An analysis of corporate community engagement in Zimbabwe

Abstract

A notable conflict in extractive industries is a clash of competing interests. A desire to address this conflict has resulted in the development of corporate social responsibility (CSR) theories. The aim of this paper is to provide an in-depth understanding of factors that have a significant impact on positive corporate community engagement, by focusing on the engagement aspect of corporate social responsibility. The study is centered around the following three questions: (1) How should corporates engage with local communities to ensure positive engagement outcomes? (2) What is the role of communities in the corporate engagement process? (3) What are the key components of Corporate Community Engagement? Using qualitative and quantitative data instruments, empirical evidence was generated from five communities in close proximity to platinum and diamond mining companies in Zimbabwe. The qualitative data gathering process generated ten key components of corporate community engagement. Exploratory factor analysis was used to assess the factorial validity of these components. The factor solution resulted in three significant components: (1) value adding partnerships; (2) trust; and (3) effective communication. The paper concludes by giving consideration to corporate best practices that lead to enriching understanding of local communities and effective engagement.

Keywords: corporate community engagement, corporate social responsibility (CSR), extractive industries, NVivo, exploratory factor analysis.

JEL Classification: Q34, Q57.

Introduction

The extractive industries present particular challenges for both fragile states and developing nations. The exploitation of non-renewable natural resources, including oil, gas, minerals and timber has often been cited as a key factor in triggering, escalating or sustaining violent conflicts around the globe. The recent wildcat strikes in the platinum and gold industries in South Africa present the world with another example of violent conflict between the extractive industries and their local communities. The price paid by societies undergoing or emerging from natural resource related violence is evident in the lives lost or touched by conflict.

A few examples from all over the world cited below highlight the common community engagement challenges facing governments and investors. To reference an example from Laplante (2008), Manhattan Minerals was an entity that possessed concession rights which legally enabling them to explore minerals in Peru. However, in order for these rights to be exercised nine thousand citizens would need to be relocated. A further adverse consequence of the exercise of these rights was that a pit, a component of the exploration process, was required to be dug near the Piura River which is an essential water source to the community and their livelihoods. The Piura River is a primary sourcewater for the surrounding communities. Laplante (2008) observed that the river’s importance was in its use for irrigating fruits which made the region the largest fruit exporting region. As pointed out by Laplante (2008), the mining company proceeded with the exploration without the involvement of the affected communities. The decision to ignore the interests of all stakeholders impacted and created an era of unrest with conflicts extending over 3 years. Consequently a referendum was established and the majority of the members of the community voted against the mining company. The referendum’s outcome had a severe impact on the mining company as the loss of the project cost the company a hefty amount of money (Laplante, 2008).

A similar example is found in Brazil. As reported by Rapoza (2012). The construction of an approximately 11 000 megawat dam in the heat of the Amazon rainforest was brought to a stand still by conflicts between local communities and the government. The community was promised to develop prospects and benefits to their communities and was unhappy with the construction contractors failure to deliver on such promises. Moreover, there were concerns over the imminent relocation of thousands of people living around the construction area.

In South Africa the illegal strikes in the mining sector were triggered by angry striking miners demanding better wages, as well as better living and working conditions. The conflict in the sector has resulted in around 50 people being killed and a projected loss of 250 000 ounces in lost output from October to December 2012 (Lakmidas, 2012). In addition to loss of productivity and erosion of profits, conflicts often result in reputational damage.

Even though the extractive industries have been in focus because of community conflicts such as those noted above, the extractive sector still offers the host countries considerable financial benefit. For example, despite the world economic recession in
2008, the mining industry in developing countries, including Zimbabwe, remained an important source of national income and economic growth. The oil, gas, diamonds, platinum and other minerals mined allowed developing countries to maintain growth in periods of global recession. However, the activities behind the national benefits have historically led to loss of lands, livelihoods and community cohesion for indigenous and local communities living close to the industrial activity (Wilson and Swiderska, 2009). The challenge that faces most of these communities is the need to delicately balance local community interests against those of the companies seeking to operate in their areas and potentially national financial interests.

The conflicts captured above illustrate that the current models that corporates use for engaging communities have not worked. Possibly, the models have not worked because they are not grounded in a shared understanding of what constitutes meaningful corporate engagement. Intrinsically, the study seeks to understand the modalities of meaningful engagement from the perspective of local communities, government and the mining sector. The study is organized around three questions:

1. How should corporates engage with communities to ensure positive engagement outcomes?
2. What is the role of communities in the corporate engagement process?
3. What are the key components of corporate community engagement?

1. Literature review

One of the notable elements of the conflicts in the extractive industries is a clash of competing interests. The desire to address this problem has resulted in the development of corporate social responsibility (CSR) theories. As early as 1953 corporate social responsibility was defined by Bowen as an obligation of business to take actions and make decisions which are desirable in terms of the objectives and values of society. Recent developments in the CSR theory draw substantially from the stakeholder theory which essentially links the firm and its operations to the different interests of those affecting it or affected by it. Stakeholder theorists (Abdullah and Valentine, 2009; Donaldson and Preston, 1995; Freeman, 2004; Freeman and Reed, 1983) suggest that managers in organizations have a network of relationships to serve. This network includes suppliers, employees, business partners, local communities, customers, government, political groups, investors and trade associations. Freeman (2004) redefined the concept of stakeholder theory to include the principle of stakeholder recourse. Freeman argues that stakeholders may bring an action against the directors of an entity for failure to perform the required duty of care. This notion has been preceded by the formation of a global network of indigenous community representatives providing brokering services between mining firms and local communities.

The steadfast belief in the CSR model of company-community interaction has endured for decades, despite the persistence of notable conflicts. As Brammer & Millington (2006) note, the responsible behavior of corporates may involve many different kinds of initiatives and actions, from donations to investment in local community projects, to giving away resources in the form of time, money and products or services to a social or environmental cause. It is the question of the efficacy of CSR that had to be addressed and the concept of corporate community engagement (CCE) emerged as a response to this question. In this regard, Kaufman and Alfonso (1997) put forward a contention that engagement with local communities had to take a different turn because community social consciousness has been awakened by factors attributable to increased awareness of democratic and human rights principles. Grzybowski (2010) makes it clear that where communities and stakeholders are poorly engaged they are likely to oppose the development. Salim (2004, p. 19) observed that most conflicts erupt because communities view their ‘land as non-saleable and collectively held...’ and therefore attach importance to meaningful participation in the decision making processes that affect their resources. As observed by some scholars (Grzybowski, 2010; Salim, 2004; and Kemp, Bond, Franks & Cote, 2010), failure to engage communities may build up tensions as the corporates and the community compete for scarce resources.

The competition for scarce resources is not the only source of conflict between corporates and local communities. With the environmental industries being accorded top priority by governments all over the world, environmental degradation is not taken lightly by local communities and civil society. Salim (2004) points out that the extractive industries tend to ignite social conflict because they utilize and consequently damage the environment to an extent that exceeds other industrial activities. For instance oil and gas extraction can result in leakages, spills and flaring of excess gas which damages the environment extensively. Building roads to these sometimes remote areas results in deforestation – another negative impact on the environment of these communities.

As noted by some authors (Artkinson & Artkinson, 2010; Bowen, Newenham-Kahidi & Herremans,
community engagement has shifted away from philanthropic donations and ad hoc practices to a more sophisticated, strategic approach that aligns development priorities of local communities with the goals of the business. The goals range from gaining a licence to operate, to enhancing reputation, attracting talent or improving productivity. Along the same line of argument, the Corporate Community Investment report (2007) commissioned by the Australian Centre for Corporate Public Affairs and the Business Council of Australia, reported that most mining companies view community engagement as a key contributor to long-term strategic objectives. The report points out that success requires community needs and resources to be fully integrated with the firm’s decision-making processes. It is against this background that this study seeks to provide an indepth understanding of factors that have a significant impact on positive corporate community engagement.

2. Methodology

2.1. Research design. The study was designed to capture qualitative data in the first phase and to use the qualitative data to generate a list of items that would be subjected to exploratory factor analysis in the second phase of the research process. In the first phase the study sought to determine how companies engage communities and the role of communities in the engagement process. The data and themes emerging from the first phase were factor analyzed using component factor analysis to examine the underlying relationships among the items.

2.2. Sampling issues. According to the Geological Survey Department of the Ministry of Mines and Mining Development in Zimbabwe there are three platinum and seven diamond mines in Zimbabwe. While there are more than 10 operational mines in different minerals in Zimbabwe, only those in the diamond and platinum category were selected for the purposes of this study because of their clearly demarcated target communities and their ability to provide the data necessary to meaningfully address this research’s principal objectives. Diamond companies are concentrated in Mutare under Manicaland Province (Hawadi, 2012) while the platinum mining companies are along the Great Dyke, which cuts across the center of the country, (www.miningtechnology.com). The participants selected for this study came from five communities surrounding all 10 mines namely (1) Chiadzwa, (2) Mhondoro, (3) Ngezi, (4) Zvishavane and (5) Beitbridge.

The sample was made of 43 local community participants, 35 participants from the gold and platinum mines and 29 government participants – yielding a sample size \( n = 107 \). To ensure representativity of the sample from the local community, care was taken to include views of chiefs, headmen, members of parliament, men’s groups, women’s groups, youth groups, church and nongovernmental organizations.

Source: www.miningtechnology.com

Fig. 1. Map of Zimbabwe illustrating where the platinum and diamond mines are located
2.3. Data collection and analysis. Responses from the five communities selected for the study that were given in Shona (local language) were sent for translation to the University of Zimbabwe, Department of African Languages before feeding it into excel. An excel spreadsheet was prepared for each of the questions testing the stakeholder’s understanding and views on corporate community engagement (CCE). The titles for the spreadsheet were respondent ID, respondent age, respondent gender, stakeholder type, and the respondent’s answer for each question. The excel data was then imported into NVivo 10 software. On importing the data, the respondent ID, age, gender and stakeholder type were categorized as classifying fields while the answers to each question were classified as codable fields. Word frequency query was run first to get an idea of the words that were commonly used in answering a particular question. The word frequencies were also viewed as tag cloud and tree maps in addition to the conventional word frequency summary. After filtering through the data and getting a feel of what stakeholders said on each question, themes were developed for each question’s responses. These themes were used as nodes to run new queries. The number of respondents who have mentioned a particular theme was noted. The results of the query were filtered to find the number of government, mining companies and community respondents mentioning a particular theme. The audios from the communities, which were in Shona, were also transcribed at the University of Zimbabwe, Department of African Languages and then fed into NVivo before being imported into NVivo and treated in the same way with the rest of the data. The audios that were in English (from the government and mining companies), a transcript was created as listening was done and analyzed in the same way with the rest of the data. The NVivo software was particularly useful because of its capacity to breakdown both audio and printed text into manageable categories; and to conduct conceptual analysis using the themes emerging from the data.

Table 1. Research objectives and corresponding interview questions

<table>
<thead>
<tr>
<th>Research question</th>
<th>Instrument (interview questions)</th>
</tr>
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<tbody>
<tr>
<td>How should corporates engage with communities to ensure positive engagement outcomes?</td>
<td>In your view, what should be the goals of corporate community engagement? What actions should a company undertake to effectively engage local communities around mining areas?</td>
</tr>
<tr>
<td>What is the role of communities in the corporate engagement process?</td>
<td>In your view, what do you think is the role of local communities in ensuring a meaningful engagement process?</td>
</tr>
<tr>
<td>What are the key components of corporate community engagement?</td>
<td>Questionnaire based on the themes emerging from the qualitative data</td>
</tr>
</tbody>
</table>

Exploratory factor analysis was used to assess the factorial validity of the themes emerging out of the data generated by NVivo. Table 1 outlines the research instrument and corresponding research questions. The questions were designed to collect normative responses instead of current practices to ensure anonymity and to avoid seditious responses that would detract from knowledge generation.

2.4. Ethical issues. Permission in the form of verbal and written consent was obtained from the responsible chiefs, members of parliament and headmen from the five communities selected for the study. Meetings were organized with the respective communities and mining corporations’ authorities where the aims and objectives of the study were explained. Participation in the research study was voluntary and this was explained before the start of the data collection process. Data for the study was coded in a manner that maintained the anonymity of the companies that participated. Feedback was provided to participants through a set of engagement processes. This allowed participants to see whether their views had been accurately represented. Participants were interested in receiving a summary of information generated from the engagement processes and how this is being considered, not simply a summary of their own ideas. Sharing summary materials across groups was the most effective way of providing feedback. The feedback process enhanced the legitimacy and quality of findings.

2.5. Validity and reliability issues. A true measure of validity is the extent to which researchers go beyond establishing the truthfulness of findings, to pursuing original knowledge that gives a fair and sensible account of reality. This ideal informed the manner in which the study was designed. The feedback process embarked upon in this study not only reduced the listening and interpretation bias, but was particularly instrumental in establishing the credibility and validity of evidence generated. Above and beyond the comprehensive feedback process, a careful documentation of the interview protocols and the analytical proficiency of NVivo enhanced the validity of findings reported.

3. Empirical findings

Addressing research question 1: How should corporates engage with communities to ensure positive engagement outcomes?

The collective evidence showed that a preponderance of responses from the three stakeholders groups (local community, mining company participants and government officials) understood CCE to be a process by which companies build a partnership or relationship with communities. These respon-
Dents referenced the theme of relationship or partnership building 299 times as they addressed the question on goals of CCE. Again, most of the respondents added that this relationship or partnership building process should be targeted towards a mutually beneficial way of sharing resources. Another theme that came out was that of the collaboration and empowerment of local communities. The collaboration theme was cited 211 times by the respondents. The issue of resource sharing and community empowerment was cited by more than sixty percent of the respondents whereas partnership was cited by more than 90% of the respondents. This indicates that the community places much emphasis on collaboration and community welfare.

The findings however showed divergent views with respect to the goals of corporate community engagement. For example, mining companies expected good relations, peace and stability, as well as uninterrupted and profitable operations. Participants from government on the other hand cited investment and job creation as key goals for engagement.

The need for the companies to collaborate with communities in a bid to make engagement successful was the most common response to the question: ‘What actions should a company undertake to effectively engage local communities around mining areas?’ Again collaboration was the most commonly cited response. Ninety nine percent (99%) of the respondents referred to the theme of mining companies collaborating with local communities a total of 201 times. When the interviewees were probed further to elaborate on their understanding of empowering local communities, the responses were nuanced towards affording the communities decision-making powers when involving them in community projects that affect their lives and allowing them to express their views. Giving a voice to the community was cited 120 times. Eighteen respondents mentioned that customs and norms of communities need to be taken into account during the engagement process. It was also observed from the responses that respecting the local traditional leadership was important. This theme was mentioned 29 times by 18 respondents. Thirteen respondents mentioned that companies needed to be honest about the scope and purpose of engagement and show transparency and accountability in its dealings with the community. This was said to be important so as to avoid mistrust between mining companies and the community. The issue of giving back to the community was cited 32 times. Participants were probed further to gain an understanding of what they mean by giving back. It became clear that the participants are not looking for handouts. Some of their responses included:

Chinangwa chikuru chinofanira kunge chakananganwa nebudiriro yenzimbo navanhu varimunharau nda irikuchewa zwicherwa. Nerimwe diviwo, kambani inofanirawo kuvana chouviri sezvo yakaisa mari yayo mukutandga basa reukuhera zvicherwa. (Translation to English: The main goal of engagement should be aimed providing opportunities that add value to the livelihood of local communities).

Addressing Research Question 2: What is the role of communities in the corporate engagement process?

In responding to the question of the role of local communities in ensuring a meaningful engagement process, all respondents agreed that communities needed to select representatives and speak with one voice. This shows that local communities are not necessarily a homogenous group of people with a shared vision or value system. The fact that the issue of selecting leaders or representatives was referenced 239 times, shows how strongly communities feel about this issue. Local community members mentioned that they want to be lead by leaders of integrity, who would serve the interest of the community first and not take bribes from the mining companies. One of the respondents said:

‘Vanhu vanenge vasarudzwa nehurstungamiriri ha-vafaniri kunge vainye vake vanhu vanotapi viquiri vu nemusango mabasa ebudiriro yenzimbo ywe kufambiswa kwakana kwemari dzinoshanda pabudiriro’ (English: The people who are selected to engage with mining companies on behalf of local communities should not engage in corrupt activities because corruption impedes development).

The other theme that came out of the question on what needed to be done by the community to make engagement successful was that, communities need to have a clear outline of development priorities and become equal partners with the mining companies in the development of their areas. The issue of development and training was mentioned 36 times.
**Addressing Research Question 3:**

*What are the key components of corporate community engagement?*

As illustrated in Figure 2, ten themes emerged out of the qualitative data collection process. A survey instrument comprising 21 items capturing 10 themes was sent to 107 respondents. The items were orthogonally rotated using the Varimax method of rotation (Hair, Anderson, Tatham and Black, 1998). Orthogonal rotation was chosen for its simplicity as suggested by Nunnaly and Bernstein (1994). Kaiser’s criterion was used for deciding which factors to eliminate. In order to purify the list, items with loadings of 0.3 and less were eliminated. Items that had a high correlation with more than one factor were also eliminated to ensure that true discriminant validity had been established among the variables.

Table 2. Factors and their eigenvalues and squared loadings

<table>
<thead>
<tr>
<th>Component</th>
<th>Indicator</th>
<th>% of variance</th>
<th>Cumulative %</th>
<th>Eigen value</th>
<th>Alpha coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value adding partnership</td>
<td>Partnership building</td>
<td>20.121</td>
<td>20.121</td>
<td>1.408</td>
<td>0.62</td>
</tr>
<tr>
<td></td>
<td>Development &amp; empowerment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Job creation</td>
<td></td>
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<tr>
<td></td>
<td>Investment</td>
<td></td>
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</tr>
<tr>
<td>Trust</td>
<td>Openness</td>
<td>16.124</td>
<td>36.246</td>
<td>1.129</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
<td>Accountability</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Peace &amp; stability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective communication</td>
<td>Frequency of communication</td>
<td>15.525</td>
<td>51.777</td>
<td>1.087</td>
<td>0.49</td>
</tr>
<tr>
<td></td>
<td>Cultural sensitivity</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Peace and stability</td>
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The factor solution resulted in three factors with eigenvalues greater than one. Factor 1 explained 20.12% of the total variance followed by factor 2 and 3 which accounted for 16.12% and 15.53% respectively. These three factors cumulatively accounted for 51.77% of the total variance. The Kaiser-Meyer-Olkin (KMO) value was 0.503, which is above the recommended threshold value of 0.5 (Hair et al., 1998).

The measurement indicators that loaded significantly with the first component include partnership building, development and empowerment, job creation and investment. The common theme that captures the measurement indicators is “value adding partnership”. The indicators that loaded significantly with the second component include, openness in selecting community representatives, accountability, as well as peace and stability. The indicators are collectively described as “trust”. The name “effective communication” captures the three indicators that loaded significantly with factor 3 (frequency of communication, cultural sensitivity and communication mode). The results also show that the alpha coefficient of the three key factors ranged from 0.49 to 0.62.

**Discussion and conclusion**

This study explored the Corporate Community Engagement in the extractive industry in Zimbabwe through an investigation of the views of three key industry stakeholders: the mining companies, the communities they operate in and the government responsible for regulating their interaction. The study intends to address the combined influence of the growing diamond and platinum mining industries within Zimbabwe, over the last decade, and the well-established challenges that arise from conflicts be-
between mining companies local communities. The sometimes violent and socially destructive interaction between these stakeholders warranted a review of the framework on which their interaction is built. To this end the study wanted to establish how and why mining companies engaged local communities, and how local communities viewed such engagements.

The findings of the study suggest that effective CCE is a process of harmonizing the different stakeholder benefits with the company benefits in a transparent fashion. The three key components of engagement include value adding partnerships, trust and effective communication. The added value of genuine dialogue that seeks to listen and co-opt the ideas of local communities into strategic decision making processes as identified by literature (Artkinson & Artkinson, 2010; Bowen, Newenham-Kahidi & Herremans, 2010; Mohan, 2007; Potter & Kramer, 2011; Saiaia, Carrol and Buchholtz, 2003) appears to be key towards building value adding partnerships. The brokering services provided by environmental lobbyists and the global network of indigenous community representatives have made community engagement a complex process. To navigate the complex engagement terrain, social and engagement skills have to be added to the mix of extractive industry technical and operational virtuosity.

The results also showed that for trust and meaningful engagement to materialize, local communities should take control of the process to identify community representatives who engage with mining companies on their behalf. A shift from one-way information feed to a bidirectional communication process has to be embedded in the communication strategy of the mining company for effective communication. The findings have also shown that for CCE to be effective however, stakeholder expectations with respect to engagement outcomes have to be clearly articulated. Both the mining sector and government raised questions not only about engagement expectations, but about engagement modalities. The findings show that communities desire engagement at the conception level of a mining project. It became clear that conflicts have erupted because of misperceptions and misunderstanding with respect to the modality and outcome of engagement. As would be expected, transparency and accountability featured as dominant attributes of effective engagement. The findings also showed that there is incongruence of engagement outcomes between the mining companies and local communities. While the mine’s key driver for engagement is a desire to reduce the community risks associated with current and planned operations, government is interested in development and in the growth of the economy. Communities on the other hand are interested in socially and economically empowering partnerships. An engagement forum involving all three stakeholder groups throughout the life cycle of the mining project would be a pragmatic approach to a sustainable and mutually beneficial engagement process.

The findings of this study need to be interpreted with caution, given that the factor solution explains less than 60% of the total variance observed. A factor solution with less than 60% of the explained variance is often considered to be unsatisfactory (Hair, Anderson, Tatham and Black, 1998), but acceptable in social sciences because information in the social science disciplines is often less precise. To enhance the validity of the findings there is a need to repeat the study in a different setting using a bigger sample size.

The most important finding of the paper is that the majority agree there should be a collaborative dialogue among mining stakeholders. This dialogue would enable goal congruency for all stakeholders and an avenue to impact meaningful change. The essential attribute of a successful corporate engagement initiative is to foster and maintain cooperation and this attribute is particularly difficult to define and implement. The ultimate challenge is how to convince firms to invest resources in a manner that conforms to the expectations of their communities while navigating the unstable market environment of the region. Further research could evaluate the extent to which mining impacts on local cultures and value systems. In the wake of recent divestment trends in the extractive industry and the falling commodity prices, it would be important for future research to also explore how the tensions that exist between mines and communities have affected the investment climate of the region.

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References