest in the local community in key issues and that they fail to ensure maximum community benefit from any legitimacy threats as perceived by the mining MNCs. These emerge as major weaknesses on the part of civil society.

Additionally, interviewees frequently mention key capacity constraints on the part of the state versus the MNCs.

d) Capacity constraints: the state versus the MNCs

These capacity constraints are summarised aptly by the interviewee W1, from the supranational financial institution:

> The private sector at any point in time when they want to hide monies or carry out these activities [transfer pricing of supplying material] is much cleverer than the government [W1, p. 11].

The state, as a dependent stakeholder (Mitchell *et al*., 1997) perhaps, finds its weak position to be exacerbated not only by divisions *within* its own organisation, but also within that of another key stakeholder, civil society, with an adverse impact on CSR practices.

Finally, exacerbating the impact of such power asymmetries in terms of their effect upon CSR practices are divisions *within* key stakeholder groups:

e) Divisions *within* stakeholder groups: within the state

In the view of one government employee:

> It's important that our politicians understand how institutions[13] run so that whatever political direction they give, it's in line with the way the institutions run [G1, p. 14].

Such lack of understanding by politicians as to the nature and proper running of the various government institutions, adversely impacts on its relationship with the MNCs due to the lack of a united front.

Another interviewee from civil society rather than government, argues political will on the part of central government to be key in addressing the challenges facing the governmental agencies that monitor the mining sector [C10, p. 3]. Such perceived lack of political will and coherence in implementation by government is argued to be common in developing countries (e.g. see Lauwo *et al.*, 2016).

Further divisions are evident in MNCs with respect to CSR practices.

f) Divisions *within* stakeholder groups: within MNCs as a group-their views of CSR

These divisions within MNCs regarding their views on the subject lead to a further lack of coherence, here regarding CSR practices, given both the different nationalities of the corporates as well as the short-termist nature of much of the investment, so adversely impacting the effectiveness of CSR practices.

Such divisions have deepened with the arrival in Zambia of an altogether new type of investor, the Chinese SOEs. With these companies, the whole concept of CSR itself is either lacking or else very different from that as perceived by the western mining companies previously dominating the sector (Frost and Ho, 2005). With the SOEs, collaboration with both civil society and the state is hindered by the firms' alleged human rights abuses, so hindering constructive dialogue. A mining union official comments regarding SOEs differences in perspective on labour rights:

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

B. Reinforcing the power asymmetry between the state and the MNCs, is the exclusion of civil society from this dyadic relationship:

a) From the outset: the negotiations for privatisation of the mines
b) Ongoing exclusion of civil society from the state-business nexus
c) Geographical distance
d) State-business nexus: reinforcing the vicious circles of secrecy

a) From the outset: the negotiations for privatisation of the mines

Tracing the origins of the power imbalance among the key stakeholders, we see this demonstrated by the exclusion of civil society from important political reforms, the prime example being the privatisation of mines in which it had no input whatsoever. As the interviewee explains below, this meant that civil society was left in ignorance as to the relevant development agreements, so entailing a lack of transparency and accountability as to the relationship between the government and the mines.

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

This continuing exclusion of civil society from the state-business nexus is discussed next by two other interviewees from that stakeholder group.

b) On-going exclusion of civil society from the state-business nexus

The political power of the government depends on the MNCs and even the discourse before elections is argued to be based on the "fear" that mining companies will go away if people do not vote for one political party or the other. According to another civil society interviewee, before elections, the interests of the Zambian state will be equated with those of the mining MNCs, such that if the latter are not respected, the population as discretionary stakeholders (Mitchell *et al.*, 1997) will suffer. Such political and economic dependence of the state on MNCs distorts the balance of power among the various stakeholders, putting civil society in a weaker negotiation position. To quote one civil society interviewee:

> I would say the moderating factor should be meeting the expectations for the good of all the stakeholders and the power play will always be there because usually the mining houses tend to be very powerful and endeared to the government, […] civil society is always on the weaker side [C9, p. 10-11].

Here, following Siddiqui and Uddin (2016), the state-business nexus manifests itself again, with the state perhaps being a dependent stakeholder (Mitchell *et al.*, 1997), acting as advocate for the MNCs which, it claims, deliver development to discretionary stakeholders, the local communities. This complex relationship between the MNCs and the state is complicated further by one non-human factor, also commented upon by Hamann and Kapelus (2004):

c) Geographical distance

In the view of one civil society interviewee, this power asymmetry is exacerbated by geographical distance which helps perpetuate the situation of secrecy as to the activities of the MNCs with regard to CSR:

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

The result of all these factors cited by the various interviewees, is to reinforce the vicious circles of secrecy, so maintaining the status quo of stark power asymmetries.

d) State-business nexus: reinforcing the vicious circles of secrecy

A number of civil society interviewees highlight both the lack of information communicated to and engagement with the community regarding dealings between the government and the mining companies. Importantly, there is a paucity of information available as to the taxes paid by the MNCs to both central and local government authorities, so undermining and indeed eliminating any possible collaboration with other stakeholders:

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

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

However, despite all these mutually reinforcing dimensions of power asymmetry, interviewees from the different key stakeholder groups comment on some changing dynamics in these relationships over time and so of their effects upon CSR practices.

C. The changing dynamics over time of the relationships between the key stakeholders

a) Interactions and dynamics among MNCs and civil society
b) Civil society as becoming increasingly powerful over time

Attempts by civil society to change the rules of the game:

c) Civil society co-opting donors so as to strengthen the state's power
d) Civil society co-opting MNCs shareholders
e) But, a constraint: the transitory nature of shareholder pressures favouring CSR

The state as becoming more powerful versus in the past:

f) Via legislative monitoring and other power-based strategies
g) Path dependency: government assuming the running of a particular mine
h) But: path dependency again-community expectations

a) Interactions and dynamics among MNCs and civil society

Not only is civil society seen to reside outside the state-business nexus, but MNCs' interaction with CSOs is seen as complex, as the leadership of both stakeholder groups is not always seen as being either accountable or legitimate. MNCs interact with civil society, for example, by providing information as requested, but there is a sense of mistrust in the relationship between the two in terms of how this information is used.

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

This questioning by the corporate interviewee as to the judgment of civil society activists in terms of both whom they choose to speak to and their understanding as to the appropriateness of the data chosen, echoes to some extent the comments of the supranational financial institution interviewee as to the lack of analytical skills of civil society activists.

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

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

From this civil society viewpoint, CSR should be viewed as a legitimising tool by MNCs, which as foreigners, invest in Zambia and profit from its resources that are actually owned by the local inhabitants. CSR is explicitly viewed as a means by companies seeking to maintain their social contract with the local community, from a legitimacy theory perspective.

However, despite such a starting point grounded in inequality as in the "master-slave" analogy, a number of CSO interviewees view the dynamics inherent in the particular institutional context in Zambia as changing.

b) Civil society as becoming increasingly powerful over time

Importantly, this increased power results from improved access to key information contained in both development and investment agreements, so enabling civil society to assume the role of auditors or watchdogs on behalf of the community:

> Over time, civil society has mobilised and they have built a critical mass and they have become a force. They voice on things that they see and also through some of the whistle blower opportunities that have come up. They have had access to some of the information contained within the development agreements and the investment agreements with the mines. …The government was compromised because the mines, usually are powerful multinational

> corporations, so they have very shrewd negotiating teams and they usually engage highly skilled negotiation teams which capacity we don't usually find in the public sector and as a result they come out with a raw deal [C3, p. 10-12].

Given this stark power asymmetry evident in the negotiating capacities of the public sector compared to the corporates, civil society has been active in seeking to change the rules of the game altogether.

Attempts by civil society to change the rules of the game:

c) Civil society co-opting donors so as to strengthen the state's power

This attempted intervention is described by the same civil society interviewee as follows:

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

In seeking to build the public sector's negotiating capacity, civil society is trying to co-opt the government as an ally as opposed to remaining on the outside of the state-business nexus as an adversary. Importantly, donors whilst not highly visible stakeholders in our analysis to date, might be regarded generally as being dormant stakeholders (Mitchell *et al*., 1997), who possess power to impose their will. Additionally, from this perspective, civil society aims to build capability with the government, in terms of administering and regulating the mining sector, with the objective of increasing corporate accountability and transparency. In so doing, civil society is arguably (Black, 2008) linking itself to another key stakeholder, the donor community, to develop its own moral legitimacy. In Mitchell *et al*.,'s (1997) terms, by this action, civil society is attempting to increase its own salience in influencing CSR outcomes, by increasing its own legitimacy.

d) Civil society co-opting MNC shareholders

Whilst MNCs and the government as a coalition are argued to regard civil society as adversaries, civil society, on several occasions, has used other power-based strategies, including legal recourse. For example, in 2002 a particular CSO in Zambia took one of the mining MNCs to international arbitration over breaches of the development agreement regarding pollution. Whilst initially the government failed to cooperate with this particular NGO, in the end, it had to do so in finding an "amicable solution" because "that was what shareholders wanted also". To quote C12:

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

As a result of this activism, the NGO was able, as was the objective in the earlier example, to change the dynamics of its relationship with the government through a perhaps unexpected intervention by company shareholders, like donors perhaps describable as being dormant stakeholders (Mitchell *et al*., 1997). Whilst the Zambian government will usually negotiate and cooperate with MNCs senior management, in a state-business nexus, ultimately the western corporates are accountable to the shareholder community. In this particular example, civil society gained normative/morally-based legitimacy (Black, 2008) in its campaign through the support of shareholders who perceived "the goals and/or procedures of the organisation (i.e. of this particular NGO) to be morally appropriate" (Siddiqui and Uddin, 2016, p. 684).

In both cases of NGO activism as being successful in co-opting either donors or MNC shareholders, these previously dormant stakeholders became more salient because they exercised ultimate power over financial resources critical to the Zambian state. Whilst both may be seen as dormant in terms of their influence most of the time, if suitably called upon to exert their influence as in the example above, then they demonstrate themselves to be major power wielders according to Zald's (1970) definition. However, we see power as transitory so that there are limitations as to the extent to which civil society can rely on shareholder pressure to further its aims with regard to its CSR agenda. Given this view of power as transitory, whilst it can be acquired, it can be lost also.

e) But a constraint: the transitory nature of shareholder pressures favouring CSR

Given these constraints, shareholder pressure favouring CSR can prove itself to be both narrow and limited to the financial interests of MNCs' shareholders, as in the view of the interviewee from the supranational financial institution, W1 (p.8), "…if the corporate social responsibility activities are going to start affecting (the) bottom line, they will stop it".

Indeed, complicating factors as argued earlier, include the relatively rapid turnover in ownership of the corporates operating in Zambia plus the different national origins of the various firms with their diverse perspectives on CSR.

However, more positively, some change is evident in the power of that other key stakeholder, the state, at least from the perspective of a number of government interviewees.

The state as becoming more powerful versus in the past:

f) Via legislative monitoring and other power-based strategies

Despite continued secrecy on the part of the state-business nexus, the supranational financial institution stakeholder argues that the government is now more sophisticated despite civil society claims to the contrary [W1, p.5]. Similarly, government stakeholders argue that over the last few years, the state has regained power vis-a-vis the mining companies, especially through legislative monitoring and power-based strategies such as legal recourse and threats. These interviewees (e.g. G3) make comparisons with the government's position at the time of negotiating the sale of the mining companies, which was forced upon the Zambian state, versus the current situation relative to the MNCs. Specifically, the state is now much better placed to renegotiate agreements with the MNCs, without being forced to amend the law in order to do so, such power being in part due to path dependency.

g) Path dependency: government assuming the running of a particular mine

Path dependency manifests itself as arising from the experience the state gained when it was forced to take over the running of a particular mine. Once the state had proved it could run the mine, this then added to its perceived legitimacy in future negotiations, so indicating the importance of credibility or reputation-building. This is particularly important in a situation where Zambia is so heavily dependent on the copper mining industry. To quote one of the company interviewees:

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

Whilst legitimacy theory research is frequently concerned with the issue of corporate disclosures for reputation-building purposes (e.g. Tilling and Tilt, 2010), here, we are looking at something quite different. A non-corporate stakeholder, the state, manages to increase its legitimacy and power, in changing itself from the position of being a dependent stakeholder to a more salient one (Mitchell *et al.*, 1997). This change, which is path dependent in the sense that in the quote above, it gives the state "a history", enables it to some extent to change the rules of the game governing the relationship between the state and the MNCs, previously characterised by stark power asymmetry.

However, the dynamics of path dependency can manifest themselves in other ways also with regard to the expectations of other key stakeholders.

h) But path dependency again-community expectations

Most respondents see the current level of CSR practices by the mining companies as significantly narrower in scope compared to that before privatisation under ZCCM. Not only has the scope of CSR provision narrowed, but in some cases also, mining companies engage in those activities where they have a vested interest, for example with respect to provision of medical care:

> Under ZCCM, these hospitals were even accessible to non-miners but the scope for non-miners to access the same hospitals now is dependent on their ability to pay the medical fees that are charged. [C7, p.1].

And later a corporate interviewee [M1, p. 13-14], explains:

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

Key to understanding the role of path dependency in community expectations of CSR is that under privatisation, an entirely new type of social contract between the mine operators, previously the state versus the MNCs, has come about. However, conditions under ZCCM ownership continue to colour current expectations of the community, discretionary stakeholders within Mitchell *et al*'s (1997) framework. Importantly, Mitchell *et al.*, (1997), argue that in the absence of power or urgent claims by dependent stakeholders, there is no pressure on managers or in this case, MNCs, to engage in an active relationship with the latter, although corporates may choose to do so.

<u>D. Summary</u>

In our empirical analysis, particular dimensions of power asymmetry at the national level are evident in the relationship between the MNCs and the Zambian state which is so heavily dependent on the corporates. Reinforcing this stark power asymmetry within the state-business nexus is the exclusion of civil society, which views itself as having the potential to strengthen the power of the government in the interests of the wider community. Adopting a temporal analysis so as to capture changes in the dynamics of relationships between the key stakeholders, civil society is seen to be active in trying to change the old rules of the game. Some change is evident through civil society efforts to co-opt both donors and some MNC shareholders, with the aim of strengthening government power versus the MNCs. However, given what we have argued to be the transitory nature of power, such success may be short-lived. Moreover, from a temporal analysis perspective, path dependency manifests itself in that community expectations regarding CSR continue to be shaped by prior experience under ZCCM, so leading to a widening divergence between such expectations and MNCs perspectives and impacting perceived CSR outcomes.

6. Discussion and conclusions

In critically exploring the interactions of key stakeholders and their impact upon CSR practices in the Zambian copper mining sector, we find great discrepancies relative to the language of proportionate partnership in the agreements signed by the MNCs with the government. Such language of proportionate partnership masks stark power asymmetries between the state and the MNCs, which despite attempted interventions by civil society, are exacerbated by a number of issues discussed including divisions within government itself.

From a perspective of both stakeholder salience theory (Mitchell *et al*., 1997; Neville *et al*., 2011) and legitimation as derived from legitimacy theories, we find that some agency (albeit limited), is possible, particularly on the part of civil society but also of the state. Indeed, whilst the state may often find itself in an adversarial position relative to civil society, both interventions by the latter discussed in Section 5 C above are undertaken by CSOs with the aim of empowering the state in its relationship with MNCs, with the end objective of changing the rules of the game. Importantly however, as regards meeting community expectations, due to path dependency in the form of the memories of the comprehensive provision by ZCCM under state ownership, this proves impossible under private ownership of the mines. Under privatisation, due both to the variety in national ownership of the companies plus their short-termist focus, as well as the absence of a state regulatory framework, CSR practices within Zambia lack coherence. However, now that the state is perceived as increasing its power to a limited extent, some change is viewed as possible by a number of stakeholders, consistent with our perspective of power as being transitory and of relationships as not being fixed.

Exploration of these dynamics underlying the interaction of key stakeholders in Zambia reveals certain similarities, but also important differences from research to date. The major similarities to other relevant research in developing countries include an institutional context characterised by an absence of political will by government, capacity constraints on the part of the state, to which finding we add our own of capacity constraints on the part of civil society. Most importantly perhaps arising from such an institutional context, are stark power asymmetries existing between the state anxious to attract FDI and MNCs (e.g. Siddiqui and Uddin, 2016). The resultant alliance between the state and MNCs, is such that it is not only the general population which finds itself excluded, but also their representatives in the form of civil society organisations. Indeed in our study, civil society interviewees are largely united in seeing themselves as outsiders with respect to the relationship between MNCs and the state.

One contribution of our paper is that we add some subtlety to the concept of the state-business nexus in finding that this alliance is perhaps not as straightforward as it first appears, with the MNCs dictating to the Zambian government, the terms on which they choose to operate. Instead, one civil society interviewee has the perspicacity to comment that the mining companies on occasion "are kind of forced into submission in silence" in that they fear that if they disclose too much information regarding how much they pay to the government in terms of taxes etc., they may embarrass the state to which they feel accountable, given that the latter is the licensing authority. Indeed, there may exist perhaps a type of conspiracy of silence between the state and the mining companies in that to paraphrase a popular expression, each is aware of the skeletons in the other's closet. Viewed from these perspectives, the state-business relationship in Zambia may be more complex than that of the master-slave analogy used by one civil society interviewee in describing the relationship between the local community and MNCs. Instead, whilst undoubtedly there is substantial power asymmetry, there is also some (probably limited) mutuality implied in that the identity of the so-called power wielders or dominant stakeholders (Mitchell *et al.*, 1997) becomes more nuanced and subject to change, than is implied in much of the literature on CSR in developing countries.

Importantly, with respect to Gray *et al.,*'s (1995) concept of power wielders, usually assumed in the literature to be the mining companies, we do not always hear consistent messages from this stakeholder group. Indeed, our analysis suggests that there are many competing voices within the same stakeholder group, so adding another dimension of complexity to the interaction between key stakeholder groups and their effect upon CSR practices. Specifically, we find CSR to be an alien concept to the Chinese SOEs while the country in which the organisation is reporting and the country of ultimate ownership appears to have a significant effect on CSR. From this perspective, the SOEs' stance is perhaps understandable, these firms being largely shielded from the international legitimation pressures facing the western publicly quoted MNCs. If correct, this helps support our argument as to the importance of legitimation pressures on companies, notwithstanding that the relevant legitimation pressures emanate perhaps primarily from the parent company based overseas, not from the local communities affected by the firms' operations.

Indeed, this phenomenon of parent companies' increasing interest in questions of sustainability and business ethics as evident in Section 5 C above where civil society was able to co-opt MNC shareholders support, highlights a potential weakness of our analysis. This relates to the fact that in accordance with a political economy perspective, we have focused our attention largely on the Zambian context. A fuller analysis of global factors interacting with outcomes in Zambian copper mining would have highlighted further relevant phenomena in more detail including increased international concern with such matters of business ethics. Further relevant issues could include perhaps factors influencing the activities of mining companies based in different countries such as China, a relatively new entrant to Zambia, and consideration specifically of their impact on stakeholder dynamics.

Implications of incorporating a temporal perspective into our analysis include that rather than focusing simply on a situation of unchanging stark power asymmetries, we search for and indeed, find something different. What we see in its place is an institutional context in the form of a subtly changing picture like a kaleidoscope, in which the identity of power wielders changes, leading to something of a state of flux. Our focus on activities at the micro level by individual stakeholders primarily using various legitimation techniques, shifts perhaps only slightly, the overall balance of power as path dependency means that previous successes change perceptions and so accepted practice.

However, we accept that such changes appear to have been relatively minor, as dictated by the overall context in which the sector is of such importance to the Zambian economy. Indeed, our analysis supports Sinkovics *et al*'s (2016) conclusions as to the nature of the garment industry in Bangladesh. This is that the copper mining sector in Zambia holds a paradoxical role in this country as it is both a heavy contributor to the country's economic development but also that it acts as a potential obstacle to its future development (Belal *et al.*, 2015). In the case of Zambia, this is perhaps even truer than the Bangladeshi example, given that copper is both a wasting asset[14] and the cause of substantial environmental degradation.

Importantly, whilst we have employed a political economy framework in our overall analysis of the dynamics of key stakeholder interactions in Zambia and of their effects upon CSR practices, we acknowledge this to constitute only a start, limited by the sheer scale of undertaking such a study. Specifically, while we have borrowed concepts from legitimacy theory but also from stakeholder salience theory (Mitchell *et al.*, 1997) in order to analyse practice at the micro level, there has been subsequent development of the latter framework in particular (e.g. Neville *et al.,* 2011), which could be employed profitably in the analysis at the micro level of more detailed cases of power asymmetry in both Zambia and in other contexts characterised by stark power asymmetries.

Consequently, following Belal and Owen (2015, p. 1187), we acknowledge that our theoretical ambition may be limited, given our desired significant empirical contribution which extends significantly the work carried out to date on the Zambian copper mining industry. Further limitations include that although we have interviewed two trade union officials as well as a representative from the House of Chiefs representing local communities, we have not included the perspectives of actual non-managerial employees, specifically miners who are key stakeholders not represented in the current study.

As miners are key stakeholders perhaps most affected by MNC operations, further research could profitably employ approaches such as "oral history" (Hammond and Sikka, 1996), so as to give voice to those who have been largely silent to date. At the other end, further research could specifically address the view of the so-called owners of the mining companies, likely to be major institutional shareholders in the case of the western MNCs. For the other mining companies in this study, this approach would have to be adapted appropriately according to nationality and their relevant ownership structures. Whilst the financialisation literature (e.g. Lazonick and O'Sullivan, 2000) often suggests that the corporate pursuit of shareholder value may have adverse consequences for less powerful stakeholders, the earlier example cited of shareholder pressure in favour of CSR indicates that this may not always be the case.

The current research has focused largely on the current dynamics of pressures within Zambia either in favour or militating against CSR. However, future work could draw on the post-colonial literature in particular to explore how Zambia's colonial past, neoliberal reforms and integration to the global market still shape the social and structural conditions so determining the future of CSR and development in the country.

Notes

1. However, there are suggestions that the contribution to GDP could be as high as 14% despite the low reported official figures (ICMM, 2014).
2. A distinction between legitimacy and legitimation (Lindblom, 1994) is key in our application of legitimacy theory. Legitimacy is "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part" (Lindblom, 1994, p. 2) while "legitimation is the process whereby an organization justifies to a peer or superordinate system its right to exist" (Maurer, 1971, p. 361).
3. "Political economy is the study of the interplay of power, the goals of power wielders and the productive exchange system (Zald, 1970, p. 233). As a framework, political economy does not concentrate exclusively on market exchanges. Rather it first of all analyses exchanges in whatever institutional framework they occur and, second, analyses the relationships between social institutions such as government, law and property rights, each fortified by power and the economy, i.e. the system of producing and exchanging goods and services" (Gray *et al.,* 1995, p. 74).
4. According to Mitchell *et al.*, (1997, p. 865-866) "…a party to a relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship. […] this access […] is a variable, not a steady state, which is one reason why power is transitory: it can be acquired as well as lost."
5. The Interview Protocol is available on request from the authors.
6. Formal introduction was first made to one government ministry through one academic institution. The government ministry then gave authorisation to conduct interviews with government officials and further, an introductory letter to mining companies was given which greatly enabled access. Access to civil society representatives was relatively easy as first contact was made before the field work, and then snowballing techniques worked effectively.
7. The vulnerability of the economy to volatile copper prices can also be observed during the 2007 global financial crisis when some mining companies had to close (such as Luanshya Copper Mines) and others put under care and maintenance (such as Chambishi Metals). It was reported that close to 13,000 of the 30,000 mining and mining related jobs were lost (Lungu and Kapena, 2010).
8. Of this amount, over USD600 million can be directly attributed to Chinese investment (ZDA, 2013).
9. Currently, the Ministry of Mines and Minerals Development (MMMD) centralises responsibilities over the mining sector and enacts the mining policy which was developed to enable privatisation (MMMD, 2010). The ministry's Mines Safety Department is responsible for formulation and monitoring of health and safety in the mining companies.
10. In 2015, the regulatory quality ranking of Zambia was at 37% compared, for example, to Tanzania at 41% (WGI, 2017).
11. Compared to other resource rich countries, Zambia is relatively stable politically and is seen as "good" at democracy, ranking high on the Worldwide Governance Indicator (WGI) at 51% in political stability and with an absence of reported violence (compared, for example to 30% for Tanzania) in 2015 (WGI, 2017). However, there are usually reported cases of violence or riots especially around the election periods as was the case in the recent 2016 elections (Aljazeera, 2016).
12. In the interests of balance, we acknowledge that there are social projects funded by the mining companies that promote CSR, such as the Sustainable Rural Livelihood Development Project that promotes alternative livelihood and women farmers' empowerment (KCM, 2017), and the Agri-Food Innovators (AFI) program aimed at assisting local farmers to learn different irrigation technologies and sustainable farming methods (Barrick, 2013).
13. The interviewee was referring to government regulatory agencies that are supposed to operate more independently such as the Zambia Environmental Management Agency (ZEMA).
14. A wasting asset is a natural resource (such as copper, coal, gas, oil, ores) that gets depleted, without replacement, from continued extraction. As the resource is being extracted, a day must come when it will be exhausted.

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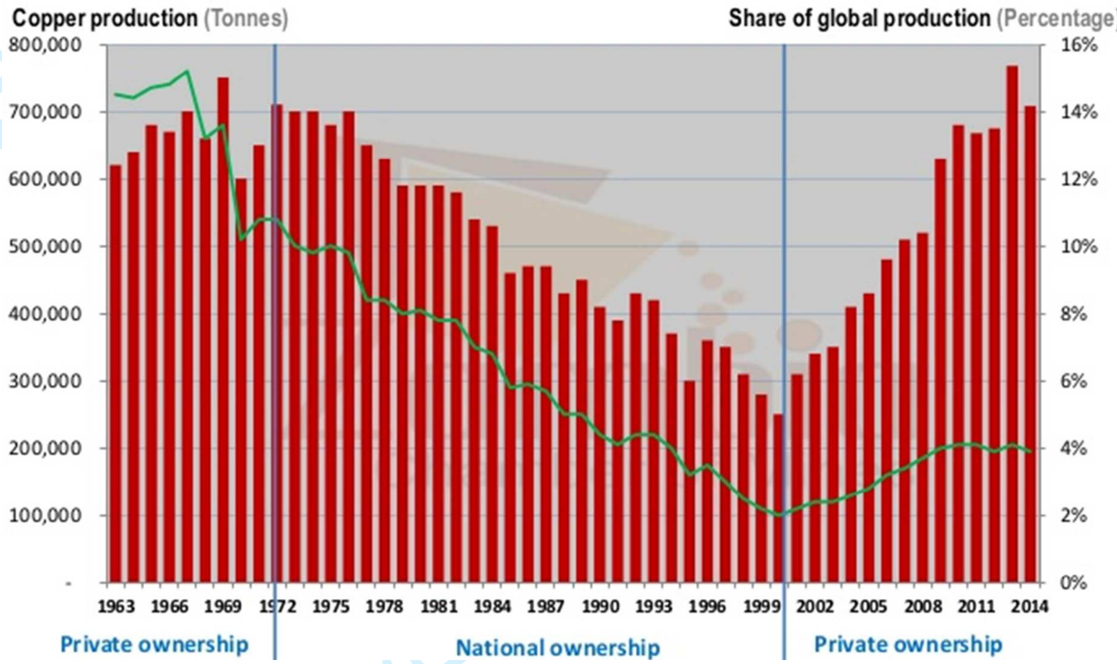
[Appendix 1: Detailed list of interviewees, about here]

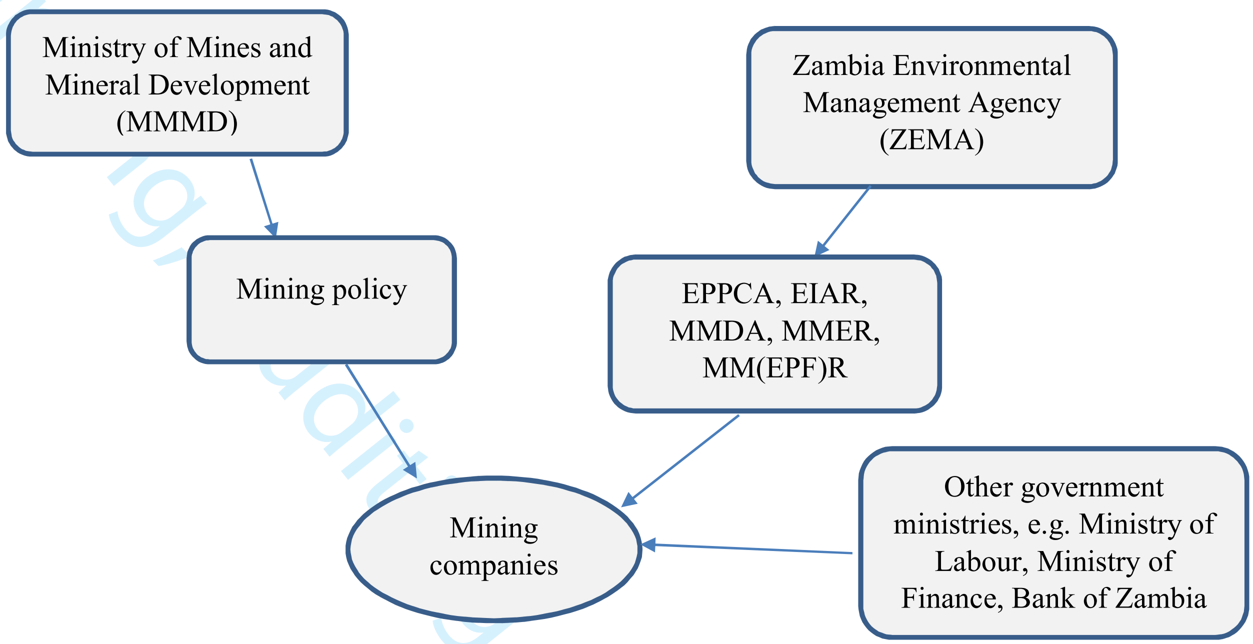
[Appendix 2: Major Mining Company operations in Zambia, about here]

Figure 1: Zambian Copper Production 1963 – 2014



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

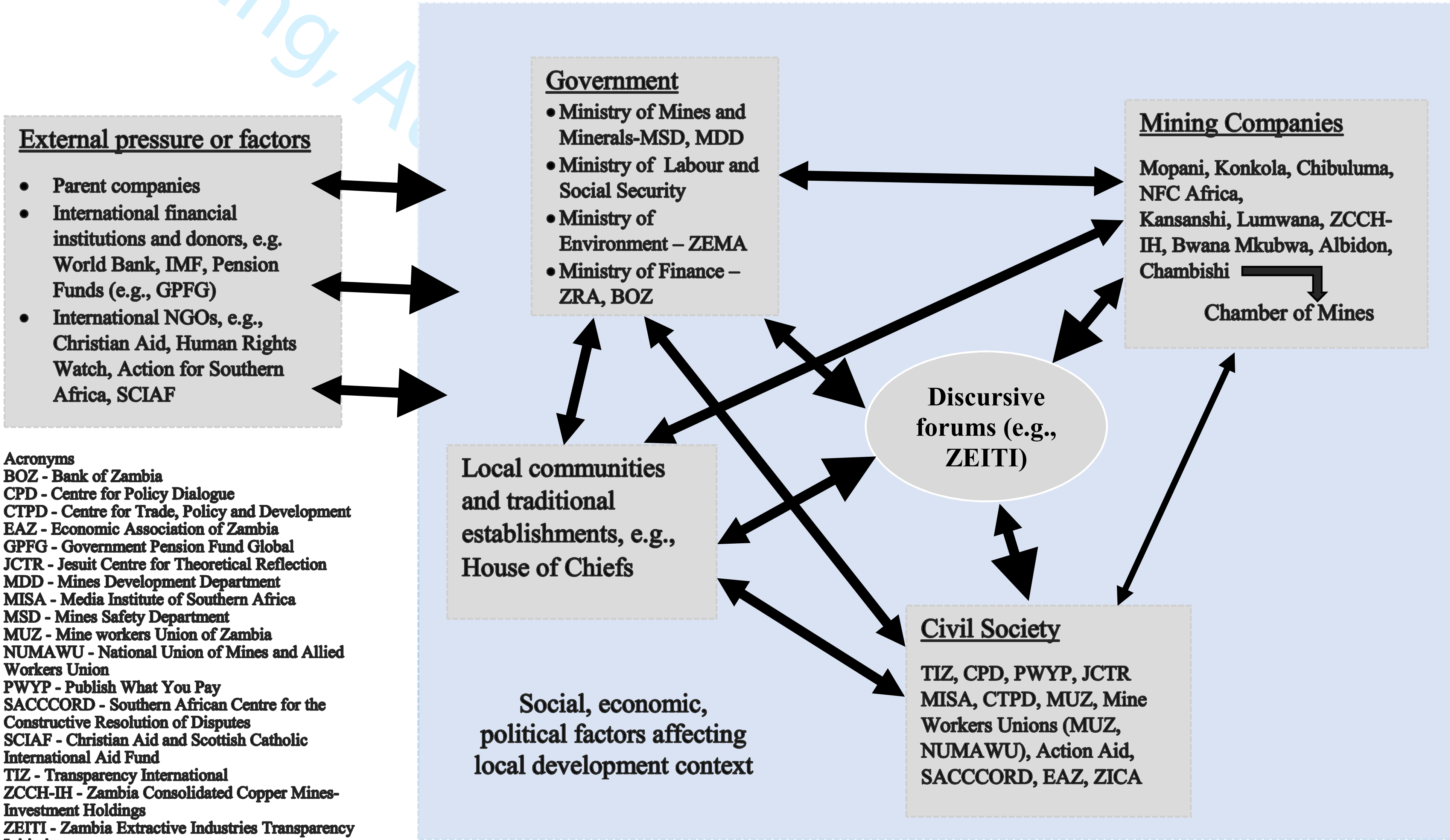
Figure 1: Mining regulation



<u>Acronyms</u>

EPPCA	- Environmental Protection and Pollution Control Act of 1990
EPPCR	- Environmental Protection and Pollution Control (Environmental Impact Assessment) Regulations of 1997
EIAR	- Environmental Impact Assessment Regulations
MMER	- Mines and Minerals Environmental Regulations of 1997
MM(EPF)R	- Mines and Minerals (Environmental Protection Fund) Regulations of 1998
MMDA	- Mines and Minerals Development Act of 1995 (amended in 2008)
MMMD	- Ministry of Mines and Mineral Development
ZEMA	- Zambia Environmental Management Agency

Figure 1: Stakeholder interaction in the copper mining sector in Zambia



Acronyms
BOZ - Bank of Zambia
CPD - Centre for Policy Dialogue
CTPD - Centre for Trade, Policy and Development
EAZ - Economic Association of Zambia
GPFG - Government Pension Fund Global
JCTR - Jesuit Centre for Theoretical Reflection
MDD - Mines Development Department
MISA - Media Institute of Southern Africa
MSD - Mines Safety Department
MUZ - Mine workers Union of Zambia
NUMAWU - National Union of Mines and Allied Workers Union
PWYP - Publish What You Pay
SACCCORD - Southern African Centre for the Constructive Resolution of Disputes
SCIAF - Christian Aid and Scottish Catholic International Aid Fund
TIZ - Transparency International
ZCCH-IH - Zambia Consolidated Copper Mines-Investment Holdings
ZEITI - Zambia Extractive Industries Transparency Initiative
ZEMA - Zambia Environmental Management Agency
ZICA - Zambia Institute of Chartered Accountants
ZRA - Zambia Revenue Authority

Table 1: Mining contribution to Zambian economy (2012)

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

Source: ICMM, 2014; OPM, 2013

APPENDIX 1: DETAILED LIST OF INTERVIEWEES

Interview No.	Nature of Civil society	Network	Position of interviewee
Civil Society Organisations			
C1	Transparency/corruption	International	Chapter President
C2	Dialogue	Local	Executive Director
C3	Transparency	International	Chairperson
C4	Education/Advocacy	Local/Regional	Programme Officer
C5	Human development	Local/International	Program Officer/Coordinator
C9	Economic policies	Local	President
C10	Accountancy body	Local/International	Chief Executive Officer
C11	Media	Regional	Programme Officer-Media
C12	Environment	Local	Executive Director
C13	Poverty	International	Country Director
C14	Local community	Local	Head - Researcher
C15	Trade policies	International	Programme Officer
C16	Dialogue	Regional	Executive Director
Mine Workers Union			
C6	Workers union	Local	President
C7	Workers union	Local	Director

Mining companies

Interview No.	Country of origin	Position of interviewee
M1	Continental Europe, Canada	Manager- HSE
M2-1	Europe, Other Asia	Community Development Officer
M2-2		Group Manager- SHE
M3	China	Chief Service Officer
M4	China	Deputy-Chief Executive Officer
M5-1, M5-2	China	Mine Manager
		Community Development Officer
M6	Canada	CSR Coordinator
M7	Canada	Environmental Manager
M8	Canada	Director-Corporate Affairs
M9	Continental Europe	Head-Human Resources
M10-1	Zambia	Environmental Manager
M10-2		Company Geologist
M11	South Africa	Chief Executive Officer

Government ministries, regulatory agencies and municipal councils

Interview No.	Ministry/department
G1, G2-2, G2-3	Ministry of Mines and Minerals Development
G3-1, G3-2, G3-3	Ministry of Labour and Social Security
G4-1, G4-2	Zambia Environmental Management Agency (ZEMA)

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

APPENDIX 2: MAJOR MINING COMPANY OPERATIONS IN ZAMBIA

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

*This is based on 2010 copper production figures (Source: MMMD, 2010)

Referee Comments and Reply

	Comment	**Reply**
1	The authors have refocused and clearly improved the paper. The refocus on power assymetries and the inclusion of legitimacy and legitimation does work. The paper is better theorized and there is good context. Thus referee comments have been addressed in a good way. The paper represents a contribution to literature which this referee is happy to accept.	We appreciate the positive feedback!
2a	**A few small points/details which can improve the paper further** The paper is a little bit long(er than AAAJ recommendation). This referee does not have a big problem with this especially as much of this extra length comes from the authors addressing referee comments in a comprehensive way.	Sections 4 and 5 have been streamlined in order to reduce the paper.
b	However I recommend you exclude the Interview Protocol (instead you can state that it is available from authors upon request).	Interview protocol removed and footnote (5) inserted
c	Perhaps the authors can see if the empirics can be a little bit polished/streamlined so that the word count reduces a little bit without omitting too much content.	The section has been streamlined.
3	Figure 2 I helpful, but perhaps a very brief explanation (even in a footnote or figure text) of what "EPPCA, EIAR, MMDA, MMER" are could be helpful.	Acronyms put in the text of the figure
4	Figure 3 whilst interesting is not always so clear. Especially the Civil society box contains many acronyms which will mean nothing to non Zambian readers (TIZ, CPD, PWYP…) Perhaps some short figure text or footnote can explain some of this.	Acronyms put in the text of the figure
5	Are local communities excluded from ZEITI? Based on the Figure 3 it would seem so (no arrows).	Added missing arrow from local communities
6	I would either add GPFG (= Government Pension Fund Global) after Norwegian in the External pressure or factors box (Fig 3), or possibly delete (e.g. Norwegian). Despite its name this fund is classified as a Sovereign Wealth Fund. Given the size of this fund and that it has publicly excluded many mining firms including some in the study it may be warranted to keep it.	Deleted Norwegian and added GPFG. However, "Norwegian" was the term used for Government Pension Fund of Norway (GPFN) which comprises both the GPFG and GPFN
7	Given space there is a question of whether both the short and detailed interviewee list should be included (although the referee found the long list informative).	Table 1 deleted
8	P.9 you mention SOE but only define it on p.13 (move definition or add short footnote)	Definition moved to page 9.
9	P.10 about mid page (line 43) CSR Strategies(Van Alstine and Afionis, 2013) (space missing)	Space added

10	P.12 top under a) heading: Star ting (a space there should not be)	Corrected
11	p.13 define CSO (short in a footnote) or move in your definition from p16.	CSO definition moved to p13
12	P.21. Discussion and Conclusion section: It should be "divisions within government".	Adjusted
13	P.21. about line 52 , remove "perhaps"	'Perhaps' removed
14	P.23. What is meant by the statement (line 25) that "copper is both a wasting asset…" Do you mean "the copper asset" is declining?	Explanation added as footnote 14.
15	Further research Consider " At the other end" rather than "At the other extreme" (interviewing workers or shareholders is not "extreme").	Changed
16	Many good new quotes are added and Limitations are acknowledged, this is positive. The comparisons with Tanzania are helpful (fn 11 and 12).	Comment from referee appreciated
17	The referee would like to point out that in the "Divisions within stakeholder groups", both within government and mining companies there could be material for another paper, how these dynamics work. Here both theories of power and political economy can be used…	Point noted for further research.
18	it is interesting to note these conflicts. The referee knows of conflicts within government and conflicts within the owner/shareholder group also from other contexts.	Will ask referee for such context in developing next paper!
19	In References Sikka (2010) was published in *Accounting Forum* (not Accountability Forum)	Corrected
19	Fox (2004) lacks No/Issue	No. inserted
20	Another concern (not with the paper but for Zambia) is that the only mine 100% controlled by an MNC (Lumwana Mining) is controlled by Barrick Gold. Barrick Gold is excluded from the Norwegian GPFG for serious environmental violations. Vedanta Resources is also excluded for env. Violations, these two firms seem to control over 42% of the output in Zambia. Also Appendix 3 clearly shows (as you discuss in the paper) that the entire sector is controlled by foreign MNCs or Chinese SOEs. Thank you for an interesting study, I look forward to seeing it published.	Valid observation from referee.