Responsible business under adverse conditions: Dilemmas regarding company contributions to local development

Kolk, A.; Lenfant, F.

DOI
10.1002/bsd2.5
Publication date
2018
Document Version
Final published version
Published in
Business Strategy & Development

Received: 6 August 2017 | Revised: 24 September 2017 | Accepted: 5 October 2017
DOI: 10.1002/bsd2.5

WILEY Business Strategy and Development

RESEARCH ARTICLE

Responsible business under adverse conditions: Dilemmas regarding company contributions to local development

Ans Kolk | François Lenfant

University of Amsterdam Business School, The Netherlands

Correspondence
Ans Kolk, University of Amsterdam Business School, Plantage Muidergracht 12, 1018 TV Amsterdam, The Netherlands.
Email: akolk@uva.nl

Abstract

While literature on companies' contributions to local development exists, little is known about the specific dilemmas encountered on the ground when operating under adverse conditions, and how transparency can be improved. Companies typically need to navigate through a complex web of relationships with local stakeholders and deal with large expectations from communities. This article sheds light on these topics, using gold mining in Mali as a case illustrative for other difficult settings in developing countries. We find that many companies show transparency in reporting on development projects funded, local employees hired, taxes paid and local purchases. Concurrently, *what* companies do seems less important than *how* they do it, and with *whom*. The article offers practical and theoretical insights into how (international) companies can derive value from fine-tuning their contribution to development and adjusting their reporting, and also contributes to current debates about inclusiveness in the context of the United Nations Sustainable Development Goals.

KEYWORDS

communities, inclusive development, transparency, institutional voids, stakeholders, sustainable development

1 | INTRODUCTION

In the past decades, the contribution of business to development has received considerable attention (e.g. Boyle & Boguslaw, 2007; Oetzel & Doh, 2009; Osuji & Obibuaku, 2016). Most recently, this has been underlined by the adoption of the United Nations Sustainable Development Goals (SDGs), a plan of action with an inherent objective to form partnerships, also with companies, to realize the 17 goals and 169 accompanying targets (Kolk, Kourula, & Pisani, 2017; UN, 2015). The notion of 'inclusive development' has figured prominently in this context, especially concerning the promotion of societal well-being, a more equal distribution and empowerment of marginalized people, sectors and countries (see e.g. the special issue of *Current Opinion in Environmental Sustainability*, February 2017). Interestingly, while companies are increasingly considered as entities with great potential to play a positive role, 'mainstream' international business and management research has lagged behind, most notably with regard to the specificities and impact of corporate engagement in developing countries in relation to inclusiveness and the promotion of peace and development (Kolk & Lenfant, 2015a; Kourula, Pisani, & Kolk, 2017).

In addition to the difficulties of studying these topics in a systematic manner in difficult settings (Kolk, 2016), this limited interest may be due to a tendency to focus more on the disadvantages of business operations (e.g. more in relation to causing conflict rather than promoting peace, see Lenfant, 2016) and the perception of their corporate social responsibility (CSR) activities as 'bluewash' or 'greenwash' (e.g. Frynas, 2005; Idahosa, 2002; Watts, 2005). At the same time, such studies, often published outside the management field, have illustrated the negative impact of companies, especially in the extractive industries in developing countries. They noted that corporate activities had, inter alia, disrupted communities, degraded the environment, and/or contributed to human rights abuses (e.g. Boele, Fabig, & Wheeler, 2001; Idahosa, 2002; Sluiter, 2009; Wheeler, Fabig, & Boele, 2002).

With this as background, this article focuses on the specific contribution of companies to local development and examines the dilemmas that they encounter when operating under adverse conditions. Companies typically need to navigate through a complex web of relationships with local stakeholders and deal with large expectations from communities, and even those that aim to do well face many difficulties in making a contribution and being transparent about these activities. Precisely because of the large controversies surrounding the extractive industries and the limited research on business contributions to local development, the study entails an in-depth analysis of gold mining companies in Mali. To this end, the researchers considered a range of corporate materials to which access could be obtained, made observations and held interviews with managers, mining experts, government authorities and community representatives, coupled with group discussions in villages.

Mali is a case in point for the potential positive contribution of extractive companies to development as it is the third largest gold producer in Africa, after South Africa and Ghana. In 2012, the gold sector represented 75% of Mali's export earnings and 25% of its GDP, and provided 20% of government receipts (UN, 2013). Nevertheless, despite the presence of gold and other minerals, Mali is located at the bottom of the Human Development Index (175 out of 188 countries) (UN, 2016). It is characterized by many socio-economic, humanitarian and governance problems that are also found in other difficult settings in developing countries (those with so-called institutional gaps or voids, see e.g. Kolk & Lenfant, 2015b; Parmigiani & Rivera-Santos, 2015).

As explained below, we study companies' role in and stakeholders' experiences with job creation, tax payments, procurement, and community development projects. These aspects originate from the literature (Fortanier & Kolk, 2007a, 2007b), but they have thus far usually been examined through companies' self-reported information or through macro(economic) data at more generic levels. By showing companies' contributions to development through these four 'dimensions', highlighting not only how they report about them but also how they are perceived by a range of relevant actors at the locations involved, this article extends, both practically and theoretically, existing insights on the impact of business on local development.

More specifically, the research questions that will be addressed, after an introduction of the relevant academic debates and the methodology in the next two sections, are respectively (1) How do companies involved in gold mining contribute to inclusive community development in the Kayes region of Mali? (2) What challenges do they face while contributing to local development? (3) What can companies do to overcome these challenges? The final section of the article concludes and discusses the implications for research and practice.

2 | COMPANY CONTRIBUTIONS TO LOCAL DEVELOPMENT

In the past decades, many studies have looked at the implications of business activities in developing countries, with most attention being paid to socio-economic aspects (for overviews see Fortanier & Kolk, 2007b; Kolk, 2016; Meyer, 2004). While positive impacts have been found, criticism has also been raised, often from a more generic perspective on the role of (multinational) firms or based on detailed case studies showing negative effects of corporate activities (e.g. Boele et al., 2001; Idahosa, 2002; Idemudia, 2007). Typical arguments made by 'skeptics' are the inherent subordination of development to the business agenda or unequal power relations between companies and local stakeholders (Frynas, 2005; Idahosa, 2002). Companies are criticized for their failure to include a social justice narrative, address issues of powerlessness and voicelessness and/or tackle root causes of development (Hamann & Kapelus, 2004; Idahosa, 2002; Idemudia, 2007; Idemudia & Ite, 2006; Turner, 2006).

In addition, it has been stated that the increased presence of companies in resource-rich countries is correlated with the diminishing role of state authorities, pointing at the fact that companies may benefit from governance failures (Frynas, 2005; Idemudia, 2007; Reed, 2002; Watts, 2005). In this regard, some have noted that "regulatory voids have led to a political role for business" (Reinecke & Ansari, 2016, p. 300), and, in relation to peace and conflict issues, that companies are "highly political actors and have long been so" (Ford, 2015, p. 457). In a sense this relates to a broader literature on political CSR (Scherer, Rasche, Palazzo, & Spicer, 2016), but more in-depth studies have shown how companies not only struggle with these issues, especially in the most problematic (fragile) contexts, but also try to navigate through them, together with other stakeholders, to improve living conditions of communities (e.g. Kolk & Lenfant, 2013, 2015b).

Business may contribute to socio-economic development in various ways, including the provision of jobs or the payment of taxes, through spillovers and skills and/or technology transfers or improving employees' conditions (Andriof & McIntosh, 2001; Boyle & Boguslaw, 2007; Meyer, 2004; Oetzel & Doh, 2009; Osuji & Obibuaku, 2016; Sullivan, 2003). In addition to macro-economic (longitudinal) data on which such assessments can be based, there is a growing body of corporate information provided via CSR/sustainability/corporate citizenship reporting, either in separate documents or on company websites. Companies' perceptions of the impact of their operations in developing countries is often present in their reporting. This applies in general (Fortanier, Kolk, & Pinkse, 2011), but also for developing countries (e.g. Fortanier & Kolk, 2007b) and Africa, in the mining sector in particular (Dawkins & Ngunjiri, 2008; Hamann & Kapelus, 2004; Kolk & Lenfant, 2010; Reichardt & Reichardt, 2006; Visser, 2002).

However, despite companies' efforts to show their impacts and be more transparent, information is often missing, especially at the local, community level. This is partly due to the absence of reliable data as well as evaluation methodologies to assess the significance and impact of business in development matters. Regardless, details that might be collected or be available are frequently not disclosed, for example, about which stakeholders have been engaged and why, their legitimacy and representativeness, how they have been engaged, how community development projects have been funded and how they meet stakeholders' expectations. Companies typically report on output (number of employees hired, or number of projects funded) and less on impact or on process. This managerial/technical approach to development has often been criticized (Cragg & Greenbaum, 2002; Frynas, 2005; Idemudia, 2007). In the same line of thought, companies are more likely to report on 'soft' issues and on aspects that can be measured more easily (Fortanier et al., 2011) than on political/governance related issues, such as conflict (Kolk & Lenfant, 2010).

Finally, and relevant for the topic of this article, discussions about the role and contribution of business to development also need to consider community-company relations, especially in the extractive industry, because mines are typically operating on community land and their exploitation has often led to severe social and environmental disruption. Cragg and Greenbaum (2002, p. 320) contend that business can only contribute to sustainable development when "the decision-making process takes into adequate account the values and interests of all stakeholders", which highlights the importance for companies to engage with legitimate and representative stakeholders as (foreign) companies are not rooted in the communities in which they operate. At the same time, many difficulties arise when identifying community leaders (Kapelus, 2002) or integrating "multiple communities" (Idemudia & Ite, 2006 p.204) as companies "must understand institutional dynamics of the local communities in which they are located" (Bird & Smucker, 2007 p. 2). This raises the question of who the legitimate local stakeholders are that companies should engage, how to identify them, and how to prioritize and balance potentially diverging interests (Egels, 2005). In this regard, Holzer (2008, p. 51) made a distinction between stakeholders and 'stakeseekers', "groups that seek to put new issues on the corporate agenda". Assessing to what extent companies need to establish relationships with stakeseekers is a strategy to "anticipate costly conflicts" (Holzer, 2008, p. 53).

Still, tensions between and among stakeholders abound: communities may hold different views about the type of projects that should be funded; communities may clash with management on the type of mining to be pursued, or local community groups may also be accountable to international non-governmental organizations (NGOs) with different agendas. Communities' expectations are extremely high in contexts of state failure or low governance, but employment is usually a major concern (Hamann & Kapelus, 2004). In addition, employment, taxes, access to services, and market opportunities have been said to bear more importance for communities than many development projects, characterized as representing "well-intended, but isolated and discrete activities of firms in developing areas" (Newell & Frynas, 2007, p. 674).

It is this web of complex relationships, high expectations and companies' good intentions, communications and (perceived) impacts on local development that this article will examine in more detail through an in-depth case study. We selected those elements from Fortanier and Kolk' s framework (Fortanier & Kolk, 2007a; Fortanier & Kolk, 2007b) that turned out to be directly relevant for communities in the specific context of the Kayes region in Mali, i.e. employment, taxes, local purchases and community development projects, while size, technology and backward linkages were not included. Regarding the latter, which might theoretically have played a role, very few 'local' companies were found to benefit directly from the mining companies involved in the extraction, so this was captured under the heading of local purchases.

3 | RESEARCH APPROACH AND SETTING

The study, funded by the German Ministry of Cooperation, was carried out by a research team composed of six representatives of Malian civil society and academia (the Faculty of Social Sciences and Law of Bamako) under the supervision of International Alert, a British NGO specialized in peace building. It took place in the Kayes region where most gold deposits are located. The second author of this article acted as team leader. He led a methodology workshop, supervised the data collection and data entry process, and was responsible for writing the final report. The methodology workshop was held prior to conducting field research to build a common understanding of the issues at stake and jointly develop and test data collection tools. Questionnaires were designed per target group, i.e. for civil society, government and the private sector. The first stage of the research consisted of a review of existing literature on the subject and of primary information of the mining companies and the locations involved. The second stage included semi-structured interviews, observations and group discussions. Target groups were mining companies (managing companies and subcontractors), communities in the mining areas (including village councils, elders and women), community organizations, administrative and governmental authorities, and individuals and organizations with specialist knowledge of mining in Mali. In total 86 semi-structured interviews were held with 26 mining company officials, 12 experts and members of civil society, and 48 representatives of administrative authorities as well as 30 group discussions in 16 villages with 463 people (228 women and 235 men).

The team held interviews with regional authorities (administrative authorities, technical departments), decentralised authorities (regional council, *cercle* [sub-regional] councils and *commune* [lowest-level] councils), and government ministries in charge of issuing contracts. This allowed the team to assess to what extent the various entities cooperated with one another and how well (or badly) they functioned. To identify the 16 villages and communities where the group discussions were held, a list was drawn up of all the villages affected by mining. The team took a random sample following a preliminary selection stage based on three criteria: a) that villages were in a relatively safe area; b) that two out of three villages were located in the vicinity of a mine (within a maximum radius of 10 kilometres); and c) the organisation responsible for logistics 'knew' the villages to facilitate the task of making contacts and promote a climate of trust. Having ensured that the villages met the specified criteria, the lead researcher randomly selected the following villages: on the Bafoulabé site, the villages of Bafoulabé and Selinkégny; on the Sadiola site: Brokoné, Farabacouta and Kakadian; on the Yatela site: Yatela, Kouloukéto and Babala; on the Loulo site: Sitakily, Djidjan and Baboto; on the Gounkoto site: Kounda and Mahinamine; and finally on the Tabakoto site: Mouralia, Djibourouya and Kassama. After the data was collected per village and per company and per dimension, and emerging themes were identified where relevant, the information was aggregated to one of the four categories discussed previously (taxes, employment, community development projects and local purchases).

As indicated above, the research took place in Kayes, a region in Western Mali bordering Senegal and Mauritania. Since its independence, Mali has been marked by a history of secession and violence, mainly in the Northern regions of the country, Timbuktu, Gao and Kidal. Tuareg rebellions challenging Malian national authorities and claiming greater autonomy as well as a better redistribution of resources took place in the 1960s, the 1990s, 2006, and more recently in 2012. These rebellions, coupled with the more recent emergence of Jihadist groups such as the Mouvement National de Liberation de l'Azawad (MNLA), the Mouvement pour l'Unicité du Jihad en Afrique de l'Ouest (MUJAO), and Al-Quaeda au Maghreb Islamique (AQMI) have further undermined Malian state authorities. While the Kayes

TABLE 1 Key information about mining companies operating in the Kayes region

Mine / Company	Mother company	Nationality	Revenues mother companies(mlnUS $)	Shareholders
Yatela / Yatela SA	AngloGoldAshanti (AGA)	South Africa	5 708	Iam Gold (40%) AGA (40%) Malian state (20%)
Sadiola / SEMOS SA	AngloGoldAshanti (AGA)	South Africa	5 708	Iam Gold (41%) AGA (41%) Malian state (18%)
Tabakoto / SEMICO SA	Endeavour	Canada	583	Malian state (20%) Endeavour (80%)
Loulo / SOMILO SA	Randgold Resources	South Africa	1 086	Malian state (20%) Randgold (80%)
Gounkoto / Gounkoto SA	Randgold Resources	South Africa	1 086	Malian state (20%) Randgold (80%)

Source: Mother companies' annual reports (2015).

region has not been the focus of Jihadist violence, it suffers from adverse conditions typically found in (post-)conflict contexts, such as weak state authorities, widespread corruption, cross-border migration from neighboring countries which fuels resentment and local conflicts, and widespread poverty.

4 | FINDINGS

4.1 | Which companies operate in the gold sector in the Kayes region?

Table 1 shows the 5 mining sites (Yatela, Sadiola, Tabakoto, Loulo, Gounkoto), and the 5 companies created under Malian law to exploit them, namely Yatela SA, SEMOS SA, SEMICO SA, SOMILO SA, and Gounkoto SA. The three mother companies mentioned (Endeavour, Randgold Resources and AngloGoldAshanti) operate the mines, and are also shareholders. Iam Gold, a (smaller) mining company, has shares in the Yatela and Sadiola mines, but leaves daily management responsibility to AGA. The revenues included in the table are those of the three operating companies (Endeavour, AGA and Randgold). Communities perceive the 'mines' as abstract entities with which they coexist (companies have permits to exploit resources over areas that can cover hundreds of square kilometers). Interestingly, communities engaged through the research showed little awareness of the fact that the Malian authorities co-own the mines (i.e. are shareholders). They thus perceive the companies as foreign (multinationals); local government authorities (mayors) had the tendency to (mis)use these characteristics (especially in the sense of blaming the 'multinationals' for problems that communities were facing).

4.2 | What do mining companies operating in the Kayes region do to contribute to local development?

In 2015, the five companies operating in the gold sector in the Kayes region hired 7,692 people, paid in total more than 2 billion West African CFA francs (XOF)[1] to tax authorities, paid over 1 billion XOF in local development projects and close to 300 million XOF to local suppliers. More in detail, concerning job provision, an overwhelming majority of respondents (more than 95%) were satisfied with the quality of the jobs provided in terms of salary and benefits. Companies offered wages on average three times higher than the amount stipulated in the mining agreement, and provided workers with generous health benefits, education opportunities and transport facilities. Concerning taxes, the mining companies paid 2,113,787,753 XOF in business tax to local authorities, which amounted to 91% of the total sum collected by them.

Concerning local suppliers, the study made a distinction between the subcontractors (operators working directly inside the mine or at the site) and the suppliers (off-site operators). The subcontractors are primarily (inter)national and regional companies with 'hardware' skills (such as drilling, blasting, or excavating). Suppliers are typically local companies hired to provide foodstuffs, hardware supplies, local transport for staff, catering, soap processing, plastics manufacturing and several other activities.

Regarding community development projects, most companies implement their social investment plans in consultation with the deputy prefect, the mayor, village leaders, women and youth representatives. Community investments are mainly geared towards improving infrastructure, basic education, health, agriculture, access to drinking water and income-generating activities. For instance, SOMILO fitted 41 boreholes, SEMOS built micro-dams, a borehole and seven wide-diameter wells for market gardening, and the Loulo-Gounkoto mining complex built 50% of school infrastructure in the communes, in the form of 33 classrooms. Around 60 teachers and 765 pupils were trained in basic computing skills.

Nevertheless, companies are facing mounting criticism, despite the contributions and efforts to engage with a variety of local stakeholders, and despite the transparency (e.g., copies of ledgers, of book keeping records, of human resources pay roll, and of contracts were provided to the research team), and openness of companies' management to invite the research team for conversations. Below we will discuss the main issues raised concerning respectively employment, local purchases, development projects and taxes.

4.3 | Why is it not considered enough?

Concerning employment, tensions arose with surrounding communities because very few skilled workers were hired from the villages.

[1]XOF (or Franc CFA) is pegged to the EUR. 1 EUR is worth 655 XOF.

Most jobs of a technical nature require skills often not found in the communities or villages in the direct vicinities of the mines, which result in 'importing' skilled labour from the regional capital (Kayes) or the country capital (Bamako). The excellent working conditions offered to these skilled, yet 'non-local' work force, combined with the creation of 'developed towns' on the perimeter of the mine (with own hospitals and schools) resulted in resentment from the local communities. There is a wide gap between a minority of skilled workers employed by the mine who benefit from a well-paid job and very decent working conditions, and the vast majority of people who live in severe deprivation. Furthermore, community members do not fully understand the nature of the technical skills that companies require in order to be eligible for employment, which points at communication problems between communities and companies. In Selinkegny for instance, elders complained about the fact that in their village "we have more than 20 youth with diplomas. Yet none of them was hired by the company". Generally speaking, communities' expectations for employment have not been met. Only 7,692 formal jobs were created in a region with a total population of around two million, the majority of which are unemployed young people. Illustrative of villagers' unmet expectations is a comment made by a member of the Bafoulabé village council: "the mountain (i.e. the presence of the mine) gave birth to a mouse".

Unskilled, usually short-term employment (which is more likely to be provided to workers from the villages close to the mines) is managed by recruitment committees made up of local authorities (mayor, village leaders, in some cases the prefect). Typically, these committees use quotas that have been negotiated with the mine, based on lists of unskilled workers which are drawn up per village located in the vicinity of the mine. However, these lists are often disputed; they are either badly compiled (in a non-transparent manner so that people are listed despite of the fact that they do not originally come from the village), or are simply disregarded, i.e. people not included in these lists are being hired thanks to connections with local elected representatives. Interviews revealed that the 'list system', although well thought of in theory, is not applied systematically. Very few companies collect data on the origin of their employees or use lists of unskilled workforce that have been compiled transparently by each individual village.

<u>Local purchases</u> were, similar to the job issue, not considered 'local' enough. To illustrate the 'local suppliers' dilemma' the example of SOMILO stands out. In 2014, it purchased 186 billion XOF from companies considered as 'local'. Of that amounts, one company (African Underground Mining Services) based in Mali's capital Bamako and a subsidiary of a large Australian mining group received 96 billion XOF, or 52% of SOMILO's total expenditure. Ben & Co (a national company based in Bamako) received 22.6 billion XOF (12% of total expenditure), Shell Mali received 10 billion (5%). If one excludes SFTP (a regional subcontractor), economic activity in the villages resulting from the mines related only to low-added-value activities (catering, local transport, supply of fruit and vegetables, and small-scale commerce). While some companies have made efforts to use or stimulate local business, their full potential is not being sufficiently harnessed.

<u>Local development projects</u> are not always in line with local priorities and funds have been misused by local corrupt authorities (sometimes with knowledge of the companies). Despite some interesting achievements, the majority of the projects did not deliver sustainable solutions to local problems. Even those companies (such as SEMOS) that used a consultative structure involving local communities and authorities to avoid implementing community development projects unilaterally, failed to effectively meet villagers' expectations. The main reasons accounting for this shortcoming are poor management and the involvement of local councilors in the management committee of this consultative structure. Councilors often abuse their power to decide almost unilaterally which projects are funded and which local business is involved in implementing the project. These structures do not provide a suitable framework for dialogue among the different interested parties, but rather serve as a platform to legitimize the interests of some local councilors and fuel tensions between villagers. Despite the establishment of consultation structures, interviews and meetings revealed that populations are consulted but do not fully participate in an effective way in fund allocation and in project implementation. This flawed participation and lack of ownership is often the source of conflict and misunderstandings between the mining companies and the communities. Development projects funded by the companies do not sufficiently take into account local political issues and suffer from a lack of awareness of the conflicts that they might trigger.

In addition, some projects could be qualified as 'self-interested'. For example, building a fence around the police station allows the company to ensure it will benefit from police services in case of a strike or security problems. The propitiatory sacrifices, which fall under community development, could also be viewed as investments that just make it easier to obtain ('buy') a social license to operate. This type of project, while appreciated by traditional leaders, does not contribute to integrated local development. In other cases, companies use entities from within their own corporate group to carry out drilling activities. Many of the investments are related to infrastructure (in other words, hardware) rather than to activities geared towards building leadership skills, promoting empowerment, or building capacity or resilience. In addition, some villages and communes are favored at the expense of others. Sadiola and Sitakily communes, for example, have benefited from significant investment from the mining companies in the areas of education, health, water supply and economic development, to the detriment of other communes (located a few kilometers further from the mine yet suffering from the disruption). In short, the development approach embraced by most companies is not inclusive, does not have a long-term component, is not sustainable and does not promote institution building. During a group meeting in Sitakily villagers complained about the fact that "the company funded many boreholes. And yet, we have no water as the boreholes were not correctly drilled." In a few cases, the company/organization hired for the execution of the infrastructure project was not competent (one case of corruption was also shared with the research team) and failed to deliver, which damaged company-community relationships. In addition, even when projects are successful (from a technical standpoint), companies tend to focus (and report) on quantity (such as the number of dams built, roads paved and schools built) rather than on the results or impact of the projects (for example, whether people actually get access to water, whether the water is of good quality, or whether people's health has improved).

Concerning <u>local taxes</u>, the percentage of income from mining companies paid back to local authorities is small when compared with what the state receives centrally. Business tax allocated to local authorities only represents a small proportion of the other taxes, duties, levies and social security contributions that companies pay. For example, in 2013, SOMILO paid 73.3 billion XOF in taxes, customs duties and other charges to the state, while paying 'only' 479 million XOF in business tax to local authorities, which represents 0.7% of the total amount paid. On average, annual business tax paid to local authorities varies between 1% and 4% of the taxes, duties, levies and other social security contributions paid by mining companies to state authorities. In addition, our meetings revealed that community members were not aware of the amounts received by the local authorities, nor of their allocation.

While most of the above mentioned issues (mostly the tax issue) are extremely challenging, the research revealed that most companies were looking at these socio-political issues from a technical and managerial perspective. The lack of appreciation for the deep community resentment, for local power dynamics, and for the history of depravation that marked these communities was clearly observed. In addition, the level of community expectations in a context of state authorities failing their citizens was underestimated. Some business managers appeared condescending, showing figures and reports instead of truly listening to the grievances expressed by community members. For instance, businesses are aware of the high corruption levels and clientelist practices of local elected officials, yet they do not make efforts to go around them. As a manager put it, "we know the snake is poisonous, we just have to make sure it does not bite us." Another manager indicated being fully aware of local corruption, but "could not go through other channels because local officials are elected." These statements illustrate the complexity of the relationships between elected local corrupt politicians, communities and company representatives.

4.4 | How could companies/managers improve their contribution to development?

Managing high community expectations in a context of government failure to provide basic services to the population does not exonerate companies from being open and clear concerning the scope of their social responsibility. Generally speaking, it is important that companies become more conscious about the cultural sensitivities when dealing with local community representatives. In that light, it seems more appropriate to adopt an 'empathy'-type communication model instead of a 'business'-like approach as they have done thus far. Willingly letting corrupt officials decide on job allocation or community development funding without intervening, under the pretext of 'democracy' because they are elected, is not helpful, as it is bound to create tensions and resentment. It is therefore important to not only focus on the *what* (and on figures), but also on the *how*. Equally important, business should adopt a more inclusive approach to development and focus on the quality of activities and relationships.

More specifically, regarding the four main areas on which companies report (i.e. taxes, employment, purchases and community development projects) a few recommendations follow from our analysis. As to taxes, companies should be clear about how much is paid to which government entity and on which basis tax calculations were made (sales, perimeter of the mine, etc.). Simply 'paying taxes as a legal requirement' is not enough. Without meddling in internal (local) political affairs, it is wise for companies to unpack exactly, and show in detail, the amounts paid to central governments, regional governments and local authorities. In the same line of thought, companies should encourage local village and civil society leaders to push for transparency from the authorities and demand accountability about the allocation of tax revenues received. Even if tax revenue allocation and redistribution to the decentralized authorities is a primary task of the government, companies must be aware that local communities typically consider companies as government allies with little consideration for their needs.

Concerning employment, it is highly recommended that companies collect and manage reliable statistics of employees' origin, in order to solve the thorny issue of 'local' employment. With regard to unskilled jobs, it may also be wise to incorporate directly all villages affected by mining operations in the decision making process and design a system through which a list can be drawn up and shared with all stakeholders in a transparent manner, allowing affected communities to provide inputs. This can take place through consultations with leaders (if it is established that they are legitimate and well-regarded leaders truly concerned with the welfare of the communities), or through direct consultations, in all concerned communities, with all villagers. Companies should not 'exclusively' consult 'so-called' leaders but also listen to, and heed when feasible, regular villagers' wishes and grievances. For that matter, it is also important that companies do not only rely on the city council for the provision of jobs; although some have been elected, they often display high levels of corruption. Finally, calls have been made by villagers for companies to engage in vocational training and capacity-building schemes to train local youth in accessing skilled work.

Concerning local purchases, companies should make efforts to buy 'locally' by ensuring that a high percentage of procurements is outsourced locally. Companies can help build the capacities of local entrepreneurs. This might be translated into supporting the creation of skills centers (carpenters, electricians, plumbers, etc.) in surrounding villages together with local NGOs and/or local (school) authorities. In this regard, it is also important to fully assess the obstacles faced by local suppliers when attempting to enter the supply chain, and subsequently work with communities, civil society and government to try to overcome them. In terms of reporting and communications, it would be good to unpack the purchasing figures and highlight how much has been spent in companies from the communes, from within the district and the region, and from outside the region (nationally), or internationally.

Finally, it is important that companies fund community development projects in accordance with local priorities, and focus more on impact rather than solely on the number of funded projects or amounts disbursed. For that matter, it may be wise to carry out and publish impact assessments of community development projects, and shift from simple 'consultation' to effective, authentic, representative and inclusive participation of all communities. In addition, when consulting communities, it is important that companies do not assume that communities speak with one voice. Ideally there should be full representation of all ethnic groups, ages, and genders in a consultative committee with full decision-making power over how funds dedicated to community development will be allocated. Companies should design tailor-made strategies to bypass corrupt local mayors and other elected officials who are liable to obstructing the smooth running of projects, and avoid conflicts of interest. It is also recommended that companies form alliances with local, national and international NGOs to ensure that a) community development projects are well designed and managed, and b) projects are sensitive to conflict and gender dynamics. Concerning reporting, it is also important that companies show more transparency in how they do development projects, why they chose a specific project and funding mechanism (via an NGO, through direct implementation, or using a multi-actor fund). Companies are likely to achieve the best results if they operate cautiously, report openly about their relationship with local authorities, and acknowledge the fact that close relationships with corrupt elect officials can ruin their genuine efforts to establish good relationships with communities.

TABLE 2 Overview of challenges and recommendations per dimension examined

Dimension	Challenge	Recommendations
Employment	Companies do not hire 'enough' local employees (skilled and unskilled)	• Collect and manage reliable statistics on where employees are from • Do not exclusively rely on elected officials for the provision of jobs • For unskilled jobs, incorporate all villages affected by mining operations in the decision making process and design a system through which a list can be drawn up and shared with stakeholders in a transparent manner, allowing affected communities to provide inputs • For skilled jobs, engage in/fund vocational training schemes for local youth to access those jobs
Taxes	Percentage of taxes paid by companies and received by local authorities is low (which fuels resentment of local communities and create conflicts)	• Be clear about how much is paid to the central authorities, and how much to the local authorities • Be transparent about the basis of the tax calculations • Be aware of the fact that mining communities do not receive much (about 1%) of the total amount of taxes paid to the central government • Be aware that local communities typically consider companies as government allies with little consideration for their needs • Encourage local village leaders to push for transparency from the authorities and demand accountability about the allocation of tax revenues received from mining
Local purchases	Companies do not buy 'enough' locally	• Make efforts to buy 'locally' by ensuring that a high percentage of procurements is outsourced locally and build capacity of local entrepreneurs • Support the creation of skills centers (carpenters, electricians plumbers, etc.) in surrounding villages together with local NGOs and/or local (school) authorities • Fully assess the obstacles faced by local suppliers when attempting to enter the supply chain, and then work with communities, civil society and government to overcome these obstacles • Provide figures on how much has been spent in companies from the communes, from the district, from the region, outside the region (nationally), or internationally
Community Development Projects	Community development projects do not meet communities' needs, are not sustainable and do not produce tangible results	• Incorporate CSR policies into local social, economic and cultural development plans to ensure that local priorities are better taken into account • Carry out and publish impact assessments of community development projects, and focus on the quality rather than quantity of activities • Regarding community consultations, shift from simple 'consultation' to 'effective, authentic, representative and inclusive participation' of all communities (and do not assume communities speak with one voice) • Find ways to bypass corrupt local mayors and other elected officials who are liable to obstruct the smooth running of projects, and avoid conflicts of interest • Form alliances with local, national and international NGOs to ensure that a) community development projects are well designed and managed, and b) projects are sensitive to conflict and gender dynamics

5 | CONCLUSIONS

This article examined gold mining companies' contributions to local development in the Kayes region of Mali by looking at four dimensions, i.e. community development projects funded, local employees hired, taxes paid and local purchases. It also paid close attention to the challenges that these companies encountered while operating under adverse conditions, contributing to local development and reporting about it. The researchers obtained access to information from the companies, which showed transparency not only via their public reporting but also by allowing the team to look at minutes of meetings and acquire copies of book-keeping documents. The study also entailed observations, group discussions in villages and semi-structured interviews with representatives from companies, communities, government authorities and NGOs, as well as individuals from local organizations and experts. By examining the issues from company and stakeholder perspectives, we were able to assess the nature of companies' contributions in relation to inclusive development and empowerment in the context of high community and societal expectations. In this way, we fine-tuned existing studies that either relied on self-reported company information or on stakeholder perceptions only, or that used macro-level data from a more generic perspective.

Despite their efforts to contribute to local development by funding development projects, paying taxes, hiring local staff and buying locally, mining companies still face criticism of not 'doing' enough. Table 2 gives an overview of the challenges per dimension as well as recommendations on how to improve matters, also with regard to transparency. The Table sheds light on the dilemmas faced and also on community and other stakeholders' perceptions of what companies do, including, perhaps unexpected, their political role in relation to government authorities and elected officials. This may provide food for thought concerning the inherent political nature of socio-economic and development activities by companies that aim to operate responsibly. The article thus contributes concretely to the more abstract debate about political CSR, emphasizing the importance for companies to engage legitimate, non-corrupt stakeholders, to foster good governance and participatory decision-making while contributing to development. Business strategies in these contexts should thus be considered and shaped in a different way than elsewhere.

As illustrated in this empirical study, business impact on development has often been measured through 'objective' data containing figures and percentages provided by companies. However, the main issue that this article highlighted is that the question of *what* companies do may not be as important as *how* they do it, as well as *with whom*. While most companies acknowledge that doing development 'alone' is very difficult, doing it with the 'wrong' partners will not help business to effectively tackle development matters. To the contrary, it may have the effect of wasting scarce funds that could have been invested more productively; or better results in terms of (perceived) inclusive development might have been realized with lower spending or fewer activities. Open communication is critical in this respect, not only through 'official' reporting with numbers and figures, but also through daily exposure to local community members and villagers, truly listening to their grievances and understanding their position.

The research also enriched current frameworks used to 'measure' companies' contribution to local development. Most frameworks focus on the 'what' and the tangible, output-related results linked to socio-economic domains (taxes, purchases, community development projects and employment). Our research emphasizes the importance to disaggregate companies' contributions at the local level, and encourages companies to incorporate governance-community sensitivities when 'measuring' and communicating about their contribution to development. Beyond the Mali 'case', our findings also suggest that companies' effect on local development are not of a technical nature, but rather political, and require specific sets of skills and human resources, including empathy and sensitivity. It is important that companies take these aspects into account when designing strategies and planning activities.

Hence, managers should be clear about the scope and extent of their social responsibility (and that of local and national governments), and learn how to navigate through a complex web of corrupt institutions and concomitant relationships. They must be conscious of the different interpretations of what 'local' means to avoid costly conflicts with communities. Interestingly, while the mines covered in the study were all co-owned by the state, communities did not seem to know this. It also did not make a difference whether smaller or larger private companies had shares and where they came from (e.g. Canada or South Africa), as the mines were all perceived to be foreign.

Thus, somewhat unexpectedly, the research has direct implications for multinationals operating abroad and their relation with local communities. This means that Table 2 is also highly relevant for international firms that are implementing CSR in their local subsidiaries (cf. Jamali, 2010), especially in difficult settings, an area where more insights are needed according to a recent review of the state of the art in the business and management literature (Pisani, Kourula, Kolk, & Meijer, 2017).

Our study has also implications for public policy. Governments might consider to provide incentives for mining companies, in the form of risk sharing mechanisms or participation in partnerships, to bolt companies' efforts to promote inclusive and sustainable local development. Companies should be encouraged to fund development projects more effectively, and partner with legitimate local NGOs to obtain a better insight into and learn about local politics. When doing so, companies are likely to pay closer attention to *how* they can contribute to local inclusive development. These dimensions also seem crucial for international efforts to further the Sustainable Development Goals.

ACKNOWLEDGEMENTS

The authors want to thank the German Ministry of Cooperation for funding the overall study, International Alert for their support throughout, and the local communities in the Kayes region who participated in this research as well as the local authorities.

REFERENCES

Andriof, J., & McIntosh, M. (Eds.) (2001). *Perspectives on Corporate Citizenship*. Sheffield: Greenleaf Publishing.

Bird, F., & Smucker, J. (2007). The social responsibilities of international business firms in developing areas. *Journal of Business Ethics*, *73*(1), 1–9.

Boele, R., Fabig, H., & Wheeler, D. (2001). Shell, Nigeria and the Ogoni. A study in unsustainable development: I. The story of Shell, Nigeria and the Ogoni people – environment, economy, relationships: conflict and prospects for resolution. *Sustainable Development*, *9*(2), 74–86.

Boyle, M., & Boguslaw, J. (2007). Business, poverty and corporate citizenship: naming the issues and framing solutions. *Journal of Corporate Citizenship*, *26*, 101–120.

Cragg, W., & Greenbaum, A. (2002). Reasoning about responsibilities: mining company managers on what stakeholders are owed. *Journal of Business Ethics*, *39*(3), 319–335.

Dawkins, C., & Ngunjiri, F. W. (2008). Corporate social responsibility in South Africa. A descriptive and comparative analysis. *Journal of Business Communication*, *45*(4), 286–307.

Egels, N. (2005). CSR in electrification of rural Africa: the case of ABB in Tanzania. *Journal of Corporate Citizenship*, *18*, 75–85.

Ford, J. (2015). Perspectives on the evolving "business and peace" debate. *Academy of Management Perspectives*, *29*(4), 451–460.

Fortanier, F., & Kolk, A. (2007a). On the economic dimensions of CSR: exploring Fortune Global 250 reports. *Business and Society*, *46*(4), 457–478.

Fortanier, F., & Kolk, A. (2007b). Multinationals perceptions of their economic and social impacts. In R. Sinkovics, & Y. Yamin (Eds.), *Anxieties and Management Responses in International Business* (pp. 100–115). Basingstoke: Palgrave MacMillan.

Fortanier, F., Kolk, A., & Pinkse, J. (2011). MNEs and global CSR standards: harmonization in CSR reporting. *Management International Review*, *51*(5), 665–697.

Frynas, J. G. (2005). The false development promise of corporate social responsibility: evidence from multinational oil companies. *International Affairs*, *81*(3), 581–598.

Hamann, R., & Kapelus, P. (2004). Corporate social responsibility in mining in Southern Africa: fair accountability or just greenwash. *Development*, *47*(3), 85–92.

Holzer, B. (2008). Turning stakeseekers into stakeholders: a political coalition perspective on the politics of stakeholder influence. *Business & Society*, *47*(1), 50–67.

Idahosa, P. (2002). Business ethics and development in conflict (zones): the case of Talisman Oil. *Journal of Business Ethics*, *39*(3), 227–246.

Idemudia, U. (2007). Community perceptions and expectations: reinventing the wheels of corporate social responsibility practices in the Nigerian oil industry. *Business and Society Review*, *112*(3), 369–405.

Idemudia, U., & Ite, U. E. (2006). Corporate-community relations in Nigeria's oil industry: challenges and imperatives. *Corporate Social Responsibility and Environmental Management*, *13*(4), 194–206.

Jamali, D. (2010). The CSR of MNC subsidiaries in developing countries: global, local, substantive or diluted. *Journal of Business Ethics*, *93*(2), 181–200.

Kapelus, P. (2002). Mining, corporate social responsibility and the "community": the case of Rio Tinto, Richards Bay Minerals and the Mbonambi. *Journal of Business Ethics*, *39*(3), 275–296.

Kolk, A. (2016). The social responsibility of international business: from ethics and the environment to CSR and sustainable development. *Journal of World Business*, *51*(1), 23–34.

Kolk, A., Kourula, A., & Pisani, N. (2017). Multinational Enterprises and the Sustainable Development Goals: what do we know and how to proceed? *Transnational Corporations*, *24*(3), 9–32.

Kolk, A., & Lenfant, F. (2010). MNC reporting on CSR and conflict in Central Africa. *Journal of Business Ethics*, *93*(Supplement 2), 241–255.

Kolk, A., & Lenfant, F. (2013). Multinationals, CSR and partnerships in Central African conflict countries. *Corporate Social Responsibility and Environmental Management*, *20*(1), 43–54.

Kolk, A., & Lenfant, F. (2015a). Partnerships for peace and development in fragile states: identifying missing links. *Academy of Management Perspectives*, *29*(4), 422–437.

Kolk, A., & Lenfant, F. (2015b). Cross-sector collaboration, institutional gaps and fragility: the role of social innovation partnerships in a conflict-affected region. *Journal of Public Policy & Marketing*, *34*(2), 287–303.

Kourula, A., Pisani, N., & Kolk, A. (2017). Corporate sustainability and inclusive development: highlights from international business and management research. *Current Opinion in Environmental Sustainability*, *24*, 14–18.

Lenfant F. 2016. On Business, Conflict and Peace: Interaction and Collaboration in Central Africa. University of Amsterdam, PhD thesis. Retrieved from https://pure.uva.nl/ws/files/2750024/179301_Lenfant_Thesis_complete_aangepast_.pdf%3e

Meyer, K. E. (2004). Perspectives on multinational enterprises in emerging economies. *Journal of International Business Studies*, *35*, 259–276.

Newell, P., & Frynas, J. G. (2007). Beyond CSR, business, poverty and social justice: an introduction. *Third World Quarterly*, *28*(4), 669–681.

Oetzel, J., & Doh, J. P. (2009). MNEs and development: a review and reconceptualization. *Journal of World Business*, *44*, 108–120.

Osuji, O. K., & Obibuaku, U. L. (2016). Rights and corporate social responsibility: competing or complementary approaches to poverty reduction and socioeconomic rights? *Journal of Business Ethics*, *136*(2), 329–347.

Parmigiani, A., & Rivera-Santos, M. (2015). Sourcing for the Base of the Pyramid: constructing supply chains to address voids in subsistence markets. *Journal of Operations Management*, *33/34*, 60–70.

Pisani, N., Kourula, A., Kolk, A., & Meijer, R. (2017). How global is international CSR research? Insights and recommendations from a systematic review. *Journal of World Business*, *52*(5), 591–614.

Reed, D. (2002). Resource extraction industries in developing countries. *Journal of Business Ethics*, *39*(3), 199–226.

Reichardt, M., & Reichardt, C. L. (2006). Tracking sustainability performance through company reports: a critical review of the South African mining Sector. In W. Visser, M. McIntosh, & C. Middleton (Eds.), *Corporate Citizenship in Africa: Lessons from the Past; Paths to the Future* (pp. 171–189). Greenleaf Publishing: Sheffield.

Reinecke, J., & Ansari, S. (2016). Taming wicked problems: the role of framing in the construction of corporate social responsibility. *Journal of Management Studies*, *53*(3), 299–329.

Scherer, A. G., Rasche, A., Palazzo, G., & Spicer, A. (2016). Managing for political corporate social responsibility: new challenges and directions for PCSR 2.0. *Journal of Management Studies*, *53*(3), 273–298.

Sluiter, L. (2009). *Clean Clothes. A Global Movement to End Sweatshops*. Pluto Press: New York.

Sullivan, R. (Ed.) (2003). *Business and Human Rights*. Sheffield: Greenleaf Publishing.

Turner, M. (2006). Taming mammon: corporate social responsibility and the global regulation of conflict trade. *Conflict, Security & Development*, *6*(3), 365–387.

UN. 2013. Africa Economic Outlook. United Nations: New York.

UN (2015). Resolution adopted by the General Assembly on 25 September 2015. A/RES/70/1. Retrieved from https://sustainabledevelopment.un.org/post2015/transformingourworld%3e

UN. 2016. Human Development Report. United Nations: New York.

Visser, W. (2002). Sustainability reporting in South Africa. *Corporate Environmental Strategy*, *9*(1), 79–85.

Watts, M. (2005). Righteous oil? Human rights, the oil complex and corporate social responsibility. *Annual Review of Environment and Resources*, *30*, 373–407.

Wheeler, D., Fabig, H., & Boele, R. (2002). Paradoxes and dilemmas for stakeholder responsive firms in the extractive sector: lessons from the case of Shell and the Ogoni. *Journal of Business Ethics*, *39*(3), 297–318.

How to cite this article: Kolk A, Lenfant F. Responsible business under adverse conditions: Dilemmas regarding company contributions to local development. *Bus Strat Dev*. 2018;1:8–16. https://doi.org/10.1002/bsd2.5