

**The Impact of Corporate Social Responsibility (CSR) Framework on Managing Project  
Stakeholders' Requirements**



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By

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**Student Disclaimer**

This Course Work Thesis is my own work and contains no work done in collaboration with others, except as specified in the text. The length of the dissertation is 33, 368 words and it contains 39 Figures and 12 Tables.

**Project Management Disclaimer**

This thesis was prepared for the Master of Project Management (MPM) at The University of Sydney, Australia, and describes the impact of CSR framework on managing stakeholders' requirements. The opinions, conclusions and recommendations presented herein are those of the author and do not necessarily reflect those of The University of Sydney or any of the sponsoring parties to this project.

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# **The Impact of Corporate Social Responsibility Framework on Managing Project Stakeholders' Requirements**

## **Abstract**

The public concerns related to businesses' economic, social and environmental impacts have generated a risky environment for investments, and this regard, there is a recognition of the importance of socially responsible activities in order to embrace the stakeholders' requirements for sustainable development while achieving business success. Thus, companies have encompassed the concept at strategic and operational levels, however a gap exists in the Project Management field that could be bridged by including the practical tools to align the Project with CSR strategy.

The research has constructed a model at the project level regarding the embracement of ISO 26000 as a standard CSR framework in order to align projects' objectives with CSR strategy, attempting societal well-being whilst achieving project success and contributing to improve a firm's value. Thus, the ethical obligation to be socially responsible regarding projects outcomes and deliverables, results in encompassing a stakeholder-oriented model of project governance, by being considerate of good governance, that will underpin and integrate CSR's six core topics, proposed by the standard, within transparency, accountability, responsibility and fairness principles. In this way, the fundamental overseeing function of project governance is extended and used as a tool to align project objectives with CSR strategy and to incorporate CSR's topics. Furthermore, the application of the CSR framework into the project environment and the evaluation of three specific cases studies in Peru, provide the grounds to support the Green Project Management claims of embracing future generations as project stakeholders, and in this regard, bringing some insights about the positive effects of key stakeholder (such as local communities, government representatives and other special interest groups) involvement into project governance and the mechanisms that could be applied. In this way, the requirements of future generations for sustainable development becomes a requirement for the project that could be addressed by providing with them the opportunity to participate in the project's decision-making processes and it will support a stakeholder-oriented model of good project governance as a tool to align projects with socially responsible business practices aiming for individuals and organizations' well-being and sustainable development.

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## **Chapter 1: Introduction**

### **1.1. Purpose of the Thesis**

#### **1.1.1. General Purpose**

Modern globalization has spread multinational investments and information all over the world (El-Ojeili & Hayden, 2006). Levy (2007) informs us that the process has increased not only revenues for enterprises but also concerns about their economic, social and environmental impact within host communities. The process has impacted on people's behaviour increasing a standardization of expectations related to how business enterprises should operate, exerting pressure on companies to meet accepted norms of behaviour, conduct, transparency, and accountability (Hemphill, 2013). Several debates have arisen regarding international investment practices and their social behaviour in addressing the sustainable development challenge, and the backward and forward linkages spawned on host communities (Conroy, 2006a; Lévy, 2007; Perez-Batres, Miller, & Pisani, 2011), increasing investments uncertainties (Hutton, Cox, Clouse, Gaensbauer, & Banks, 2007).

The definition of sustainable development (SD), introduced in 1987 by the World Commission on Environment and Development (WCED<sup>1</sup>), and its extended notion as the integration, interdependence and reciprocal reinforcement of social and economic development and environmental protection (Perez-Batres et al., 2011), recognized the continuous feedback loop between human actions and the environment, generating a state of constant change and multiples impacts (Hutton et al., 2007). Furthermore, the WCED points out the need for cooperation and coordinated political actions between governments, international organizations, and the private sector to cope with the environmental, social, economic and security challenges generated and to attempt SD (Hutton et al., 2007). Hence, the fundamental leadership role of the private sector and the need for its contribution as a major driver of innovation has been also highlighted (Hutton et al., 2007), considering the availability of financial and organizational resources to produce positive outcomes, and face the global problems in which they are also contributors (Lévy, 2007).

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<sup>1</sup> Our Common Future Report also called the Brundtland Report and "Global agenda for change" defined sustainable development as "meeting the needs of the present without compromising the ability of future generations to meet theirs." (p.41) (WCED, 1987)

Corporations face the challenge to confront the conflicts that arise regarding the stakeholders' perception of the unequal distribution of benefits and at the same time as enhancing a projects success (Hutton et al., 2007). Hence, a contemporary question has been framed: How can the private sector's short and long term actions be balanced in terms of a better distribution of benefits among all stakeholders whilst achieving business and projects success? (Hutton et al., 2007; Perez-Batres et al., 2011). As a response, Carroll stated (1981; Cited in Hutton et al., 2007) that responsible organizations must look for profitability by following policies, acting in ethical ways towards all stakeholders, and being a good corporate citizen (CC<sup>2</sup>) looking for their market reward. Thereby, over the past twenty-five years, organizations have been looking to improve a firms' value and safeguard its self-interest by embracing sustainable development processes and engaging with society's well-being (Burchell & Cook, 2006; Hutton et al., 2007). Thus, whether as per the direct relationship between socially responsible actions and brand-image (Burchell & Cook, 2006; Conroy, 2006a), or for the real commitment to sustainability (Bansal & Desjardine, 2014), corporations have progressively embraced the framework of Corporate Social Responsibility (CSR<sup>3</sup>) as a key to rebranding themselves as socially responsible entities responding to stakeholders' concerns and assuring business competitiveness for ongoing operations and projects (Lévy, 2007).

The trend has increased societal expectations (Tengblad & Ohlsson, 2010), stakeholders such as governments, international organizations, and civil society act as catalysts to promote corporate accountability encouraging policies, good practices' standardization, and certification (Conroy, 2006a, 2006b; Perez-Batres et al., 2011), pushing forward changes in corporate practices worldwide supported by the use of information and communication technologies (Conroy, 2006a). Examples such as Starbucks expenditure on Fair Trade Certified coffee; Nike footwear's outsourced production to Southeast Asia under strict labour standards due to a social activist campaign; the commitment of some of the world's largest mining companies to adopting responsible mining practices as part of the Initiative for Responsible Mining Assurance driven by NGOs and the retail jewellery industry pressures; et

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<sup>2</sup> Corporate Citizen (CC), formerly defined by Carroll (1998) as MNCs that extend beyond profits, comply with law, present ethical behaviour and engage with philanthropy giving back and contributing to their communities and stakeholders being better off (Carroll, 1998). And redefined by Lévy (2007) as MNCs working to implement the Compact's principles or the Organisation for Economic Co-operation and Development (OECD) code of conduct guidelines, such as promoting human rights, environmental protection, eliminating discrimination, and paying sustainable wages to their global work force (Lévy, 2007).

<sup>3</sup> Corporate Social Responsibility generally understood such "the way in which firms integrate social, environmental, and economic concerns into their values, culture, decision making, strategy and operation in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society." (Industry Canada, 2006; cited in Lévy, 2007).

al. can be outlined (Conroy, 2006a). Furthermore, important stakeholders such as the International Monetary Fund (IMF), the World Bank (WB), regional development banks, among others, support associations between governments, multinational companies, and international financial institutions (IFIs) to promote sustainable ways of economic development (Sawyer & Terence Gomez, 2012). Public-private collaboration is seen as means to enhance social well-being by reducing poverty, fostering sustainable economic development whilst protecting the environment (Hopkins, 2009; Lévy, 2007; Perez-Batres et al., 2011). However, despite of some encouraging, normative and/or coercive mechanisms towards the spread of the CSR framework, its adoption remains a corporate decision (Perez-Batres et al., 2011).

Moreover, the relationship between the Project Management (PM) field and business performance has been largely recognised due to the importance of undertaking projects as a means to materializing strategic business goals or objectives (Schwalbe, 2014). Enterprises pursue business' efficiency and effectiveness to be competitive in terms of cost and time reduction, with an excellent level of customer satisfaction and a recognition of increasing profits for shareholders (Garrett, 2008). This process encourages companies to execute projects looking for the availability of economical labour, raw materials and knowledge from all over the world with the financial opportunities to expand business (Power et al., 2006, Manuj and Mentzer, 2008). Thus, PM is a critical component for business' success, underpinning projects whether to improve operations, achieve technological progress, launch new products or to respond adequately to new challenges in the business environment (Pinto, 2013a). In this regard, the PM field has recognised that the success of a project goes beyond the triple constraint management (Pinto, 2013a) and is directly related to the interest and perception across stakeholder groups (Davis, 2014). Hence, the PM field has acknowledged the importance of stakeholder management embracing it as an essential component in either achieving project success (Roeder, 2013b) or hindering its progress (Linton, 2014a). In this regard, the Project Management Institute (PMI) introduced it as a new knowledge area in the PMBOK international standard (PMI, 2013g).

By recognizing Project Management's (PM) strong link with the management of organizations (Vrečko & Lebe, 2013) and its important role in bringing solutions, managing complexities and facing crises (Hauc, Vrečko, & Barilovic, 2011), PM could consolidate a preponderant role in attaining sustainable development (Hauc et al., 2011). In this regard

Vrečko and Lebe (2013) state that a total holistic understanding of the project environment becomes crucial in approaching social responsibility. Accordingly, as per the aforementioned relationships, it could be implied that CSR framework's impact on business rationale and governance also has a direct impact on PM's rationale, its knowledge areas, and project governance. Furthermore, acknowledging the important role of governments, civil society and NGOs as drivers of sustainable corporation practices, the PM field could set CSR as a mean to improving stakeholder management, contributing to SD whilst attaining success. In this regard, further research needs to be performed in describing and understanding said connections and assessing its impacts. Therefore, the main purpose of the thesis will be to analyse the potential impact of CSR framework in order to manage stakeholders' requirements.

Thus, considering that the link between CSR and project management has not being studied extendedly, a wide range of literature is reviewed in the second chapter revising firstly the link between public concerns regarding businesses' economic, social and environmental impacts and the risky environment for private investments that is generated. The socially responsible activities undertaken in businesses' strategy to embrace stakeholders' requirements for SD whilst achieving business success is described subsequently, describing afterwards how companies have encompassed CSR framework at strategic and operational levels and highlighting a gap that could be bridged by including practical Project Management tools to align projects with CSR strategy. After explaining the methodological context in chapter 3, the research proposes a model to embrace the CSR framework at a project level based on ISO-26000 integration considering it is contemporarily issued as a global standard, advocating its usefulness on the alignment of projects objectives with societal well-being whilst attempting project success and contributing to improving firm's value. Furthermore, the framework recognises future generations as project stakeholders, whose requirements for a sustainable development must be comprehensively embraced. As per the role and interest of key stakeholders, such as host communities, governmental representatives, civil organizations and other special interest groups, on the process of sustainable development, the model proposes their involvement at a project governance level, acting as representatives of current and future generations. Thus, three case studies are analysed in the second part of chapter 4 providing material to discuss the accuracy of the proposed model, answer the research question and highlight the positive effects of key

stakeholders involvement in the conclusion. Finally, Chapter 6 takes the baton, and proposes the “road map” that can be taken further.

### **1.1.2. Motivation for this research**

In order to understand the relevance of this topic to attaining Peru’s sustainable development, it is essential to explain Peruvian economic development trend and visualise the MNCs’ crucial role on Peru’s Gross Domestic Product (GDP) growth. Supporters of MNC’s investments on developing countries in different areas such as mining activities have spread the idea about their critical role as connectors between rich and poor economies to transfer capital, technology and knowledge (Gifford, Kestler, & Anand, 2010). In that context, many developing nations have encouraged FDI in order to boost their primary export sector and increase national GDP as a first step to fight poverty and foster other industrial sectors (Lévy, 2007). Nevertheless, social and political conditions in developing nations can be less sophisticated and lacking maturity (Gifford et al., 2010). The weakness of public institutions capabilities, lack of transparency, inefficiency, lack of government protection and corruption curtail development (Gifford et al., 2010; Triscritti, 2013). In several cases these small economies have struggled with the free-trade economic model and concessions conceded to MNCs, undermined tradable sectors such as manufacturing and jeopardized their development (Lévy, 2007; Morris, Kaplinsky, & Kaplan, 2012).

Peru has followed the pathway of embracing the free-market economy model since the 1990s, encouraging FDI to foster economic development (Congress, 1993a). Whether as per Peru’s history as the largest mineral producer in Latin America (Baten, Pelger, & Twrdek, 2009) or the mining sector’s key role as a provider of foreign exchange and tax revenue (Congress, 1993b); since the 1980s national governments have based Peru’s economic growth model on extractive activities (Triscritti, 2013). However, mining activities in Peru started with several gaps regarding environmental and social management and they have been accused of affecting communities’ rights curtailing their access to natural resources, specially water (Baca, Quiñones, & Ávila, 2007). Peru’s background of social-economic disparities, and unstable political regimes (Baten et al., 2009), and a clear government objective to prioritise mining investments regardless of their negative impact on local communities, such as Majaz mining project development, has increased general public distrust (Baca et al., 2007).

Local and regional communities perceive government as a biased mediator backing MNCs' interests (Arellano, 2008; Triscritti, 2013), the role of the Ministry of Energy and Mines (MINEM) as the mining activities promoter, claims and concessions approver, and regulator of mining Environmental Impact Assessments (EIAs), was questioned, claiming conflicts of interest and lack of transparency (Arellano, 2008). Conflicts with MNCs were stimulated affecting communities' livelihood at regional and national levels, halting mining operations and paralysing projects (Arellano, 2008; Bebbington & Bury, 2009; Bloch & Owusu, 2012; Muradian, Martinez-Alier, & Correa, 2003; Urteaga-Crovetto, 2012). Social and political organizations and NGOs, at national and international levels, advocate for consultation processes regarding mining activities encouraging local communities' participation in considering SD principles (Triscritti, 2013). Governmental internal changes and the application of specific regulations have attempted to promote welfare, social development and improve the quality of life of the communities located next to mining activities and settlements, aiming to reconcile private mining investments with communities (WGC, 2012). Private corporations have also taken forward strategies, however, communities remain partially opposed (Triscritti, 2013), and the Conga Project is a clear example. The open-pit gold mine project located in Cajamarca, whose Environmental Impact Assessment (EIA) was approved by Peruvian representatives in 2010 (Newmont, 2013a), was eventually postponed due to community opposition (Triscritti, 2013), despite the company's commitment to relocate a local lake and double its capacity on the community's behalf (Hutton et al., 2007). With the aforementioned events occurring in Peru, the formerly asked question emerges again: How can short and long term actions of MNCs' be balanced in terms of a better distribution of benefits among all stakeholders whilst achieving business and project success? (Hutton et al., 2007; Perez-Batres et al., 2011). Could CSR framework bring support to the challenge of stakeholder management involvement whilst contributing to the sustainable development of Latin American nations such Peru?

Finally, Peru's social, environmental and economic conditions and my twelve years work experience in rural and urban areas in Peru have underpinned my involvement with volunteering and civil organizations, encouraging me to contribute to its development in attaining sustainable solutions to local and global challenges. My professional background in civil and sanitary engineering, relates to my work experience with water and sewerage infrastructure project management financed by governmental and private funds. Even though, said projects were conceived as a means to improve communities' quality of life, the

application of PM tools were focused on triple constraint management as project success measurement. My involvement in projects financed by international NGOs was a turning point on my PM perspective, due to the crucial use of different social indicators, such as local unskilled labour hiring, gender equality, behavioural changes, among others, as project success factors underpinned my interest in stakeholder management. The latter experience in rural and indigenous communities executing projects financed by public-private funds in a complex and risky environment, with high and contested stakeholder expectations, reinforced my interest in the topic of CSR, looking for a connection between CSR framework, stakeholder management and SD as a mean to contributing to the management of private investments in resource extraction projects in Peru.

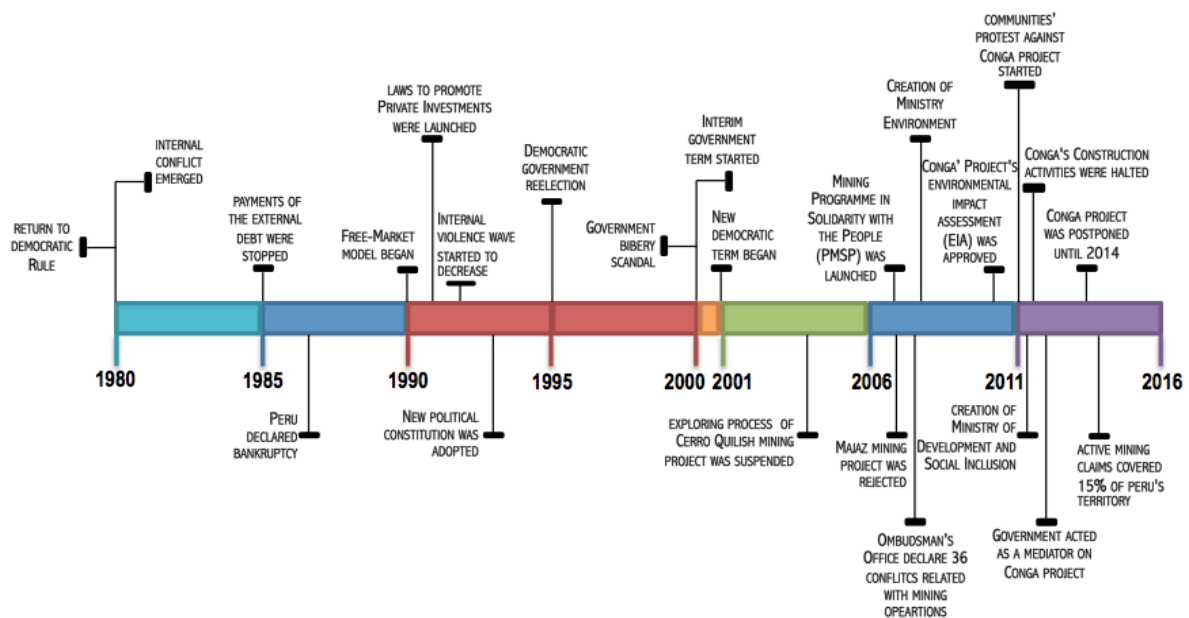


Figure 1: Peru's representative events timeline, 1980-2014 period.

## 1.2. Research Questions

The purpose of this thesis will be to investigate the CSR framework and its association with project stakeholders' requirements, in order to recognise its impact in their management. In this regard the following research questions can be formulated. These include:

Ordinate Research Question:

**What is the impact of the Corporate Social Responsibility framework on managing Project Stakeholders' requirements?**



Subordinated Research Question 1:

How deeply has the Corporate Social Responsibility framework been embraced on the project management field?

Subordinated Research Question 2:

How does the Corporate Social Responsibility framework affect projects, the management of project stakeholders' and the management of its requirements?

Subordinated Research Question 3:

How can the CSR framework be embraced in order to benefit the management of stakeholders' requirements?

### **1.3. Summary and Introduction to forthcoming Chapter**

The present chapter provides a brief description of the purpose of the thesis, and the motivation to address a contemporary topic such as the embracement of Corporate Social Responsibility in the business environment, outlining the research question and the thesis structure in order to understand the research approach.

In this regard, the review is organized in five sections, describing first the drivers of the spread of CSR, describing secondly its embracement in the business environment, and linking the concept with the project management field in the subsequent section. Moreover, due to the potential relevance of corporate governance in the CSR embracement process, the fourth section explains its connection with project governance. In the final section of the literature review the concept and classification of project stakeholders are described, in order to identify the potential impact of the embracement of the CSR framework, regarding project stakeholders' requirements in the light of the social, economic and environmental concerns and the concept of sustainable development whilst attempting project success.

## **Chapter 2: Literature Review**

The objective of this chapter is to synthesize the literature review that bringing insights related to the Corporate Social Responsibility framework and its implications on the business environment and hence on the Project Management field. The first section aims to describe CSR drivers considering that its origin is related to the recognition of global challenges and the endorsement of the concept of sustainable development in the 1980s. Thus, in the following section we explain the different internal business perspectives to cope with global concerns, linking them in the third section to the project management field. Due to the potential relevance of corporate governance in the embracement of the CSR framework process, we have recognized in the fourth section its link with project governance. Moreover, we have identified in the fifth section the different concepts and types of project stakeholders in order to recognise the possible gaps in its definition. Finally, the following section discusses the findings starting to address the research questions and provides the context for the selection of methodology, the theoretical modelling and case study collection.

### **2.1. Drivers of Businesses' social practices**

#### **2.1.1. Globalization and the Private Sector**

Globalization's definition, history, role and effects are uneven and contested and alike the discussion about the forces driving it (El-Ojeili & Hayden, 2006; Held & McGrew, 1999c; Rowley, Mukherjee Saha, & Ang, 2012; Zolo, 2010b). Nevertheless, Zolo (2010) argues that the term, contemporarily framed since the 1970s, refers to a social process driven by the technological progress of transport and communication systems. Thus, globalization could be drawn as "the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life" (Held & McGrew, 1999, p. 2), affecting in that way, every economic, organizational, political, cultural, and environmental dimension of human interactions (Held & McGrew, 1999a; Zolo, 2010b).

Even though, there are different opinions around the future of globalization (Gereffi, 2011; Hirst & Thompson, 2011; Naím, 2009) and its multiple interwoven effects (Perraton, 2011; Sutcliffe & Glyn, 2011), our focus of interest will be the ones related to businesses practices and their link to the sustainability trend. In this regard, it is important to highlight three

processes within contemporary globalization<sup>4</sup> that affect the economy and forms of governance, and that have extended almost globally: (1) the integration of financial and currency markets; (2) the integration of production, trade, and capital formation internationally and (3) the materialization of global governance that contributes partially to the regulation of national policies on economic, social and environmental domains (Zhu & Fahey, 2000). These three processes have generated a high level of integration, interdependence, and openness of national economies (Hirst & Thompson, 1999a; Zolo, 2010c). The erosion of barriers for trade enhances the flow of goods and services<sup>5</sup>, increases mobility and connectedness of capital, transforms governance mechanisms,<sup>6</sup> and among other outcomes, has transformed the structure of the international economy (El-Ojeili & Hayden, 2006; Held & McGrew, 1999b, 1999d; Hirst & Thompson, 1999a; Iyall Smith, 2013; Zolo, 2010c), affecting the generation of products and the international organization of business (Perraton, 2011).

Accordingly, the market model and the actors<sup>7</sup> involved in the economy have evolved; both are affected by and contribute to the globalization process in a constant changing feedback loop, contributing to the multiple political, social, environmental and cultural changes (Borgia, 2010; Ekberg & Lange, 2014; Iyall Smith, 2013). In this context, private and public activities have evolved up to the point of affecting the international economy at different levels in several ways (Borgia, 2010; Hill, 2009a). The rapid diffusion of information supports the process by accelerating and strengthening the interconnection between national governments, international organizations, the private sector and civil society and generating structural changes among them (Iyall Smith, 2013; Lévy, 2007). Thus, for the private sector, the new technology has fostered competitiveness by reducing cost (Wigand, Picot, & Reichwald, 1998) and underpinning innovation (Duening & Click, 2005), accelerating market changes and modifying organizations' structures (Bass & Bass, 2008; Fryzel, 2011). Further, globalization has pushed forward competitiveness (Morris et al., 2012), turning it international (Gereffi, 2011) impacting directly in the way in which businesses are made

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<sup>4</sup> Contemporary globalization refers to the more recent globalization development that encompasses the third wave of globalization boosted since mid 1980s (Lévy, 2007).

<sup>5</sup> Goods and services includes materials, information (knowledge), environmental pollution and people (Rowley et al., 2012; Zolo, 2010a).

<sup>6</sup> Governance mechanisms for international economy understood as the "processes that support economic activity and economic transactions by protecting property rights, enforcing contracts and taking collective action to provide appropriate physical and organizational infrastructure". It includes international monetary system, exchange rate regimes, and institutional and legal arrangements involved (Borgia, 2010; Hirst & Thompson, 1999a):

<sup>7</sup> Actors in the economic system: recognise as individuals or organizations, participants on economy (individuals, corporations, non-governmental organizations, international institutions, among others) (Borgia, 2010; Iyall Smith, 2013).

(Dunning, 2006) and how companies operate (Fryzel, 2011). The increase in international trading has increased foreign direct investments (FDI<sup>8</sup>) and spread multinational corporations (MNCs<sup>9</sup>) across boundaries to find resources and extend markets (El-Ojeili & Hayden, 2006; Iyall Smith, 2013; Lévy, 2007). Due to the availability of economical labour, raw materials and knowledge, corporations have extended global value chains (GVC<sup>10</sup>) to serve local and new markets and to establish supply chains creating a new competitiveness dynamic (Lévy, 2007; Manuj & Mentzer, 2008; Power, Desouza, & Bonifazi, 2006). MNCs adapt their operations into the host environments (Lévy, 2007) and affect also local small and medium-sized companies (SMCs), whom act as suppliers and local competitors, obtaining benefits from technology, innovation and the accessibility of knowledge (Rugman & Collison, 2012).

National governments are also affected by private sector intervention, their opportunity to prosper relies on taking part in the global economy (Gereffi & Lee, 2012). Levi (2007) highlights an overlapping between private interest and governmental objectives in terms of development. The foreign capital exerts power over national economic decisions, influencing regulations in social and environmental sectors creating a 'favourable' environment for investments (Hill, 2009b; Zhu & Fahey, 2000) or blocking them (Hill, 2009b). Therefore, global competition affects a nations' economy growth, labour markets, incomes rates, policies issued (Perraton, 2011), capital sources and technology (Newburry & Liberman, 2013). Thus, corporations prolong their influence within the communities contributing to nations' development (Benn & Bolton, 2011b). As an example, manufacturing companies have moved regionally and overseas by the combined processes of outsourcing<sup>11</sup> and offshoring<sup>12</sup> searching for lower cost and higher profitability (Gereffi, 2011). The process has underpinned the economic growth of China, India and other emerging economies, increasing revenues for enterprises, but also concerns about their economic, social and environmental impact within host communities (Gereffi, 2011; Lévy, 2007).

Consequently, the role and nature of the private sector as an agent of economy that conducts the production activities, has changed under the forces of globalization (Ertuna & Ertuna,

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<sup>8</sup> Foreign Direct Investments (FDI), type of international capital flow where the ownership of or investment in overseas enterprises in which the investor plays a direct managerial role (Held & McGrew, 1999d, p.191).

<sup>9</sup> Multinational Corporations (MNCs), also called Multinational Companies and Multinational Enterprises (MNE) with some different connotations (Held & McGrew, 1999d; Hirst & Thompson, 1999b; Lévy, 2007), will be considered as equivalents in terms of our area of study.

<sup>10</sup> GVC refers to the "value creation and value capture across the full range of possible chain activities and end products (goods and services)" (Gereffi, 2011).

<sup>11</sup> Outsourcing defined as the relocation of internal business processes to an external service provider (Duening & Click, 2005).

<sup>12</sup> Offshoring known as the relocation of business functions overseas (Duening & Click, 2005).

2009), facing higher social expectations related to its contribution to sustaining the host environment in which it operates and to improve the well being of hosting communities (Fryzel, 2011). Furthermore, social activism, aroused between the 1960s and 1970s has led the concerns about unethical and irresponsible business and business practices around the world (Cochran, 2007), driving early changes in companies' practices in order to respond to ethical obligations (Frederick, 1978; cited in Cochran, 2007).

### **2.1.2. Globalization and Sustainability**

The increased concerns were embraced by the General Assembly of United Nations by 1983, who focused primarily on environmental issues and recognised posteriorly the interdependency of the environment's integrity with economic development and social justice (Hutton et al., 2007). In this regard, the World Commission on Environment and Development (WCED<sup>13</sup>) introduced by 1987 the concept of sustainable development as "meeting the needs of the present (generation) without compromising the ability of future generations to meet theirs" (p.41) with a systemic world perspective (Bansal & Desjardine, 2014). Furthermore, the commission's statement recognises the need for coordinated political actions and cooperation between governments, international organizations, and the private sector to face environmental, social, economic and security challenges (Hutton et al., 2007). In the wake of the report the international business environment launched the Business Council for Sustainable Development in 1990, becoming posteriorly a worldwide representation (WBCSD<sup>14</sup>), releasing its first declaration drawing the business point of view of sustainable development (Timberlake, 2003).

In 1992 the concept of sustainable development (SD) started to spread globally with the Earth Summit of United Nations Conference on Environment and Development (UNCED) (Hilson & Murck, 2000) creating the Commission on Sustainable Development (CSD) (Drexhage & Murphy, 2010) and introducing 'The Global Action Plan for Sustainability<sup>15</sup>' (Benn & Bolton, 2011b; Hilson & Murck, 2000). Furthermore, the concept of SD has been reinforced and amplified by the Millennium Development Goals (MDGs<sup>16</sup>) (Drexhage &

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<sup>13</sup> Our Common Future Report also called the Brundtland Report and "Global agenda for change" (WCED, 1987)

<sup>14</sup> Business Council for Sustainable Development (BCSD) merged in 1995 with the World Industry Council on the Environment (WICE) (part of the International Chamber of Commerce-ICC) and named World Business Council for Sustainable Development (WBCSD).

<sup>15</sup> The Global Action Plan for Sustainability known as Agenda 21 issued by UNCED.

<sup>16</sup> The Millennium Development Goals (MDGs) issued at the United Nations Millennium Declaration in 2000 includes the

Murphy, 2010) and by the United Nations General Assembly (2005), extending it as the integration of its three interdependent and reciprocally reinforcing pillars, namely social and economic development and environmental protection (Fig. 2) (Perez-Batres et al., 2011). Therefore, the interdependence between the aforementioned components was recognized as part of a continuous feedback loop between human actions and the environment, generating a constantly changing state (Hutton et al., 2007). In that sense, Biaye (2010, cited in Rowley et al. 2012) recognises the three pillars as constraints and identifies SD as a means to reconcile them by contributing to the development; equitably, by sharing with the citizenry the economic resources; viably, by complying with the environmental needs; and bearably, by making it socially and humanly acceptable.

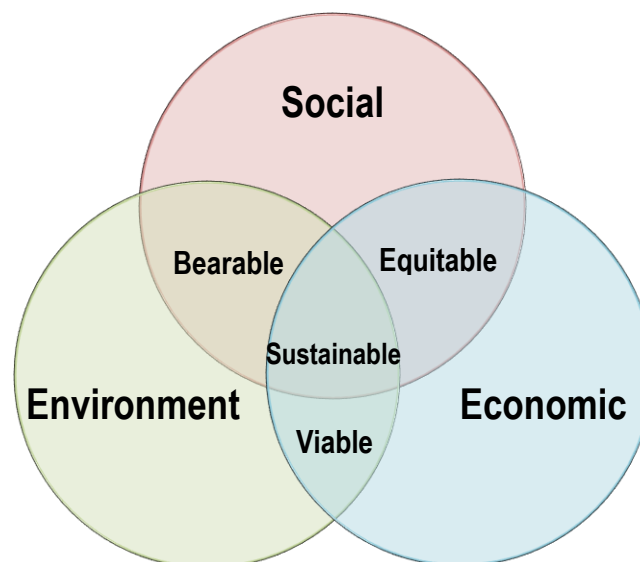


Figure 2: Sustainability as the reconciliation of the three pillars (WCED's definition). Taken from Sitnikov (2013, p. 2358).

In summary, the globalization process, formerly explained, has encouraged changes among the social actors involved in the economy, generating new ideas, motives, and conducts that support a re-evaluation of the means and ends of development (Dunning, 2006), and since the Brundtland report there has been a widespread endorsement of the concept of SD among international institutions, governments, business and civil society (Drexhage & Murphy, 2010). Thus, recognition of potential risks and intolerable burdens for actual and future generations have made SD a prerequisite for the survival of individuals and organizations

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UN associated countries' commitment to reach eight MDGs by 2015 in terms of energy, development, environment (which were contained in the Brundtland report), food, security, climate change, the global economy crises and poverty (Drexhage & Murphy, 2010; UN, 2010).

(Hopwood, Unerman, & Fries, 2010). Therefore, international organizations such as the World Bank <sup>17</sup> (WB), International Monetary Fund <sup>18</sup> (IMF), and the World Trade Organization <sup>19</sup> (WTO) have integrated the concept into their operations and governing mandate; national governments have endorsed it through the adoption of MDGs and issuing SD's strategies, several voluntary private initiatives have been conducted <sup>20</sup>, major international Non-Governmental Organizations (NGOs) have increased their involvement with sustainable principles and local NGOs have bolstered the sustainable development cause (Drexhage & Murphy, 2010). The Agenda 21 highlights the unwavering link between the way businesses are executed and the role of governments, whom are in charge of planning, developing and maintaining sustainable infrastructures and supporting business initiatives (Benn & Bolton, 2011b). In this regard, there is a common understanding that public-private collaboration could enhance social well-being by reducing poverty, fostering sustainable economic development, and protecting the environment (Hopkins, 2009; Lévy, 2007; Perez-Batres et al., 2011). Consequently, SD has since become a worldwide focus in tackling the emerging global problems, and as way to operationalize the concept, several management guidelines, policy frameworks, and set of indicators have been issued for business and governmental applications (Fig 3.) (Hilson & Murck, 2000).

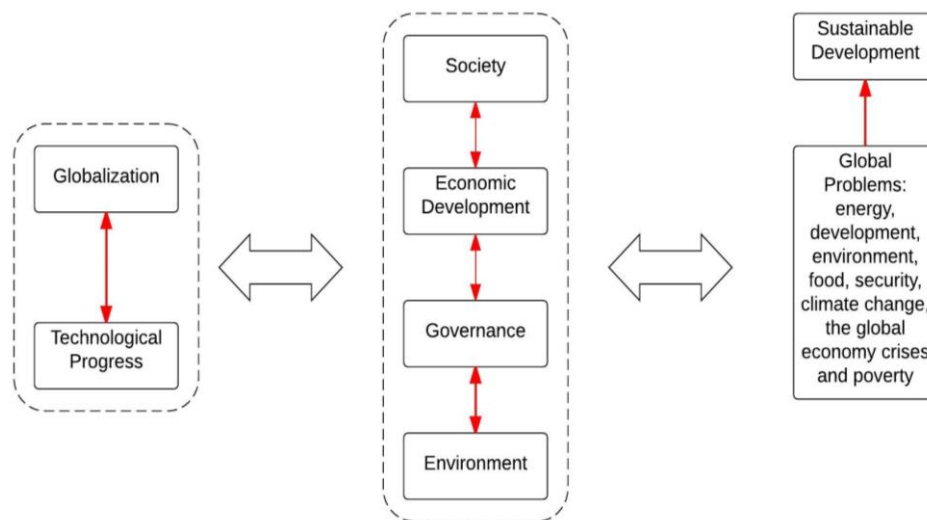


Figure 3: Drivers of the concept of sustainable development.

<sup>17</sup> The WB presents a commitment for an inclusive and sustainable globalization aiming at poverty reduction (WB, 2014).

<sup>18</sup> The IMF with a commitment to sustainable economic growth and poverty reduction (IMF, 2014).

<sup>19</sup> The WTO declared principles pursue the opening of national markets to international trade to encourage and contribute to sustainable development, improve people's welfare, poverty reduction, and foster peace and stability (WTO, 2014).

<sup>20</sup> The private initiatives include the WBCSD, Global Compact (developed by Organisation for Economic Co-operation and Development-OECD (Lévy, 2007)), Equator Principles, Global Reporting Initiative, Extractive Industries Transparency Initiative, Caux Roundtable Principles for Business, CERES principles, The Globally Responsible Leadership Initiative, among others (Benn & Bolton, 2011b; Drexhage & Murphy, 2010).

## 2.2. Coping with Sustainable Development from a Corporate Perspective

Thus, the social role of the economic activities for SD have been recognized, in a way that those activities must be undertaken weighing and balancing the positives impacts at economic and social levels against the negative social and environmental effects (Fig. 4) (Hopwood et al., 2010). Corporations are considered in this stage not only as the economy's agent (Ertuna & Ertuna, 2009) but also as social agents of change carrying out initiatives to cope with global challenges (Aguilera, Rupp, Williams, & Ganapathi, 2007). Thus its role already highlighted in the Global Agenda for Change Report as a fundamental leader and major driver of innovation in all areas of development (Hutton et al., 2007), was extended later by the Agenda 21, to cleaner production and responsible entrepreneurship (Benn & Bolton, 2011b). Environmental accountability and the positive effects on people within and outside the organization are the main topics which must be integrated as part of businesses' core strategies and practices (Maon, Lindgreen, & Swaen, 2008), to keep making profits (Cramer, Heijden, & Jonkern, 2006). In this context, there is an increasing pressure to include social aims, questioning the traditional model of doing business and fostering a evolution on businesses' core activities, focusing on generating economic value whilst contributing to the wellbeing of the society (Fryzel, 2011).

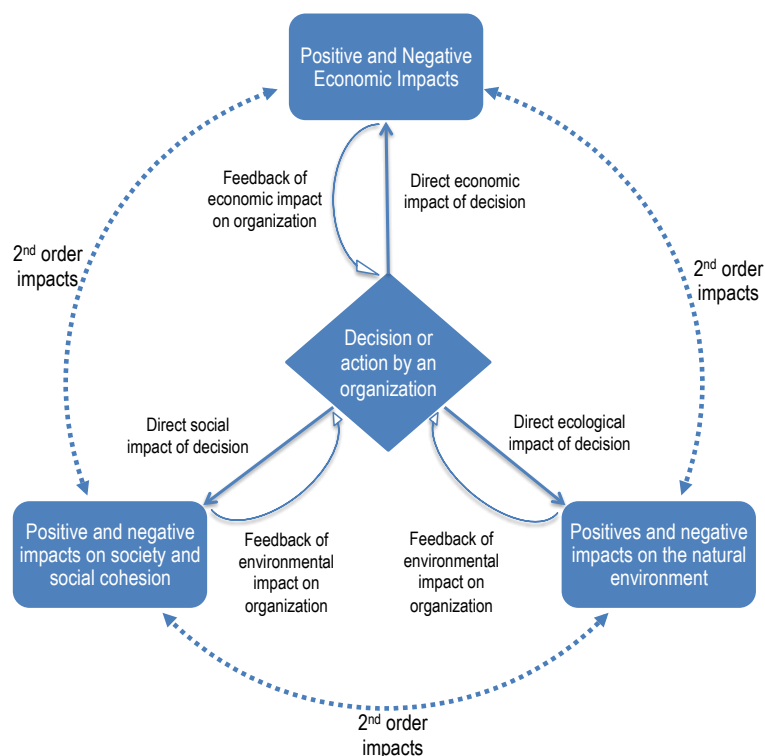


Figure 4: Interconnection between organizational decisions and the pillars of sustainability. Taken from Hopwood et al. (2010, p. 4).



Due to the holistic nature of the concept of SD, it is important to recognise organizations as highly depend entities supported by others whom are also interconnected in networks of organizations; thus organizations' will can not be imposed independently over a long term (Boutilier, 2009b). In that way, companies face different stakeholder demands across countries (Newburry & Liberman, 2013), with great expectations on key business stakeholders such as governments, local communities, civil society, and non-governmental organizations (NGOs) (Hutton et al., 2007), socially responsible investors (Aslaksen and Synnestevedt, 2003; cited in Maon et al., 2008), union federations (Egels-Zandén and Hyllman, 2006; cited in Maon et al., 2008), among others, increasing investment uncertainties (Hutton et al., 2007). Thus, corporations have responded by modifying their organizational structure and operations adjusting to a changing global market and facing new social perspectives, now concerned about emerging global problems and the liability to cope with them (Fryzel, 2011). Several discussions regarding international investment practices and social behaviour addressing the problem of sustainable development have been raised (Lévy, 2007), looking at “making globalization fair” by addressing poverty through good governance<sup>21</sup> (Stiglitz & Charlton, 2005 in Lévy, 2007).

### **2.3. Corporate Social Responsibility (CSR)**

Corporate Social Responsibility is a concept that has been framed and has evolved since the 1950s (Benn & Bolton, 2011d; Falck & Heblich, 2007; Kang, Lee, & Huh, 2010; Tengblad & Ohlsson, 2010). Carroll stated in 1981 (Cited in Hutton et al., 2007), that responsible organizations must look for profitability by obeying policies, acting in ethical ways towards all stakeholders, and being a good corporate citizen (CC<sup>22</sup>) looking for their market reward. Thus, CSR could be also described as a sort of value or management approach aiming to bring business sustainability, leading the organization to engage in responsible activities within its environment (Büchner, 2012). Furthermore, based on several studies from 1995 up to 2008, Kang et al. (2010) claim a broader notion of CSR, by which the activities undertaken by organizations contribute to societies' welfare going beyond their self-interest and becoming good citizens. However, the concept has grown, becoming complex and multifaceted (Cochran, 2007).

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<sup>21</sup> Good governance seen as the system that rules an entity based on transparency, rule of law, participation, responsiveness and equity (Aras & Crowther, 2009)

<sup>22</sup> Ibid [2].

By analysing 37 definitions of CSR, framed between 1989 and 2003, Dahlsrud (2006) recognized five (5) different dimensions the concept of CSR concept namely social, environmental, economic, stakeholder, and voluntariness. In this context, CSR has been typically defined in terms of the greater responsiveness of companies to societal and stakeholder concerns; integrating in business operations social and environmental considerations; going beyond philanthropy and standards embodied in law by voluntariness; and ‘doing no harm’(Utting & Marques, 2010). However, the concept has gradually broadened integrating issues related to social and environmental responsibility (Benn & Bolton, 2011d), as shown in the definition from Industry Canada (2006; cited in Lévy, 2007) which recognises CSR “to be the way in which firms integrate social, environmental, and economic concerns into their values, culture, decision making, strategy and operation in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society”, or in the Dutch Social and Economic Council’s (SER) definition of CSR as an endeavour to “consciously orient business activities towards value creation in three dimensions – Profit, People, Planet – and in this way towards the contribution to societal welfare in the long run and maintain a relationship with the diverse stakeholders on the basis of transparency and dialogue, thereby answering justifiable questions from society” (Cramer et al., 2006).

Furthermore, Hopkins’ definition states that (2005, p. 214) “CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation”, and it incorporates several important concepts: stakeholders’ roles, their needs/interests, the enterprises’ ethical behaviour, standards of living, and profitability (Craddock, 2013). Thus there is a recognition of the importance of enterprises’ economic performance (CEP) with major responsibilities over a range of stakeholders, trying to balance the achievement of economic results, stakeholders expectations, and responsibility towards society (Ghobadian, Galleason, & Hopkins, 2007). Finally, Green (2012, p. 34; cited in Craddock, 2013) presents the definition of CSR as: “The continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workplace as well as the local community and society at large; a company’s obligation to be accountable to all of its stakeholders in all of its operations and activities (including financial stakeholders as well as

suppliers, customers, and employees) with the aim of achieving sustainable development not only in the economic dimension but also in the social and environmental dimensions”. Taking into account both of the last definitions, Craddock (2013) highlights an ethical obligation self-imposed by organizations in order to balance and meet economic, social, and environmental stakeholders’ expectations in terms of sustainable development (Craddock, 2013).

Regardless of the definition of CSR, a positive connection between globalization and the spread of CSR can be underlined, underpinned by consumers’ activism, and with brand reputation becoming more ethically oriented rather than a political requirement (Tengblad & Ohlsson, 2010). The CSR’s new perspective was influenced by the launch of the UN’s Global Compact Initiative in 2000 (Gjølberg, 2009; Tengblad & Ohlsson, 2010) and the discussion about the role of business in a globalized world, this was followed by the formulation of different codes of conduct for enterprises (OECD Guidelines for Multinational Enterprises, the EU guidelines for CSR and some companies’ specific codes) (Tengblad & Ohlsson, 2010). Therefore, firms are required by stakeholders to undertake more social programs facing the global challenges that will lead companies to improve their financial performance (Husted & Allen, 2007). However, the problems of underdevelopment are multiple, usually measured as business risk, and probably related to the host country’s socio-political issues, it is expected that the application of CSR’s framework by corporations might help to address them (Hopkins, 2009). Furthermore, organizations must identify which is the set of important societal issues that they must attend to, and its priorities in addressing them (Maon et al., 2008). Thus, an extended idea behind CSR is the need of partnerships between governments, the private sector and civil society (Büchner, 2012).

The European Union (2012; cited in Büchner, 2012) recognise that CSR is not about fulfilling legal expectations and it must be: (1) a holistic concept of corporate governance (economic, ecological, and social), (2) voluntary, (3) where the best practice approach prevails, and in this underlines the internal and external dimensions of CSR:

Internal dimensions include:

- Occupational health and safety
- Working conditions

- HR development, basic and advanced training, age management
- Work-life balance
- Internal communication and the quality of the social dialogue
- Corporate environmental protection
- Risk management
- Corporate visions and values

External dimensions include:

- Global environmental protection
- Respect for human rights
- Compliance with international guidelines
- Fair trade initiatives
- Social commitment

Additionally, Büchner (2012) highlights as a part of corporate social responsibility:

- Fair treatment to employees, supporting them and admit their participation
- Preservation and efficient use of natural resources
- Social and ecological alignment of production processes in their value chain
- Compliance to labour standards and human rights respectful
- Contribution to the common good
- Investment in education and training
- Promotion of cultural diversity and tolerance
- Fair competition
- Corruption prevention
- Transparent corporate governance
- Respect to consumers' rights and interests

### **2.3.1. Why embrace CSR?**

Governments, NGOs, employees, society, among other actors place pressure on companies to contribute to social changes (Fig. 5) (Aguilera et al., 2007). In this regard, a dominant research stream on business practices supports a self-regulatory philosophy of CSR arguing

that motivation due to public reporting, in which its content and how the information is presented affect the interpretation of readers, could impact companies' images and the relationships with their stakeholders (Tengblad & Ohlsson, 2010). Hence, corporations would progressively embrace CSR as a key to rebranding themselves as social responsible entities responding to stakeholders' concerns and assuring business competitiveness for ongoing operations and projects (Lévy, 2007). However, despite some encouraging, normative and/or coercive mechanisms tending toward the spread of the CSR framework, its adoption remains as a corporate decision (Perez-Batres et al., 2011). Therefore, is important to highlight that the adoption CSR is related to the economic impact on companies activities (Kang et al., 2010). Furthermore, Aguilera et al. (2007) state the existence of significance evidence to establish a positive relation between companies' financial performance, social corporate performance (CSP) and environmental performance (CEP). However, others authors claim that the information available is not conclusive (Garay & Font, 2012; Husted & Allen, 2007). Thus, three different streams of thoughts can be outlined; the first claims a negative impact due to the engagement of resources in activities that are not designed exclusively to increase owners' profits and wealth; a second states firm value<sup>23</sup> improvement in a long-term view due to a broader scope on companies' decision-making processes and other activities by including other stakeholders' interests, while a third wave argues a non-specific relationship due to the existence of several factors related to a company's economic performance (Husted & Allen, 2007; Kang et al., 2010).

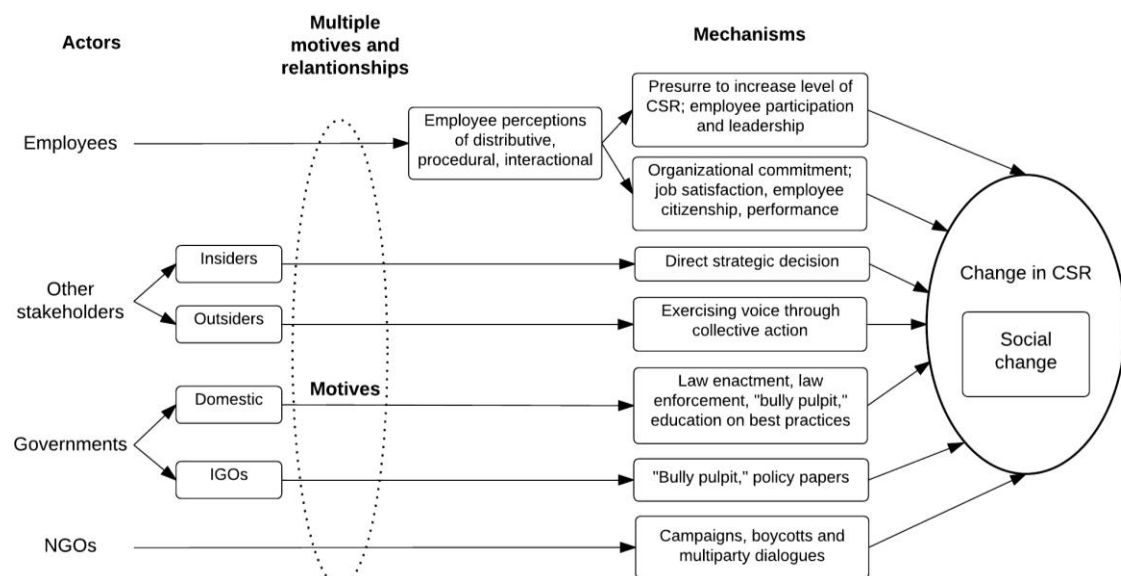


Figure 5: Actors' mechanisms to influence social change. Taken from Aguilera et al. (2007, p. 841).

<sup>23</sup> (1) Direct cost saving, (2) Improvement of firm reputation, and (3) preventing future regulatory actions that might signify major costs on the firm (Bird, Hall, Momente & Reggiani, 2007; cited in Kang et al. 2010)

However, motivations to act socially responsible could vary, considering CSR as an instrument: (1) to achieve good performance, (2) to comply with stakeholders' norms and regulations, and (3) to generate a real positive impact - self-motivation (Maignan & Ralston, 2002). For Büchner (2012) three types of CSR are currently applied: (1) driven by intrinsic economic interests, (2) as part of risk management, and (3) its implementation following a trend or fashion. Porter and Kramer (2006, cited in Dias Angelo et al., 2012) state two types of CSR (1) strategic, in which companies adopt it *to go beyond the best practices and differentiate themselves from the competitors* and (2) responsibility, where companies approach CSR *to improve their relationship with stakeholders*. Matten and Moon (2005, 2008; cited in Tengblad & Ohlsson, 2010) distinguished two CSR approaches: (1) implicit CSR referring to companies' compliance with regulatory frameworks and (2) explicit CSR indicating the pro-active behaviour of companies, and in this way the CSR approaches can be undertaken indistinctly on a individualist<sup>24</sup> or communitarian<sup>25</sup> business system. Aguilera et al. (2007) state four motives to embrace CSR that are linked with different interests that could be presented: (1) instrumental/performance-related, (2) relational, (3) moral/legitimation and (4) interaction-linked (Table 1), while Tengblad and Ohlsson (2010) add the internationalization of business as a dimension to the Matten and Moon approaches (2005, 2008), as a means to recognise CSR adoption in a business context within national and global dimensions aiming to construct global reputations for companies that could vary, regarding the relationship with stakeholders and the progress on facing the global challenges (Tengblad & Ohlsson, 2010).

Table 1: CSR motives at multiple levels of analysis. Taken from Aguilera et al. (2007, p. 837).

Strategic Dimensions	Levels				
	Individual	Organizational	National	Transnational	
				Intergovernmental Entities	Corporate Interest Groups and NGOs
Instrumental	Need for control	Shareholder interest (short-term)	Competitiveness	Competitiveness	Power (obtain scarce resources)
Relational	Need for belongingness	Stakeholder interest Legitimation/collective identity (long-term)	Social cohesion	Social cohesion	Interest alignment, collaboration, and quasi regulation
Moral	Need for meaningful existence	Stewardship interests Higher-order values	Collective responsibility	Collective responsibility	Altruism
Interactions	Upward hierarchical	Insider downward hierarchical Outsider upward hierarchical	Compensatory	Compensatory	Multiplicative

<sup>24</sup> Individualistic business system, where the actors (employees, firms and sector associations), safeguard their individual autonomy through loose interfaces, striving for self-reliance (Tengblad & Ohlsson, 2010).

<sup>25</sup> Communitarian business system, where actors become an interconnected community by sharing tight interfaces, and there exists close and stable relationships among interdependent actors (Tengblad & Ohlsson, 2010).

Nevertheless, the key factor regarding CSR is to understand that it is a socially constructed concept within a specific context, and accordingly, appropriate business strategies have to be developed (Dahlsrud, 2006). Hence, companies could pursue CSR practices due to a combination of motives (Ntim & Soobaroyen, 2013), and in this regard, Maignan and Ralston (2002) state that organizations must independently develop their own CSR perspective, considering that there is no equal interest in being perceived as socially responsible, their motivation could vary and in that course firms will address different sets of principles, processes, stakeholders and issues to prioritize (Maignan & Ralston, 2002). The understanding and development of CSR within an organization would be formed in a feedback process by executing activities and reflecting upon their contribution this will gradually embed the people outside the company and the context in which the company performs, setting up their own definition of CSR with emotional, functional or practical value in terms of positioning it in their organisational structure and reflecting it in their norms and values (Cramer et al., 2006). Tengblad and Ohlsson (2010) reinforce the contextualization of CSR and state that there is no one universal approach it is usually framed by the context in which is applied, considering the existence of great variations regarding conditions and expectations among host communities (Tengblad & Ohlsson, 2010). As an example, Garay and Font (2012) and Kang et al. (2010) bring different perspectives in the case of the hospitality business where the application of CSR varies in the motivation and the results obtained for different business involved in the industry. Husted and Allen (2007) draw similar conclusions in the case of Spanish companies, for whom the context affected the CSR management.

Regarding different contexts, several benefits of CSR adoption can be highlighted: license to operate, risk reduction, crisis management improvement, establishment of good relationships with society, (Colmer, 2003 cited in Dias Angelo, Liboni Amui, Ferreira Caldana, & Chiappetta Jabbour, 2012), greater commitment of the employees, increasing companies' ability to attract, motivate and retain them, good relationships with government (Colmer, 2003 cited in Cochran, 2007; Dias Angelo et al., 2012), attraction of potential investors (Alniacik, Alniacik, & Genc, 2011), improvement of customer experience, creation of new business opportunities (Cochran, 2007), market expansion (innovative proposals for the poorest people - BoP<sup>26</sup>) (Benn & Bolton, 2011a), and improvement in competitive advantage

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<sup>26</sup> BoP refers to businesses for people in developing countries living with less than US\$2 per day (Benn & Bolton, 2011a)

(Dias Angelo et al., 2012). In terms of a relational motive, CSR could improve the legitimacy for the firm (Handelman and Arnold, 1999; cited in Maignan & Ralston, 2002), and could be used as managerial tool to get positive feedback from stakeholders, influencing their perceptions about firms' CSR activities (Brown & Dacin, 1997 and Sen & Bhattacharya, 2001; cited in Maignan & Ralston, 2002). Nevertheless, when a real interest in adopting responsible actions exists, CSR principles need to be considered as components of a firm's identity (Maignan & Ralston, 2002).

### **2.3.2. CSR as a Strategy**

As per the embracement of the social good beyond the interests of the firm there is a clear division between business market activities and social activities (non-market) that the company must undertake (Husted & Allen, 2007). In that matter, short and long terms actions need to be balanced in terms of a better distribution of benefits among all stakeholders whilst achieving business and project success (Hutton et al., 2007; Perez-Batres et al., 2011). Thus, considering that a strategy is the mean to achieve better competitive positions by matching organization's capabilities with the changing market environments (Varella & Jugdev, 2008), Burke and Logsdon (1996) argue that CSR as a strategy could bring support to core business activities. In this regard, it could have five dimensions: (1) centrality, aligning CSR policy or programs with the firm's mission and objectives; (2) specificity, improving the firm's ability to obtain benefits from the CSR program, and achieving comparative advantage; (3) proactivity, increasing the planning level of CSR activities to anticipating opportunities; (4) voluntarism, underpinning the prevalence of CSR on the firm's decision-making processes in the absence of externally imposed compliance requirements; and (5) visibility, the ability to gain recognition from internal and external stakeholders from the performance of CSR's business activities (Burke & Logsdon, 1996). Ghobadian, Galleason and Hopkins (2007) using ethics theories identify key elements to transform an organization towards CSR strategy: doing no harm, fostering transparency, enhancing participation (voice) and equity, and promoting benefits, integrity, liberty, and care (protection). Further, Husted and Allen (2007) propose CSR as a strategic value creator by (1) centrality, providing a coherent focus to the firm's portfolio, resources and assets; (2) proactivity, acquiring a strategic factor with anticipation among competitors (3) visibility, building reputation from practices influencing customer behaviour, (4) appropriability/specificity, ensuring a firm's added value is created and (5) voluntarism. The authors compare the strategic approach of CSR with the traditional



CSR and traditional business strategy (Table 2). Furthermore, when CSR is implemented as part of a long-term strategy it could bring benefits for the company, its stakeholders and the society, but requires positive corporate culture, reflecting a socially responsible orientation in the company's management and structure (Büchner, 2012). The development and implementation of strategic CSR would represent a process of change that must be supported by a managerial understanding and sense making set up (Cramer et al., 2006).

Table 2: Traditional CSR vs. strategic CSR and traditional strategy. Taken from Husted & Allen (2007, p. 598).

Strategic Dimensions	Different Approaches to CSR and Strategy		
	Traditional CSR	Traditional Strategy	Strategic CSR
Centrality	Irrelevant: Doing good is its own reward and is long run profitable	Build customer awareness of product and brand	Building stakeholders awareness of product with CSR value added
Proactivity	Irrelevant: Doing good is its own reward and is long run profitable	Manage supplier, customer, and competitor relations to capture value added for firm.	Manage stakeholder relations to capture value added for the firm.
Visibility	Participate in social action beyond that demanded by the firm's interests and the law.	Firm innovation based on ability to learn: non-deterministic behaviour	Participate in social action beyond that demanded by law.
Appropriability	Irrelevant: Doing good is tied to social need and not to core business mission.	Create value via product/service innovation.	Create value via product/service innovation linked to social issues.
Voluntarism	Anticipate changes in social issues	First-mover advantage	Anticipate changes in social issues that present market opportunities

### 2.3.3. CSR and Stakeholders

Regardless of the different perspectives on applied strategic CSR, there is recognition of the critical role of CSR in the relationship with stakeholders (shareholders and stakeholders), and the support that it can bring to that relationship, impacting on the company's current and future success (Fig. 6) (Falck & Heblich, 2007). Furthermore, due to the high interaction and dependence of different stakeholders, Cochran (2007) argues the possibility of enhancing profitability while applying CSR mechanisms for different stakeholders. In that way, the embracement of stakeholder concerns through the adoption of CSR framework adoption, would reveal that the firm understands the larger context in it which operates (Coombs & Holladay, 2011).

Coombs & Holladay (2011) appoint experts' agreement about reflecting stakeholders values and desires on CSR activities, as a consequence the stakeholders would identify with the company (Fig 7) and the company would receive as a positive outcome, improvement in its reputation (Fig 8). In that way, even though an issue could lack stakeholders' support, the

company could promote its inclusion as a stakeholders' concern by applying an adequate communication system (Coombs & Holladay, 2011).

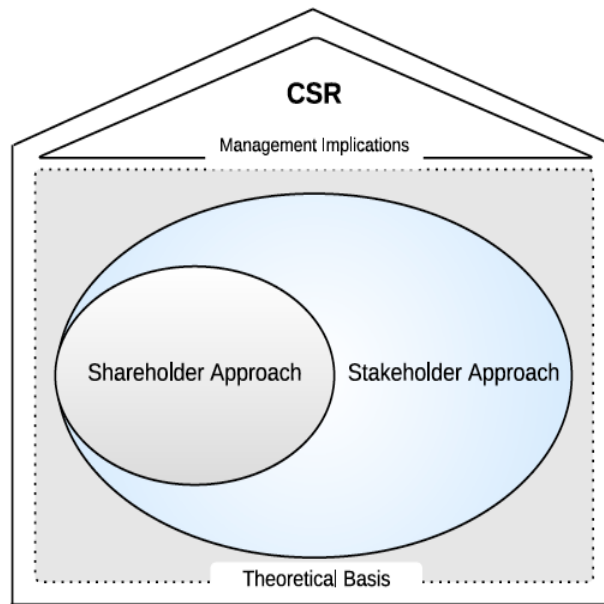


Figure 6: CSR Theory-based management implications. Taken from Falck & Heblich, (2007, p. 250).

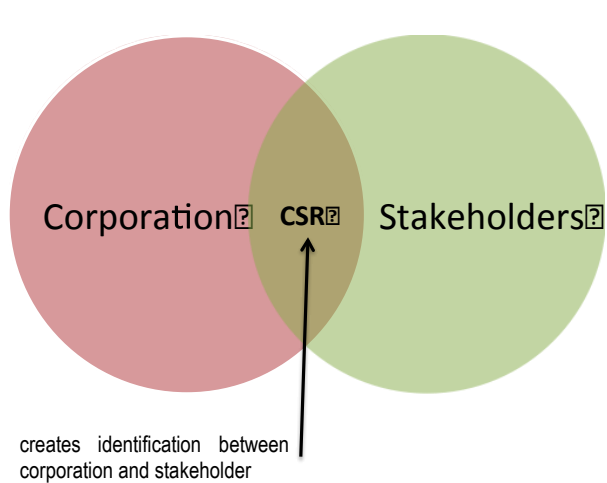


Figure 7: CSR as identification factor. Taken from Coombs & Holladay (2011, p. 34).

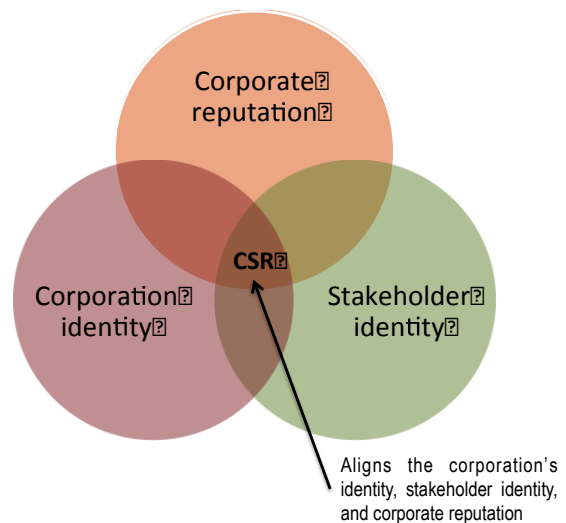


Figure 8: CSR as identification factor. Taken from Coombs & Holladay (2011, p. 38).

In this regard, companies need to attempt a win-win situation for the company and society, and in that matter will have to identify which stakeholders should be considered by determining how much they can impact on current and future business success (Falck & Heblich, 2007). In this regard, Dias Angelo et al (2012) draw key stakeholders groups for strategic CSR implementation (Fig. 9).



Figure 9: Groups of actors for the implementation of CSR. Taken from Dias Angelo et al (2012, p. 230).

Furthermore, many theories attest the importance of stakeholders' inclusion for managing stakeholders' expectations and requirements, attempting to promote their 'engagement, collaboration, participation, shared learning and fact-finding' (Voinov & Bousquet, 2010), several practices, models, and software have been developed (Tables 3 and 4) to incorporate stakeholder at a governance level (Voinov & Bousquet, 2010) (Spitzeck, Hansen, & Grayson, 2011). Accordingly, these practices reinforce the existence of a reciprocal relationship between organizations and stakeholders (Fassin, 2012).

Table 3: Engagement on corporate decision-making practices. Adapted from Spitzeck, Hansen and Grayson (2011, p. 561-562).

PRACTICES	DESCRIPTION
FORMAL STAKEHOLDER DIALOGUE FORUMS	Exchanges of different points of view with a very large number and extensive mix of stakeholders that foster lack of trust. The link between stakeholder input and corporate decision-making is not clear.
STAKEHOLDER ADVISORY BOARDS (SABS)	Boards consisting mostly of external stakeholders with a minimum presence of organization's representatives. Focused on bringing suggestions and feedback on matters related to CSR agenda or other specific issues.
JOINT MANAGEMENT-STAKEHOLDER COMMITTEES (JMSC)	Formal bodies who meet regularly and are constituted by a certain number of company representatives and internal/external stakeholders.

Table 4: Types of stakeholder-based modelling. Adapted from Voinov and Bousquet (2010, p. 1269-1270).

MODELS	DESCRIPTION
GROUP MODEL BUILDING (GMB)	Mostly used on business applications and some natural resource management. Involves people or stakeholder to build a conceptual model. Produces Causal Loop Diagrams.
MEDIATED MODELLING (MM)	Similar to GMB except that it is focused on environmental applications. Icon-based software that increases transparency and stakeholders' participation.
COMPANION MODELLING (CM)	Combination of agent-based models and role-playing games. Participation of stakeholder to build the model, promotes transparency and adaptiveness to process evolution.
PARTICIPATORY SIMULATION (PS)	"Object-based" simulation activities. Every decision and interaction is registered.
SHARED VISION PLANNING (SVP)	Mostly used by army and water management.
COLLABORATIVE LEARNING (CL)	An approach to teaching and learning that puts learners in groups to work together on problems, complete a task, or create a product.

For the planning process of CSR strategy each stakeholder must be evaluated in terms of the importance of the concern for them (Fig. 10) (Falck & Heblich, 2007).

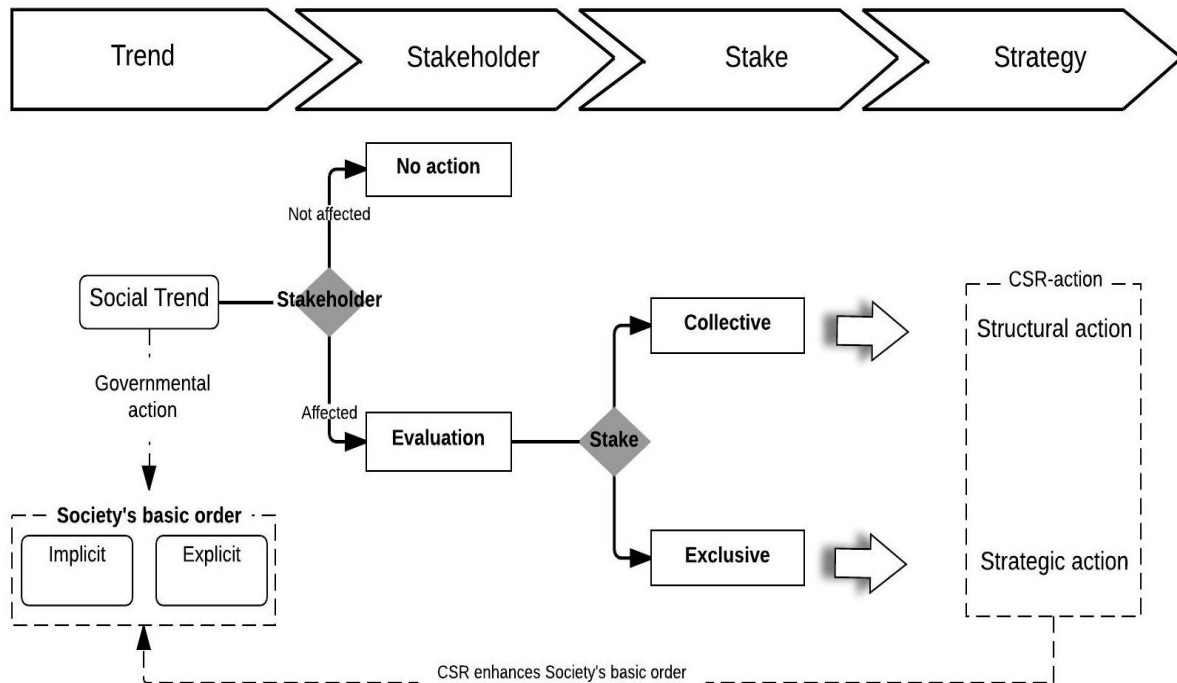


Figure 10: Planning process of strategic CSR action. Taken from Falck & Heblich (2007, p. 250).

Thus, during CSR implementation each stakeholder interest will be addressed and evaluated in conjunction with the company's assets (Fig.11) (Dias Angelo et al., 2012). Moreover, the implementation could be address as an administrative form of change management through four phases: (1) exploration, (2) planning, (3) action, and (4) integration; procuring in that way, CSR strategy could be perceived as legitimate for both internal and external stakeholders by their engagement (buy-in process) in which communication plays a key role (Coombs & Holladay, 2011).

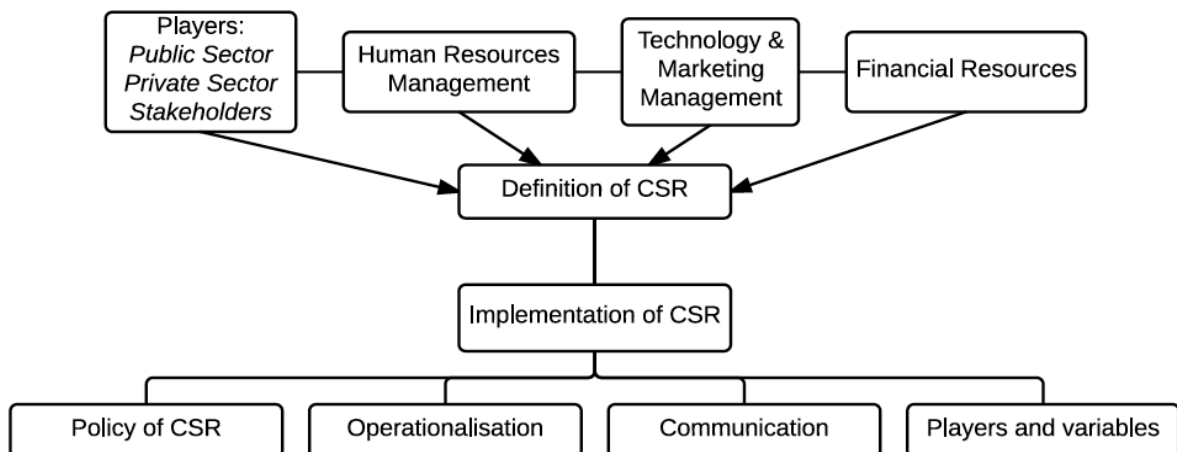


Figure 11: Framework of the process of implementation of CSR. Taken from Dias Angelo et al (2012, p. 230).

Furthermore, CSR-related agendas will be a translation of events and issues coordinated with key stakeholders, influenced by managers' perceptions and a double-loop feedback process will be presented (Fig. 12) (Maon et al., 2008).

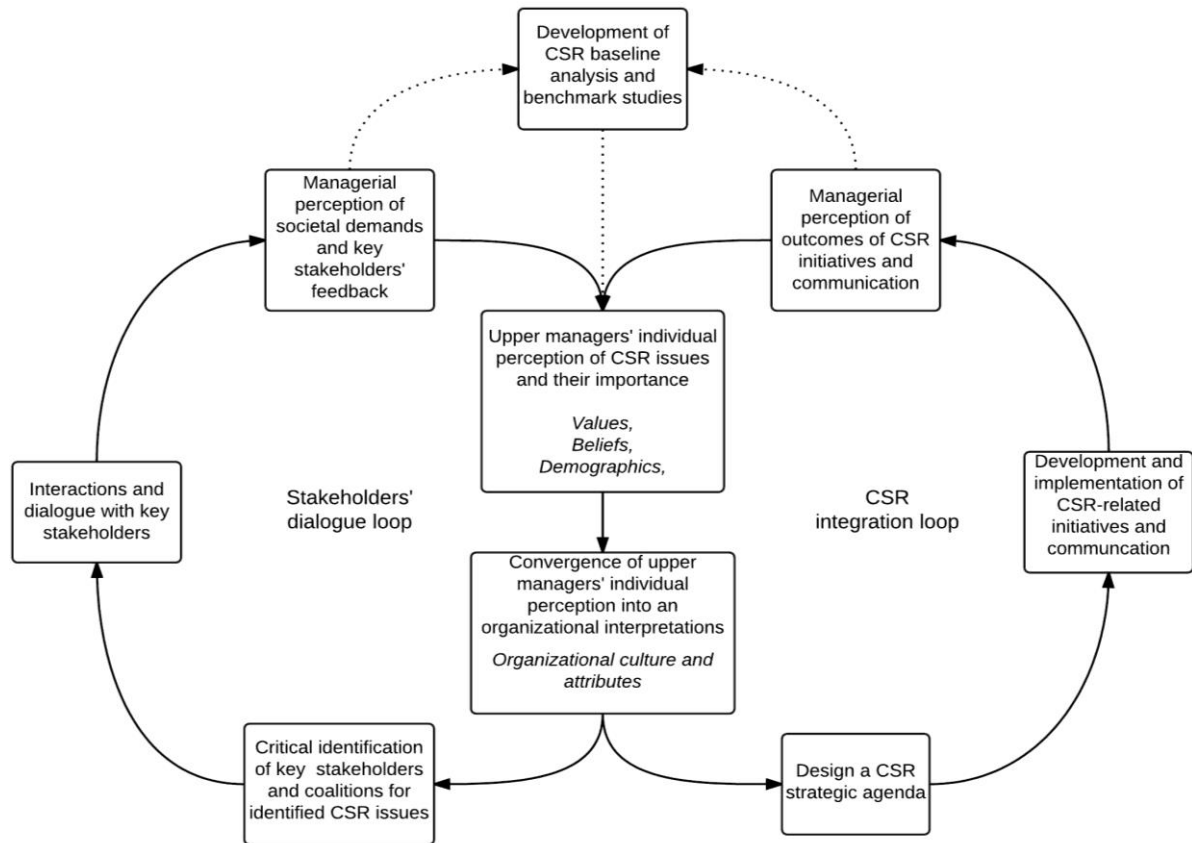


Figure 12: A dual loop model for understanding the development of a CSR strategic agenda. Taken from Maon et al. (2007, p. 419).

In this context, a network approach to stakeholders and the CSR relationship has been proposed, changing the focal role of the organization and the role of stakeholders as entities to be managed. Thus, the dynamic nature of an organization engaged with CSR interacts with one or more other network members exerting influence among them (Fig. 13) supported by a CSR-based communication strategy (Dobele, Westberg, Steel, & Flowers, 2014).

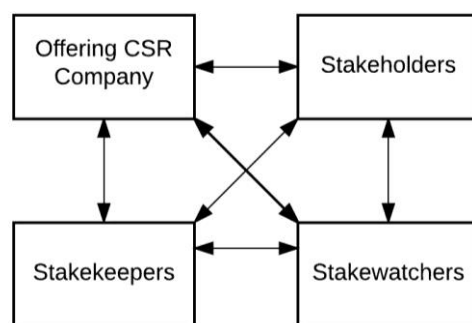


Figure 13: Proposed model of corporate social responsibility (CSR) stakeholder relationships. Taken from Dobele et al. (2014, p. 156).

In this regard, organizations need to assess what they—and stakeholders—obtain and give up from their CSR decisions (Sprinkle & Maines, 2010), forecasting short-term and long-term consequences of an action, in a cyclical process to ensure the alignment with corporate objectives, planning, implementing and evaluating the CSR strategy (Fig. 14) (Coombs & Holladay, 2011). Thus, the final assessment of Corporate Social Responsibility (CSR) would require the company to address a Triple Bottom Line (TBL)<sup>27</sup> of financial, social and environmental performance (CFP, CSP and CEP)(O'Connor & Spangenberg, 2008).

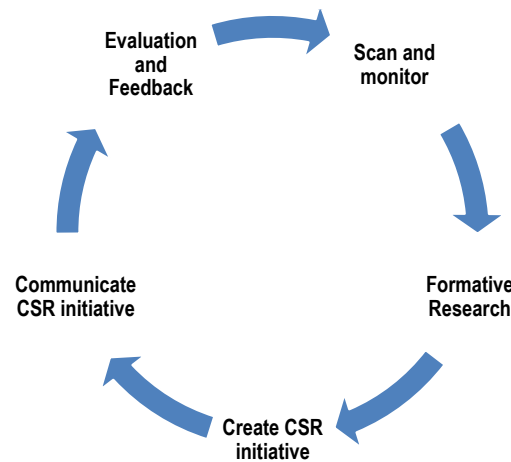


Figure 14:CSR Process Model. Taken from Coombs & Holladay (2011, p. 47).

#### 2.3.4. ISO 26000:2010

The International Organization for Standardization (ISO), has launched ISO 26000:2010 Guidance on Social Responsibility (ISO SR) conceptualizing social responsibility within an organization as being *responsible for its impacts, decisions and activities within society and the environment*, integrating the concept throughout the organization, *including all stakeholders' expectations*, complying with law and being consistent with international norms of behaviour (ISO, 2010). The standard contains a modern understanding of CSR (Pipoli, Fuchs, & Priale, 2014) outlining the 'Best practices' for its implementation (Hemphill, 2013). The standard aims to integrate the concept of social responsibility to all types of organizations, attempting to be recognized as a voluntary guidance to contribute to sustainable development (Hahn, 2013; Hemphill, 2013), include stakeholders' expectations, follow pertinent laws and international norms, and whole integrate and practice throughout the organization (Pipoli et al., 2014) by applying seven principles: (1) *Accountability* for the social, environmental and economic impacts; (2) *Transparency* in its policies, decisions and activities; (3) *Ethical behaviour* based on honesty, equity and integrity values; (4) *Respect for*

<sup>27</sup> Ibid [4]

stakeholder interests; (5) *Respect for the rule of law*, (6) *Respect for international norms of behaviour*; and (7) *Respect for human rights* (Craddock, 2013). Furthermore, the standard highlights the necessity to *incorporate social responsibility into the core strategies of an organization and to identify and engage adequately all stakeholders* (ISO, 2010). In that way ISO SR (2010) also includes a wide recognition of stakeholders, establishing three key relationships between:

- *The business enterprise and society*, for the impact of business' decisions and activities the society would expect the reasonable behaviour of organizations that could be addressed by encompassing core subjects and issues of social responsibility.
- *The business enterprise and its stakeholders*, recognizing them as the ones whose interest could be affected by organizations' decisions and activities.
- *The stakeholders and society*, even though stakeholders are immersed in the society, their interests could be contested (ISO, 2010)

Hemphill (2013) highlights seven core subjects (Fig. 15) suggested by ISO SR to be addressed by corporations in order to cover the most likely economic, environmental and social impacts: (1) *Business governance*; (2) *Human rights*; (3) *Labour practices*; (4) *The environment*; (5) *Fair operating practices*; (6) *Consumer issues*; and (7) *Community involvement and development*.



Figure 15: Seven core subjects for social responsibility. Taken from ISO (2010, p. 23).

Whether in companies with existing systems, policies, structures and networks or less well-developed ones IS SR could provide guidance for embedding social responsibility into practice in a business enterprise (Fig. 16) in six ways (ISO, 2010): (1) Understanding the social responsibility; (2) Practices for integrating social responsibility; (3) Business communication; (4) Business enterprise’s credibility enhancement regarding social responsibility; (5) Review of progress and improving performance regarding socially responsible actions and practices; and (6) Evaluation of voluntary initiatives for social responsibility (Hemphill, 2013).

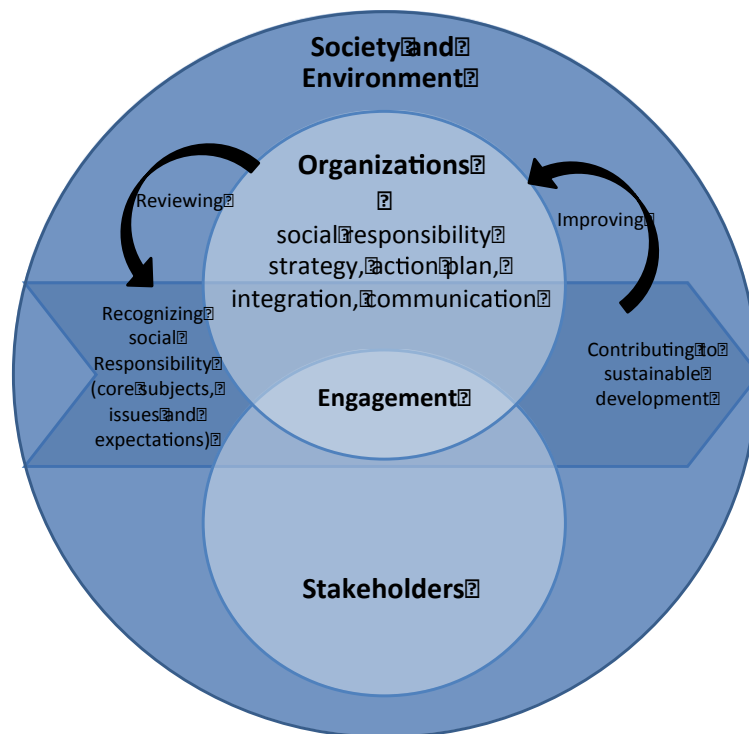


Figure 16: Integrating social responsibility throughout the organization. Taken from ISO (2010, p. 69).

Although opinions contested the usefulness of this standard (Hahn, 2013), ISO SR denote the most representative effort to define and guide the implementation of the concept of social responsibility and principles within private and public organizations (Hemphill, 2013) and some nations have used it as a base to develop their own certifiable standard (e.g., NBR 16001 in Brazil, RS 10 in Spain, AS 8003 in Australia, ONR192500 in Austria or DS 49001 in Denmark) (Hahn, 2013). Further, ISO SR provides a general view for monitoring, reviewing, and improving social responsible performance (Hahn, 2013), and organizations that promote businesses reporting such as Global Reporting Initiative (GRI) recognise the ISO SR as a guide to social responsibility that aims to provide a framework for organizing companies activities (GRI, 2011).



## 2.4. Corporate Sustainability (CS)

Benn and Bolton (2011) relate the concept of Corporate Sustainability (CS) to the interest of the firm to obtain long-term value by including into its core business decisions the economic, environmental, and social dimensions (Fig. 3). Thus, in the same sense that concept of SD is applied at a macro level, being fundamental not just in terms of long-lasting economic activities but for the planet (Aras & Crowther, 2010; Carboni, 2013; Willard, 2014), at a micro level, sustainability has been extended to single entities (Figge & Hahn, 2004). Therefore, at a micro level its importance relies on business continuity, and in this regard, must be applied not only at an operational level but at any action that the company undertakes considering that they could affect positively or negatively the macro level and that any qualitative or quantitative measure of its actions will be value differently upon each stakeholders perspectives (Fig. 17) (Aras & Crowther, 2010; Carboni, 2013; Willard, 2014). In this regard, business sustainability relies on the ability of the firm to respond to their short-term financial needs in a way that theirs (or others') ability to meet their future needs will not be compromised (Bansal & Desjardine, 2014). Thus, the business approach would generate long-term value by embracing the three pillars of sustainable development and by incorporating them on corporate values, strategies, operations and relationship management (Benn & Bolton, 2011e), recognising in this regard, its social influence and environmental impacts within its organisational culture and financial performance (Aras & Crowther, 2009).



Figure 17: Environment for business sustainability. Constructed from Aras and Crowther (2010, p. 65) and Willard (2014a, p.7).

Hence, for strong sustainability, organizations must address simultaneously their social, environmental and economic objectives (Figge & Hahn, 2004), making trade-offs across time

to reduce the exposure to risk (Bansal & Desjardine, 2014; Benn & Bolton, 2011e). Consequently, sustainability for a company will require a distribution of positive and negative effects in order to diminish conflicts (Aras & Crowther, 2010) with a long-term vision that could contribute to responsible business practices by adopting a fully integrated sustainability strategy (Bansal & Desjardine, 2014). In that matter, Ben and Bolton (2011) describe CS's strategies as designed to maintain competitiveness and reputation while integrating the long-term view for the social, economic, and environmental dimensions into a business long term-value creation.

Besides ethically responsible reasons to encompass sustainability (Aras & Crowther, 2010; Carboni, 2013; Willard, 2014), Hopwood et.al (2010) state, clear financial reasons such as winning and retaining customers, competitive advantage by driving innovation (new products), attracting-motivating-retaining staff, managing risk, obtaining operational efficiencies and cost reduction, maintaining licence to operate, capital accessibility, and its contribution to reputation and brand image. Furthermore, Marrewijk (2003; cited in Ben and Bolton, 2011c) states that CS could be constructed in the base of organizations' levels of development, awareness, and ambition. Furthermore, companies will weigh the internal and external motivations or influences to approach CS at different stages (Willard, 2014). Nevertheless, Epstein (2008 cited in Ben and Bolton, 2011c) suggests encompassing nine principles of corporate performance to facilitate CS integration into organizations' day-to-day activities: ethics, governance, transparency, business relationships, financial return, community involvement, value of products and services, employment practice, and protection of the environment. Different indices can be measured as part of corporate performance in terms of sustainability, the FTSE4Good<sup>28</sup> index in the UK and the Dow Jones Sustainability<sup>29</sup> index in the USA, bring a framework to measure performance information for instance (Benn & Bolton, 2011e).

## **2.5. Corporate Governance (CG)**

The concept of governance can be traced as long as any form of human organization inasmuch embraces the way in which an organization drives itself (Aras & Crowther, 2009),

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<sup>28</sup> FTSE4Good reports in terms of environmental sustainability, positive stakeholder relationships, and uphold, and support universal human rights (Benn & Bolton, 2011e).

<sup>29</sup> Dow Jones Sustainability index assesses corporations' positive responsibility to society through five principles: innovative technology, corporate governance, shareholder relations, industrial leadership and social wellbeing (Benn & Bolton, 2011e). Only companies leading the assessment of long-term economic, environmental and social criteria at general and industry-specific sustainability measures are included in the index (S&P-Dow-Jones & RobecoSAM, 2014).

emerging from the complex interactions of social actors, and could be established through norms or influenced-agendas that frame the context in which social actors decide and act (Folke, Hahn, Olsson, & Norberg, 2005). Governance aims to satisfy all the parties involved in terms of being rewarded as good governance (Aras & Crowther, 2009). Renn (2008; cited in Ghosh et al., 2014) estate that when the complexity, uncertainty, and ambiguity of the stakeholder environment are identified, the right kind of inclusive governance model can be selected, thus, multiples forms of governance<sup>30</sup> could be applied interchangeably according to the context or circumstances (Aras & Crowther, 2009). In this regard, the importance of good governance has been emphasized in order to cope with problems arising in different spheres (Aras & Crowther, 2009; Benn & Bolton, 2011f).

From a corporate perspective, companies as social mechanisms created to reach the aspirations of societies and that contribute to the shaping of our societies<sup>31</sup>, are governed in the aspiration of bring wealth and value for all actors related to the organization (Ertuna & Ertuna, 2009). Thus, corporate governance (CG) can be defined as the system<sup>32</sup> that directs and controls the decision-making process within an organization (Benn & Bolton, 2011f), framing a firm's management (Aras & Crowther, 2009), and creating an environment of trust, ethics, moral values and confidence (Aras & Crowther, 2009). CG set corporate perspectives on a company's purpose, its ownership, who should manage it, and how it will be managed (Benn & Bolton, 2011f) considering a globalized context and amid sustainable development concerns (Aras & Crowther, 2009). Thus, the CG concept and its principles<sup>33</sup> have gained attention since the mid-1980s (Aras & Crowther, 2009), *creating a high interest in discussing new forms of governing and controlling the way in which business is done, basically those considering stakeholders inclusion* (Fryzel, 2011).

CG provides a context for ethical decision-making processes and managerial actions based on transparency, accountability, and defined roles (Muller, 2009; cited in Too & Weaver, 2013). Further, CG involves a set of interactions between the management, board of directors, and

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<sup>30</sup> Hierarchical, top down governance applied at nation state levels; consensual, applied to small organizations such as local clubs; governance through the free-market, where economic ideology prevails, usually regulated by supranational entities, and network, with informal rules, where social obligations balance power relationships (Aras & Crowther, 2009), which is also refer to by Folke et al. (2005) as self-organized adaptive fostering networks of collaboration.

<sup>31</sup> Corporations' key role shaping our societies recalls their involvement in what will be produced and consumed by societies and whose interest will be attended in that matter (Ertuna & Ertuna, 2009).

<sup>32</sup> Mechanisms and frameworks (Benn & Bolton, 2011c), resources, organization, management and polices (Patel, Robinson 2010; cited in Ghosh, Buckler, Skibniewski, Sam, & Kwak, 2014), roles, regulations, and standards (Greiman, 2013a).

<sup>33</sup> Benn and Bolton (2011) include as CG principles transparency, accountability and fairness while Aras and Crowther (2009) added responsibility as an interlinked principle.

its shareholders<sup>34</sup> (Greiman, 2013a), being accepted as the only mean by which companies can achieve their goals and strategies. Thus, the adoption of its principles vary and self-regulate responding to investors, supra-national authorities (Organisation for Economic Co-operation and Development-OECD and WB), and financial sector demands (Aras & Crowther, 2009). CG has evolved varying its model in order to meet, at earlier stages, shareholders<sup>35</sup> (short-term) demands and embraces onwards stakeholders<sup>36</sup> ones (long-term) (Fig. 18 & 19), responding to specific historical, economic (Benn & Bolton, 2011f; Ertuna & Ertuna, 2009) social, political (Alkhafaji, 2007; Ertuna & Ertuna, 2009), environmental and governmental influences (Alkhafaji, 2007). CG has progressively embraced global concerns regarding sustainable development (Sinclair, 2012), going above legal standards (Van den Barghe, 2001 cited in Aras & Crowther, 2009), and affecting companies' performance, market value and credibility (Ertuna & Ertuna, 2009).

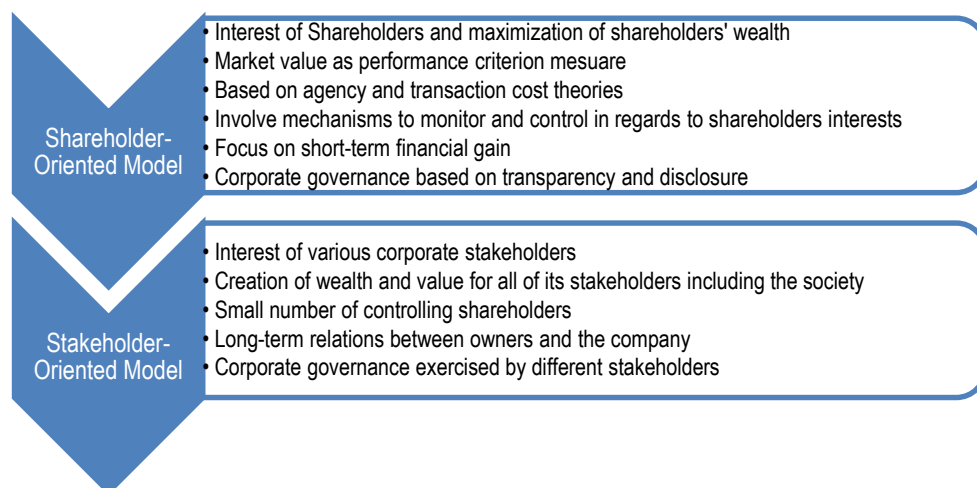


Figure 18: Corporate governance models. Adapted from Ertuna & Ertuna (2009, p. 165-167).

Good corporate governance (GCG) will be the system developed to rule corporations and satisfactorily fulfil the changing demands of a unique set of challenges in a long-term view (Ertuna & Ertuna, 2009), applying a set of principles that influence a firm's performance positively (Aras & Crowther, 2009). Hence, GCG prevails as essential for companies, supporting them to reach tangible benefits within a long-term perspective, ensuring firms' success, and bringing sustainability (Aras & Crowther, 2009).

<sup>34</sup> Management create value, shareholders provide the capital, and the board protects shareholders' interests or, in the case of public sector, society's assets, ensuring a return on their investment (ROI) (Greiman, 2013a).

<sup>35</sup> Shareholder-oriented model.

<sup>36</sup> Stakeholder-oriented model.

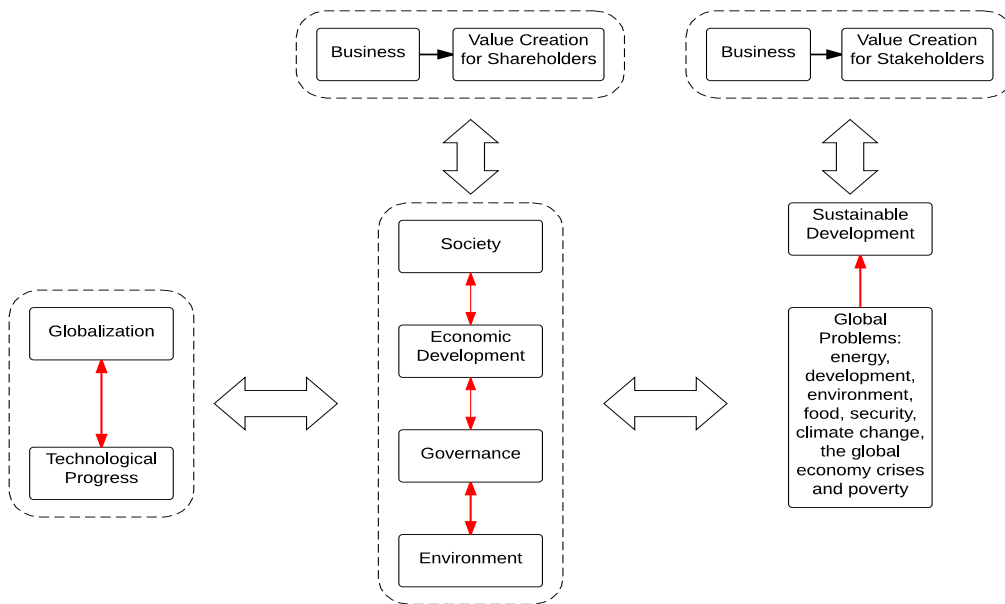


Figure 19: Drivers of CG models' changes. Constructed from Ertuna & Ertuna (2009, p. 165-167), Ben & Bolton (2011, p. 106-110) and Alkhafaji (2007, p. 193-202).

Therefore, GCG could increase a firm's market value, rating and competitiveness; attract new investment opportunities, investors, shareholders, and better employees; improve credibility; flexibility on financial credit conditions and decrease its interest rates; and reach new markets (Aras & Crowther, 2009). However, GCG is not a static system, it is continuously constructed considering an organizations' specific traits and the environment where it is placed, trading-off on behalf of conflict solutions in a process of integration that will always question a company's mission in regards to the common good (Fig. 20) (Bessire, Chatelin, & Onnée, 2010). GCG's procedures must address numerous stakeholders interests, integrate multiple disciplines within an holistic view (Benn & Bolton, 2011f), balancing shareholders and stakeholders' satisfaction to achieve a company's economic and social goals (Aras & Crowther, 2009), and taking responsibility for the natural environment (Benn & Bolton, 2011f).

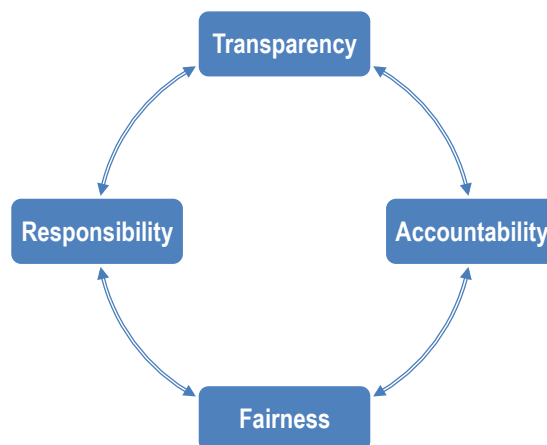


Figure 20: Interconnectedness of good governance principles. Adapted from Aras & Crowther (2009, p. 3-17).

### 2.5.1. Corporate Social Responsibility (CSR) and Corporate Governance

As formerly presented, companies are tending to be sustainable improving their financial, environmental, and social performance, enabling them to extend the firm value to a broader concept to benefit all stakeholders with a long-term view (Fig. 21).

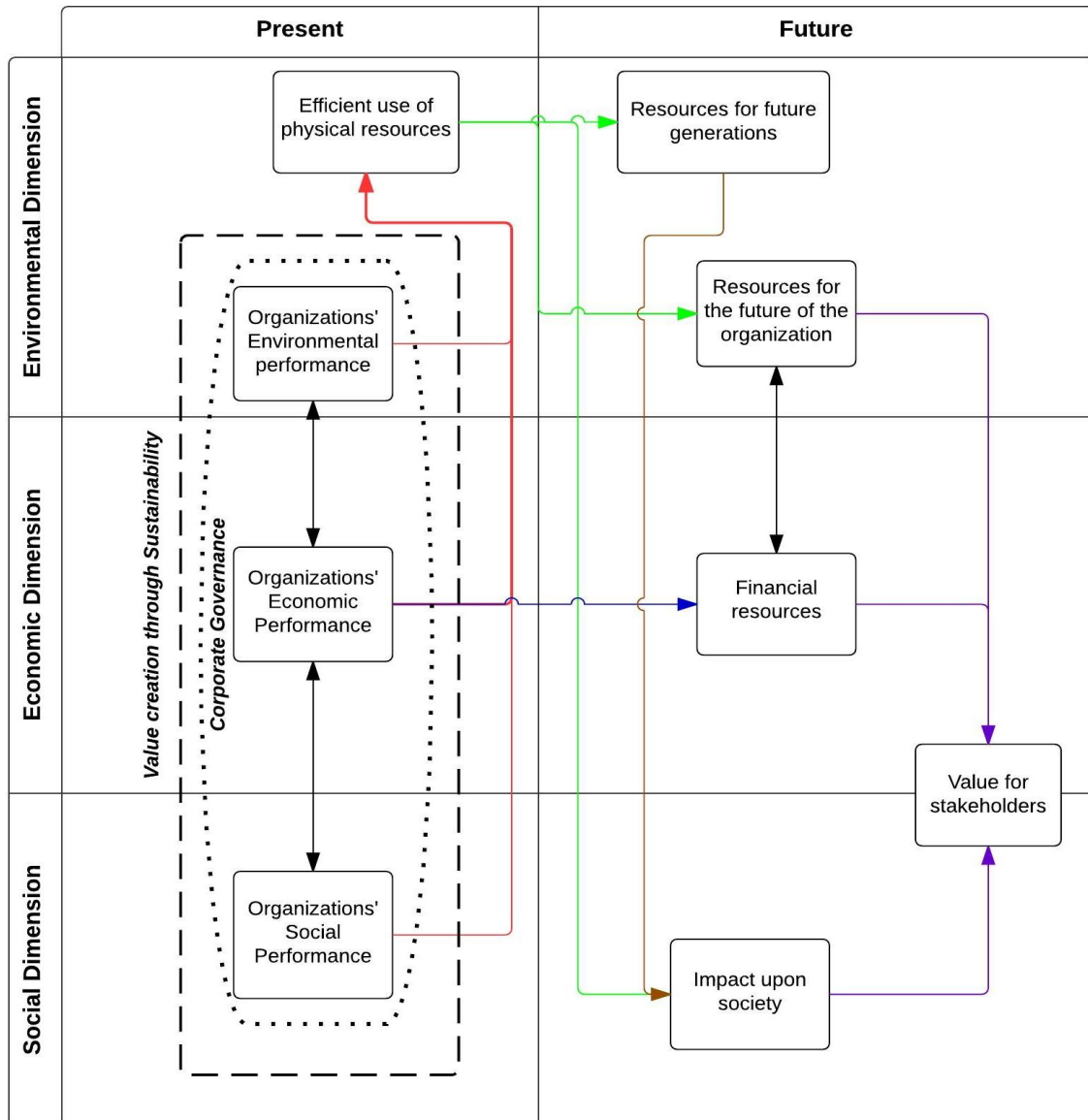


Figure 21: Companies' present and future value creation under SD framework. Constructed from Aras & Crowther (2009, p. 34-39)

Thus, this new understanding of companies' overall performance will require a new understanding of the corporate governance mechanisms (Fig. 22) (Aras & Crowther, 2009). However, Bernhart and Maher (2011, p. 110 cited in Craddock, 2013) argue that sustainable development is the means to getting sustainability as an ending point. Thus, to obtain the integration of the concept of SD on businesses a company needs to apply changes at three

levels: strategy, operations, and process/methods; but regrettably the change has only occurred at strategic and operational levels (Labuschagne & Brent, 2005).

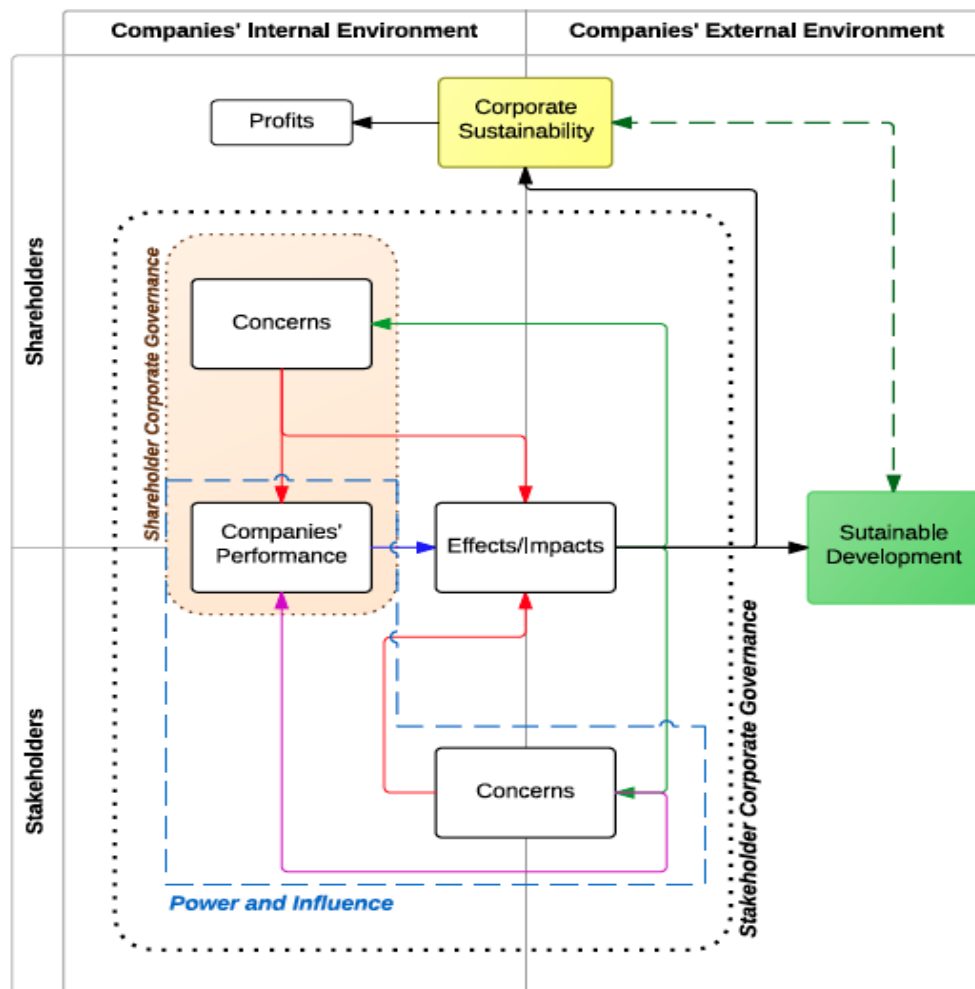


Figure 22: Change on governance mechanisms under the sustainability framework. Constructed from Aras & Crowther (2009, p. 34-39)

In terms of the CSR-Governance relationship, the European Union’s definition of CSR as an holistic concept of corporate governance that includes the economic, social and environmental perspectives (Büchner, 2012). Ben and Bolton (2011) highlight that some writers consider CSR an extension of the corporate governance model that includes responsibilities with all stakeholders with a tendency to include partnership as a good governance trait redefining governance as a network or partnership-based function (Benn & Bolton, 2011f). Büchner (2012) states that the CG is part of CSR and must be focused on integrate all stakeholders’ interests and to ensure transparency. For Thomas and Nowak (2006; cited in Büchner 2012) CSR is an essential element of a sustainable corporate governance and, Albareda (2013) argues that due to the existence of multiple international standards that institutionalize processes and frameworks for the private sector and potentially

organize political decision-making, we are immersed in CSR governance with global impacts (Albareda, 2013). Hence, there is a clear and accepted link between CSR and governance, which is not clearly defined and understood (Aras & Crowther, 2009), but the necessity of implementing a governance system that supports CSR objectives has been recognized (Benn & Bolton, 2011f).

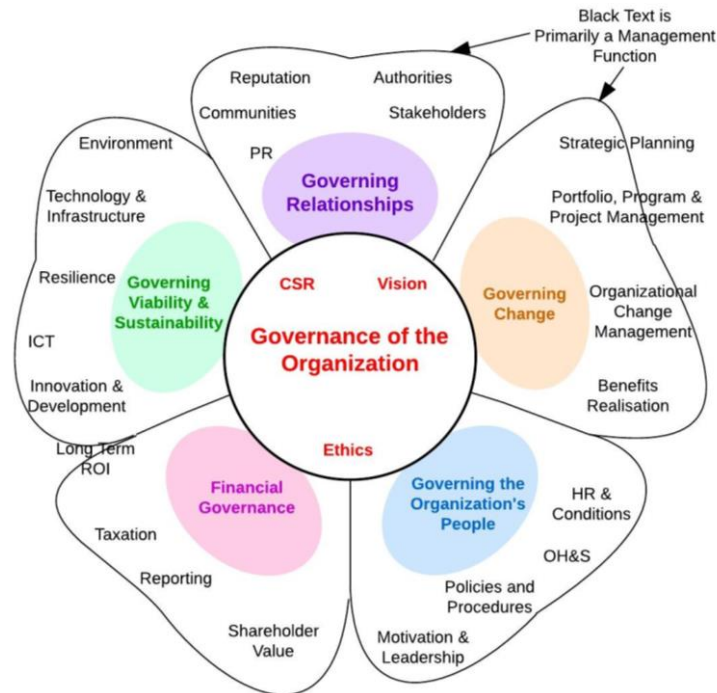


Figure 23: Petal diagram of governance. Taken from Too & Weaver (2013, p. 3).

Further, Ntim and Soobaroyen (2013) state that CG positively moderates the relationship between CSR practices and has positive effects on CFP. In a more enlightened view, the link between both must be developed claiming that good governance is a part of companies' CSR policy (Aras & Crowther, 2009), and acknowledging that good governance reduces negative CSR's actions and prevents negative events (Arora & Dharwadkar, 2011). Finally, a more socially responsible agenda will be most likely pursued by better-governed corporations rather than the poorly-governed counterparts (Ntim & Soobaroyen, 2013). Embracing the link between CG and CSR, Too and Weaver (2013) have developed a model of governance representing one single process with five facets that represent five main functions played by the governance (Fig. 23). This model includes within the core values of good governance: vision, values and ethics, commitment to CSR and the self-governing feature of the board (Too & Weaver, 2013).

On the other hand, regarding the relationship between CS and CSR, while Craddock (2013) states that CSR's definition raises the bar for the concept of sustainability, Benn & Bolton



(2011) sustain a blurred line between both concepts that overlaps and converges and Hahn (2013) joint the concepts and considers Corporate Sustainability and CSR (CSSR) a widespread standard and considers that the ISO 26000:2010 can be partially useful as a tool to integrate strategic CSSR management.

Finally considering companies as complex systems with interwoven actors and relationships, their governance will need to be supported by flexible organizations, applying an adaptive network governance with a strong leadership and oriented to included a broad range of stakeholders (Folke et al., 2005). In this way, governance will have the capacity of self-reconfiguration to deal with uncertainty and constant changes, and that will bring collaboration, and facilitate collective actions and the resolution of conflicts between the organization and its stakeholders (Folke et al., 2005).

## **2.6. Sustainable Development and Project Management**

The relationship between the Project Management (PM) field and business performance has been largely recognised due to the importance of undertaking projects as a means to materialize strategic business goals or objectives (Schwalbe, 2014). Hence, the Project Management (PM) field is strongly linked with the management of organizations (Vrečko & Lebe, 2013). Enterprises pursue business' efficiency and effectiveness to be competitive and increase profits for shareholders (Garrett, 2008). Furthermore, the management of multiple projects – program and portfolio included – is currently the prevalent model within organizations in many areas to implement strategies, transform business, improve constantly, and develop new products (Winter, Smith, Morris, & Cicmil, 2006). Thus, PM could consolidate a preponderant role to attain sustainable development (Hauc et al., 2011).

Projects influence in the way of managing and establishing ongoing operations and act as a means to assuring the strategic development of business systems (Vrečko & Lebe, 2013). Projects are the foundation of companies' strategies; they constitute an action-oriented aspect on the strategic structure (Pinto, 2013b), and as the use of projects – as value creator - grows, their outputs are subjected to more analysis (Too & Weaver, 2013). Therefore, the PM field has recognised that the project success goes beyond the triple constraint management (Pinto, 2013a) considering its measure in terms of scope, time, cost, quality, resources and risk constraints (PMI, 2013a), aligning its objectives to corporate strategy (Too & Weaver, 2013),

and regarding the great influence of the stakeholders' perception to measure and interpret a project's success (Davis, 2014). Thus, PM consolidates as a critical component for successful business; underpinning projects whether to improve operations, to achieve technological progress, to launch new products or to respond adequately to new challenges in the business environment (Pinto, 2013a); and it plays an important role in bringing solutions, managing complexities and facing crises (Hauc et al., 2011). Furthermore, as projects are used by organizations to implement strategic corporate objectives, from a project management perspective sustainable development must be imperative in exploring projects viewed as a part of businesses (Ghosh et al., 2014)

In the light of Sustainable Development (SD) as a worldwide focus to tackle the emerging global challenges (Hilson & Murck, 2000), with the lively discussion of the role of enterprises in terms of contributing to the achievement of SD over the last two decades (Figge & Hahn, 2004), and the responsible actions that must be undertaken to integrating social and environmental issues (Benn & Bolton, 2011d), SD represents a contemporary topic for the business community, and is reflected globally in the interest of senior executives that support "good growth" embedding economic, social and environmental sustainability (PricewaterhouseCoopers, 2011; cited in Hemphill, 2013).

Thus, SD a concept has been embraced by many organizations within their mission statement and strategy (Sánchez, 2014), and as formerly stated its integration has only occurred at strategic and operational levels, disregarding the process/methodological level where the PM methodologies are a part of companies' core business practices. Hence, practical tools are needed to align business methodologies with strategies, and the PM field must be part of this process (Labuschagne & Brent, 2005). Furthermore, Silvius Gilbert (Cited in Maltzman & Shirley, 2011a) claims that the concept of SD has not been reflected in the way projects are managed, measured, and reported and that it must be extended to sustainable project management. The involvement of PM in the SD trend is needed to underpin opportunities and balance risks regarding projects' economic, environmental, and social responsibilities in a long-term perspective and to recognize that the interest in SD and priorities among project stakeholders could vary (Craddock, 2013). Furthermore, the project lifecycle, connected with the life cycle of the product, service or process that is created, should embrace a medium-to-long-term perspective to attempt sustainable development (Keeys, Huemann, & Turner, 2013).

Even though, the PMI, through The Global Sustainability Community of Practice have defined Global Sustainability as “the attainment of enduring economic, social, and environmental well-being of all elements of society” (p. 5) recognizing its potential to contribute significantly to global sustainability by promoting projects that embrace those concepts instead of only being focused on environmental aspects (PMI, 2008-2011), the project management frameworks do not effectively address the three goals of sustainable development (Labuschagne & Brent, 2005), and the efforts oriented to embrace the concept at a PM level have increased but are still scarce (Keeyes et al., 2013).

Finally, it must be highlighted that:

- Green Project Management or the Greenality approach has been developed and is currently studied to reduce the environmental impacts of projects.
- The PMBOK has oriented its compatibility with the International Organization for Standardization (ISO) for quality standards (PMI, 2013f).
- The PMBOK promotes the inclusion of specific organizational standards such as policies on human resources and health and safety and ethics as organizational process assets (PMI, 2013a) and governmental legislation or contractual implications in health, safety, security and environmental as external environmental factors, taking both as inputs for every PM process (PMI, 2013a, 2013d).

### **2.6.1. Sustainability and Project Management**

Even though sustainability was defined by the Project Management Institute in the Combined Standard Glossary (PMI, 2009; cited in Maltzman & Shirley, 2011) as “a characteristic of a process or state that can be maintained indefinitely”, Maltzman & Shirley (2011) sustain that the definition is not broad enough to embrace the idea of balanced development to ensure human existence. The concept of sustainability in projects and the project management context has been mostly interpretative, providing a checklist of how it could be integrated (Silvius, 2011).

Table 5: Checklist for Integrating Sustainability in Projects. Taken from Silvius (2011, p. 4).

Economic Sustainability	Return on Investment	- Direct financial benefits - Net Present Value
	Business Agility	- Flexibility / Optionality in the project - Increased business flexibility
	Transport	- Local procurement - Digital communication - Traveling - Transport
Environmental Sustainability	Energy	- Energy used - Emission / CO2 from energy used
	Waste	- Recycling - Disposal
	Materials and resources	- Reusability - Incorporated energy - Waste
Social Sustainability	Labour practices and decent work	- Employment - Labour / Management relations - Health and Safety - Training and Education - Organizational learning - Diversity and Equal opportunity
	Human Rights	- Non-discrimination - Freedom of association - Child labour - Forced and compulsory labour
	Society and Customers	- Community support - Public policy / Compliance - Customer health and safety - Products and services labelling - Market communication and Advertising - Customer privacy
	Ethical Behaviour	- Investment and Procurement practices - Bribery and corruption - Anti-competition behaviour

Silvius and Schipper (2010; cited in Silvius 2011) argue that the integration of sustainability could be considered at four levels: (1) Resources; (2) Business Processes; (3) Business models; and (4) The outcome: product/service, and their embracement will reflect the way in which the concept of sustainability is embraced by the company. Finally, Keays et al. (2013) go beyond arguing the need for a Project SD strategy to link SD at the corporate level and project level gathering a long-term perspective (Fig.24).

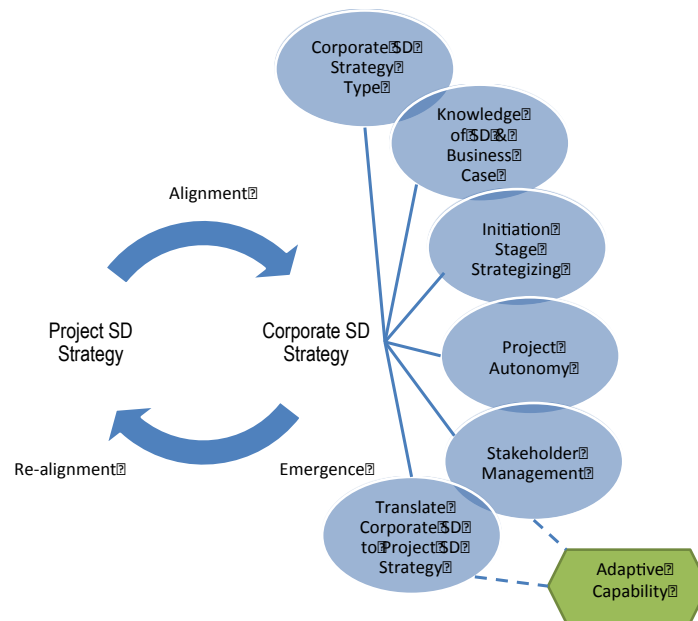


Figure 24: Conceptual framework: a cyclical-iterative approach project SD strategy. Taken from Keeys, et al. (2013, p. 35).

## 2.6.2. CSR and Project Management

There exists an extended interest in the upcoming global trend of corporate social responsibility at a project, program, and portfolio management level, looking for better ways to serve business and society in a responsible way and with a long-term perspective (Chou, 2009). The availability of technology linked with globalization, capital market changes, public awareness – employees’ involvement included – and the internal organizational changes, where employees have acquire a preponderant role with the necessity of channelling its conduct and decision-making to reflect the objectives of organizations and projects, are the main drivers of CSR embracement and enthusiasm (Schieg, 2009) .

Furthermore, CSR has impacted directly on business enterprises decisions, now tending to identify projects that embed the company’s sense of social responsibility and tailoring projects that draw on sense (Nielsen, 2010). Thus values such as integrity, credibility and reputation are the main benefits of applying CSR in projects, and it will require the alignment of the project organization to the business operations and goals (Schieg, 2009). In this context, Craddock (2013) has rephrased Green’s definition of CSR at a project level, defining Project’s Social Responsibility (PSR) as the obligation of attaining a project’s objectives while balancing in an ethical manner all stakeholders’ needs in order to ensure the sustainable use of the financial, human, and environmental resources. In this context, a total holistic

understanding and treatment of projects and its environment becomes crucial to approaching socially responsible business actions that will face, in that way the global economic, social and environmental challenges (Vrečko & Lebe, 2013).

Cochran (2007) points out that with the application of the CSR framework in businesses, the execution of projects that have both significant financial and social returns is emphasized, considering that many economic investments will have social returns, and many social investments will have economic returns. Schieg (2009) argues that in this way the Project Management field must set-up the conditions to support success-oriented projects within the CSR framework, considering the benefits that a project can obtain in return for applying ethical and ecological behaviour, such as the enhancement of project's reputation – image win, reduce of financial risks related to potential legal disagreements and competitive gain due to early alignment to potential regulations, with other extended benefits (Schieg, 2009):

- Risk mitigation due to the embracement of environmental practices that prevent incidents and underpin transparency.
- Cost savings by the improvement of processes, rational use of resources and footprint reduction preventing posterior remediation processes.
- Trust-building across stakeholders.
- Employees' motivation.
- Increase of competences at individual and organizational levels due to the acquisition of new knowledge.

Furthermore, the proposal recognises the influences of several systems for the CSR model in the project environment (Fig. 25), and in terms of the CSR model, highlights the importance of maintaining dialogue with all stakeholders in these systems – internal and external to the organization – establishing in that way adequate strategies:

- At an internal level, promoting the employees' acceptance of CSR, extending benefits and opportunities to attract and keep qualified workers, supporting the organizational adjustment to change, and alignment to environmental standards.
- At an external level, with local communities, recognizing the interaction and interdependency of the project with the local environment and the effects that a project could generate, promoting cooperation with business partners, suppliers and consumers extending the CSR practices, and safeguarding human rights.



Figure 25: Systems in the environment of the project organization. Taken from Shieg (2009, p. 317)

Schieg (2009) states that CSR for a project is strategic; supporting the management and integration of the project's interests with the public well-being. In this regard, a detailed analysis of the project's context and a complete commitment to the project organization – aligned to the company's own business activities, strategies and targets – will be needed to implement it successfully. Moreover, considering that the project's alignment with the organization's business strategy are made at the Project Management Office (PMO) level, it being the program manager who regulates resource allocation and business priorities within projects and programs, the alignment with the CSR strategy must be directed at this level (Chou, 2009).

## 2.7. Corporate Governance and Project Governance

Projects are undertaken to achieve strategic organizational results, (Pinto, 2013a), are oriented to create value for the organization, and in this matter must be aligned with the organizational strategy (Too & Weaver, 2013). Furthermore, the project strategy will be directly translated from the organization's strategy (Ghosh et al., 2014), and in this way, formal organizational governance processes and procedures are adopted (Pinto, 2013a). As a result, their success will be judged on the positive support that the product or service generated brings to the organizational governance (Too & Weaver, 2013). Greiman (2013) states that at a project level the structures of governance have been used to:

- Guaranteeing a maximum return on investment for the organization;

- Directing and control its operations and strategic activities;
- Responding to shareholders and stakeholders legitimate rights, expectations, and desires;
- Formalizing organizational learning;
- Tracking the delivery of benefits through by the use of progress reports and audits and the continual reviews of the project at different phases; and
- Authorizing the project's progress by evaluating before its performance.

Projects have been identified as established temporary organizations immersed in the framework of a permanent one (Lundin & Söderholm, 1995; Sahlin-Andersson & Söderholm, 2002; Turner & Müller 2003; cited in Crawford et al., 2008), with its own governance (Crawford et al., 2008). Thus, the governance criteria would impose on a projects' constraints and its acknowledgement is fundamental for the project manager to attain successful project outcomes (PMI, 2013c). The governance of a project plays, in that matter, an overseeing function to align the project with the organization's governance providing a framework to manage, support and control the project (PMI, 2013a). A misalignment or underdevelopment of governance mechanisms could lead to the project's low performance, meaning that the actors involved in the project fail in providing adequate flexible and robust responses to the turbulence presented in the project environment (Sanderson, 2012). PM has developed well defined techniques prepared to manage the different nature of constraints and to adopt project governance strategies in a changing business environment (Ghosh et al., 2014), highlighting that in the existence of organizational governance policies that support sustainable practices, the awareness of its requirements at a project level must be a priority for the project manager (PMI, 2013c). However, data to date is currently dominated by understanding the single project paradigm and has not included the factors around it (Ghosh et al., 2014).

Furthermore, project governance brings alignment with the company's objectives, and is a key to satisfying stakeholders needs and expectations (PMI, 2013a), it must be defined at a program or organizational level (PMI, 2013b), ensuring that a project is executed in compliance with the organization's standards, maintaining all project activities above board in an ethical manner, creating accountability, and helping to define the projects' reporting system (Frasqueri-Molina, 2011). Regarding the different levels of functional roles involved in the governance of projects Too and Weaver (2013) propose an integrated project governance framework to promote the achievement of a project's goals. However, the project governance by itself is inadequate to overcome all the challenges of sustainable development,



it must promote the inclusion of stakeholders at an early phase of the project to attempt success (Ghosh et al., 2014)

## **2.8. Project Stakeholders**

### **2.8.1. Stakeholder Definition**

The evolution of stakeholders' management has brought a vast number of concepts to define what a stakeholder is, but there is a recent PM integrated definition in which any individual, group or organization could be considered as stakeholders if the project's activities, deliverables or outcomes impact them, could affect them or they may perceive themselves as affected (PMI, 2013g). Hence, they could have a legitimate or vested interest in the project, considering that they could be part of it, be subject to, or have power over the project (Roeder, 2013d) (Heery & Noon, 2009). The concept of a stakeholder has expanded and evolved and stakeholder theory is now related to corporate social responsibility, organizational theory, systems theory, customer relationship management and governance (Bourne, 2009). In this regard Maltzman and Shirley (2011) expand the PMI's project stakeholder definition and include the "future generations" that can be affected by the project's outcomes when, in this case, evaluated through its environmental impacts.

#### **2.8.1.1. Project Stakeholder Requirements**

The stakeholder environment is one of the most important and determinant elements of a project's success (Turner, Muller 2005; cited in Ghosh et al., 2014). Thus, there is a challenge for corporations to resolve the conflicts that could arise with stakeholders due to the perception of unequal distribution of the projects benefits and at the same time to enhance the projects success (Hutton et al., 2007). Stakeholders have social, economic, and environmental demands that must be continually faced throughout the project life cycle and their management must permanently focus on these stakeholders concerns (Greiman, 2013b). Maltzman and Shirley (2011) have recognised that there is a change in the bottom-up demand from project stakeholders to encompass environmental consciousness. Hence, in order to meet global challenges it is a requisite to involve all stakeholders and manage them in an integrated manner (Fig. 26) (Carboni, 2013)

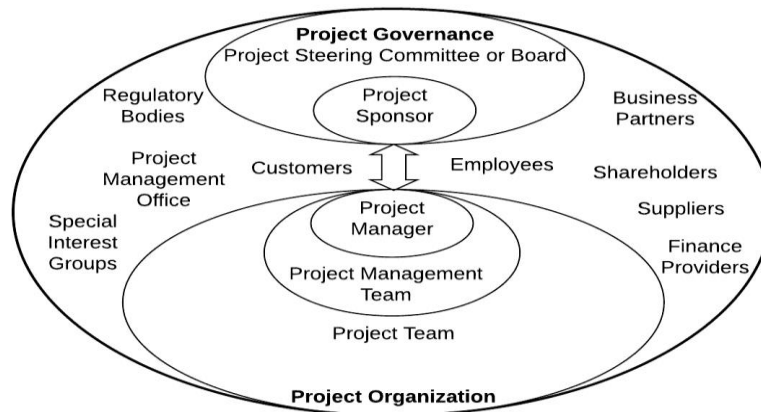


Figure 26: View of an involving and integrated management of stakeholders. Taken from Carboni (2013, p. 5).

Within a project’s life cycle, any conflict, negotiation or unexpected event, will foster a changing and dynamic environment (Linton, 2014b), and considering that CSR-related concerns from internal and external stakeholders are often diverse and contested (Maon et al., 2008), the project management could support a proper set up for those contested projects stakeholders’ expectations; in manner that could establish a congruent project scope (Maltzman & Shirley, 2011b). Roeder (2013) presents a methodology called ‘Circle of Support’ as a dynamic and interactive model that attempts to enhance firstly the generation and implementation of ideas throughout all stakeholders by stakeholders’ inclusion; the observation process allows the understand of the levels of support from each stakeholder; responding finally to stakeholders in order to assure or modify their levels of engagement (Fig. 27)(Roeder, 2013a).

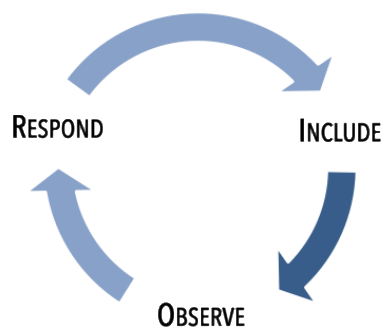


Figure 27: Circle of support graphic. Taken from Roeder (2013, p. 183).

### 2.8.2. Stakeholder Classification

Traditionally, the classification of project stakeholders is linked with their level of interaction with the project (table 6) (Heery & Noon, 2009), but it could be detailed based on stakeholder importance determined by: power, legitimacy, and urgency (Table 7) (Mitchel et al, 1997;

cited in Mainardes, Alves & Raposo, 2012), in this way, non-stakeholders are recognised as those not affected by an organizations’ activities.

Table 6: Traditional classification of stakeholders. Adapted from Heery and Noon (2009, Oxford Reference).

STAKEHOLDER GROUP	CHARACTERISTICS
Primary Stakeholders	Individuals inside projects’ organization (managers, employees, shareholders, investors).
Secondary Stakeholders	Who establish a direct relationship with the project (suppliers, distributors, customers).
Tertiary Stakeholders	With an indirect connection with the project (local community, governments and any form of civil, political or environmental groups).

Table 7: Stakeholders’ Saliency Model. Adapted from Mainardes et al (2012, p. 1866)

STAKEHOLDER TYPE	CLASSIFICATION OPTIONS
Latent stakeholders (one aspect – little attention)	<p><i>Dormant</i>: With the power to impose, but without legitimacy or urgency. Needs to be monitored and evaluated constantly whether its position can vary.</p> <p><i>Discretionary</i>: With legitimacy, but no power or urgency. This kind of stakeholder has to be included in Corporate Social Responsibility (CSR) framework.</p> <p><i>Demanding</i>: Posseses the attribute of urgency with a great potential to acquire a second one. It needs to be monitored constantly.</p>
Expectant stakeholders (two aspects– more active attention)	<p><i>Dominant</i>: With power and legitimacy, expecting to receive great attention.</p> <p><i>Dangerous</i>: Holds power and urgency, tends to be a threat regarding its coercive position.</p> <p><i>Dependent</i>: With urgency and legitimacy but without independence to assert claims requiring another stakeholder to be considered.</p>
Definitive stakeholder	Holds three attributes and requires prioritization and immediate attention.
Non-stakeholder	Without any attribute and they are not affected by the activities of the organization.

Mainardes et al (2012) extended Saliency Model application by including the measurement of influence between stakeholders and organization relationship (unidirectional or bidirectional) (Table 8) (Mainardes, Alves, & Raposo, 2012).

Table 8: Types of stakeholder regarding the relationship between organizations and stakeholders. Adapted from Mainardes et al (2012, p. 1871-73).

CATEGORY	RELATIONSHIP	DESCRIPTION
Regulatory Stakeholder	Unidirectional	Holds influence in the organization without reciprocal influence and can determine some actions over the organization.
Controller Stakeholder	Bidirectional	A mutual influence exists between the stakeholder and the organization, but with the stakeholder holding a major influence.
Partner Stakeholder	Bidirectional	Presents a balanced mutual influence between the stakeholder and the organization, they usually act jointly.
Passive Stakeholder	Bidirectional	A mutual influence relationship exists with the organization holding major influence. A passive stakeholder that accepts the decisions conveyed.
Dependent Stakeholder	Unidirectional	When the organization’s influence overcomes the stakeholders’ influence.
Non-Stakeholder	Non-relation	There is no influence.

However, the weakness in Mainardes’ model is its dependency on personal perceptions for measurement (project manager and team members), impacting on its efficiency and

demanding its periodical reassessment (Davis, 2014; Mainardes et al., 2012). Others models include project team members as stakeholders (Table 9) (Roeder, 2013e), while Davis (2014) claims a stakeholders' categorization is determined by their perception of a project's success (Table 10) (Davis, 2014).

Table 9: Roeder's stakeholder groups. Adapted from Roeder (2013, p. 51-101).

STAKEHOLDER GROUP	CATEGORISED STAKEHOLDER INTO GROUP
Project Team stakeholders	Actively and directly involved in delivering the project.
Executive stakeholders	Individuals who set up a project's goals and anchor its outcomes by the project manager and team members.
External stakeholders	People outside the organization who can be subject to, part of, or have power (decision-making) over the project.
Stakeholders subject to the change	Any individual impacted by the change (end users, those impacted by their employment status and members of the community).
Phantom stakeholders	Those not identified formally, once they are recognized, could be categorized.

Table 10: Davis's stakeholder classifications. Constructed from Davis (2014, p. 199).

STAKEHOLDER GROUP	STAKEHOLDER CATEGORISED INTO GROUPS	PERCEPTION SUCCESS FACTORS
Senior management	Board, director, executive, executive management, investor, project executive, portfolio director, programme director, owner, senior management, sponsor, top management, project sponsor	Cooperation/collaboration/consultation/communication, time, identifying/agreeing objectives/mission, project manager competencies and focus, project delivering the strategic benefits, top management support/executive commitment.
Project core team	Engineer, other organisational involvement (e.g. business departments), project leader, project manager, project personnel, project team leader, project team, team members	Cooperation/collaboration/consultation/communication, time, identifying/agreeing objectives/mission, stakeholder satisfaction (quality), cost/budget, project manager competencies and focus, project delivering the strategic benefits, top management support/executive commitment.
Project recipient	Client, consumer, customer, end users, users	Cooperation/collaboration/consultation/communication, time, stakeholder satisfaction (quality), making use of finished product/acceptance, cost/budget.

However, since any stakeholder could affect the project in multiple ways, the most important issue for the project manager is to register them, understand their interests and to engage them with the project in order to prioritise them accordingly to the project's phases and tracking them to achieve success (Roeder, 2013c).

## 2.9. Discussion and conclusions

Globalization and technological progress have impacted on every economic, social, and environmental dimension of human interaction (Held & McGrew, 1999a; Zolo, 2010b) generating multiple interwoven - positive and negative – effects (Perraton, 2011; Sutcliffe & Glyn, 2011). Business enterprises, as economic and social agents (Aguilera et al., 2007), are

directly impacted by this process (Perraton, 2011) affecting among others many related processes, models, practices, frameworks, norms, standards, and actions (Bass & Bass, 2008; Fryzel, 2011) with positive and negative outcomes (Borgia, 2010; Ekberg & Lange, 2014; Iyall Smith, 2013). Thus, in the light of the increasing concerns regarding the negative social, economic, and environmental effects of business' actions (Hutton et al., 2007), the corporate social responsibility (CSR) concept arose (Benn & Bolton, 2011d).

CSR was initially related to philanthropic actions and the ethical responsibility of businesses to contribute to a better quality of life (Benn & Bolton, 2011d; Falck & Heblich, 2007; Kang et al., 2010; Tengblad & Ohlsson, 2010). The posterior appearance of the concept of sustainable development as a means to ensure future generations' subsistence (WCED, 1987), pushed forward the international recognition of global challenges (Perez-Batres et al., 2011), questioning the role of capitalism in a free-trade globalized world, and spreading the concept of CSR globally (Tengblad & Ohlsson, 2010). Hence, CSR has had its momentum globally as a part of different discussions and approaches (Bazillier & Vauday, 2014; Hutton et al., 2007), has been studied from different perspectives, (Burchell & Cook, 2006), and has evolved from philanthropic or charitable actions, as a controller mechanism contributing to facing global challenges (Tengblad & Ohlsson, 2010), and up to the way business enterprises contribute to sustainable development (Büchner, 2012) by including the measurement of social and environmental factors in corporate performance evaluation (Aras & Crowther, 2009; Gjølberg, 2009). Based on these processes we have constructed by deductive reasoning, a dual loop model for understanding the development of the CSR concept (Fig. 28).

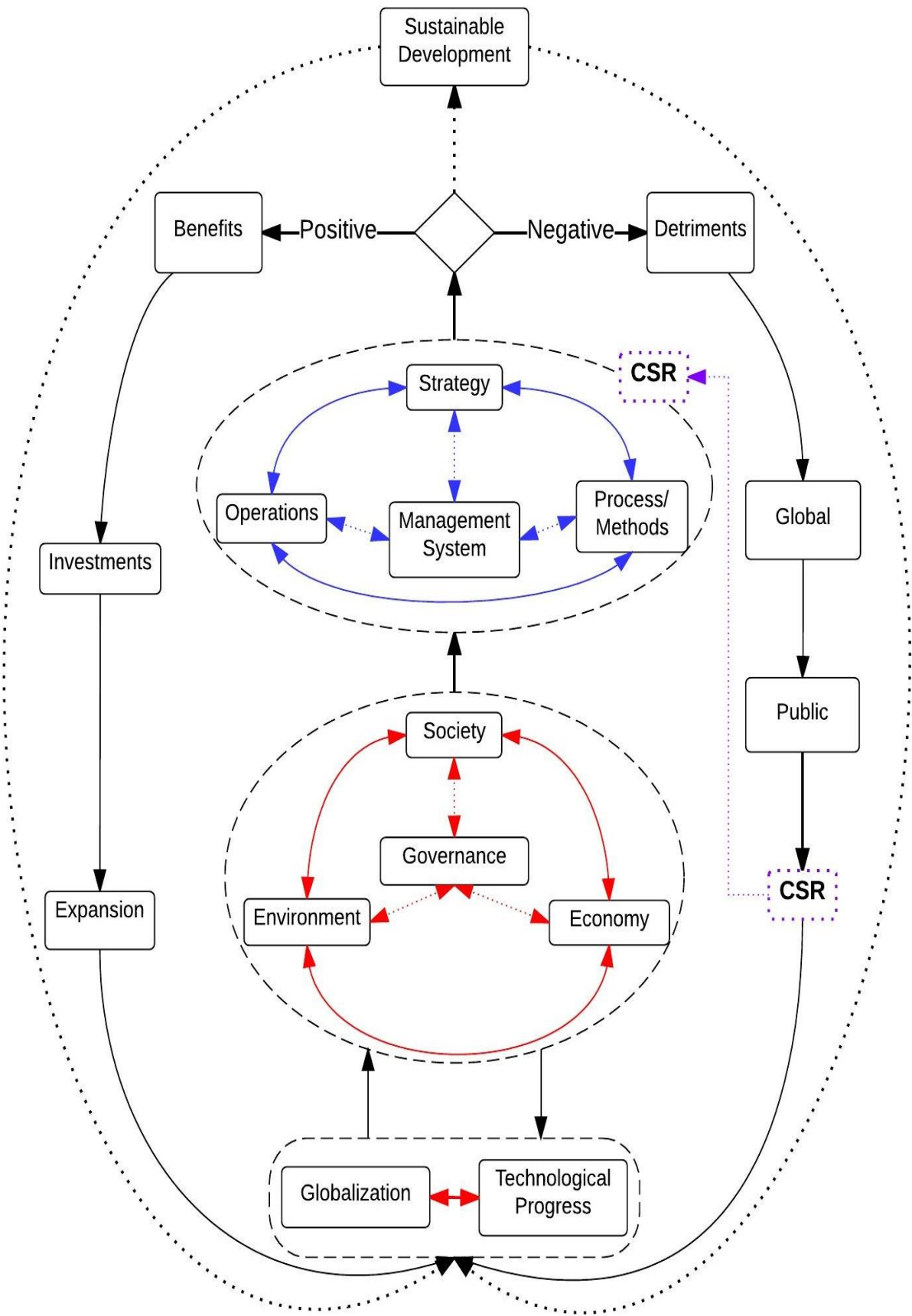


Figure 28: A dual loop model to understanding CSR development.

The evolution of the concept of CSR has brought about many different definitions with a variety of aspects included (Dahlsrud, 2006). Thus, due to the purpose of this study three definitions will be analysed in the light of the dimensions taken into consideration:

- Carroll (1981; cited in Hutton et al., 2007), stated that *“responsible organizations must look for profitability by obeying policies, acting in ethical ways towards all stakeholders, and being a good corporate citizen (CC<sup>37</sup>) looking for their market reward.”*
- Hopkins (2005, p. 214) *“CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Stakeholders exist both within a firm and outside. The aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.”*
- Green (2012, p. 34; cited in Craddock, 2013) *“The continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workplace as well as the local community and society at large; a company’s obligation to be accountable to all of its stakeholders in all of its operations and activities (including financial stakeholders as well as suppliers, customers, and employees) with the aim of achieving sustainable development not only in the economic dimension but also in the social and environmental dimensions”.*

In regarding the three definitions, we can recognize the evolution of the concept of CSR, and how the process has resulted in the encompassment of Dahlsrud’s five dimensions of CSR (2006) namely: social, environmental, economic, stakeholder, and voluntariness, progressively arriving at the integration of social, environmental, ethical, human rights and consumer concerns with the economic development, taking them as inherent to their business operations and core strategy (Büchner, 2012) to obtaining a long-term business value (Jenkins & Yakovleva, 2006). Across these dimensions, Craddock (2013) highlights the importance given to the ethical behaviour that a business enterprise must maintain upon a broad spectrum of stakeholders contributing to society’s well-being. Furthermore, the author emphasizes that this ethical obligation, self-imposed by organizations, aims to balance and

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<sup>37</sup> Ibid, [25]

meet in a sustainable way the economic, social, and environmental expectations of stakeholders. Therefore, business enterprises have increasingly been required to exhibit socially responsible actions with ethical behaviour and to contribute to sustainable development (Fryzel, 2011).

Disregarding the many different aforementioned concepts the key factor regarding CSR is how to understand that it is a socially constructed concept in a specific context (Dahlsrud, 2006), to evaluate the internal and external pressures and motives for an organization to embrace the CSR framework (Aguilera et al., 2007; Husted & Allen, 2007), and to develop accordingly the appropriate business strategies (Dahlsrud, 2006). In that way CSR has been suggested as a long-term corporate strategy to create value for the company (Burke & Logsdon, 1996). Furthermore, a dominant area of research, that aims to build a business case to encompass CSR (Weber, 2008), supports a positive financial impact on companies' performances (Kang et al., 2010) bringing a competitive advantage, and improving different internal processes (Aguilera et al., 2007; Weber, 2008). However, the multiple exhibited results are mixed, contested, and non-conclusive (Garay & Font, 2012; Husted & Allen, 2007; Weber, 2008). In this regard, the study of Ntim and Soobaroyen (2013) amplifies the relationship between CSR and CFP and suggests that the key to enhancing CFP with the implementation of a CSR strategy is the application of Good Corporate Governance supporting the embracement of stakeholders' values and desires.

Thus, GCG, aims to satisfactorily fulfil the changing demands of a unique set of challenges with a long-term view (Ertuna & Ertuna, 2009) by addressing numerous stakeholders' interest and integrating multiple disciplines (Aras & Crowther, 2009), and acquiring a high relevance. Hence, the embracement of CSR as a business' strategy, supported by CG can be suggested as a means to obtaining a CFP in short and long term perspectives and the interwoven effects between CSR-CG and stakeholder management can be implied. However, there are multiples forms of governance that could be applied interchangeably according to the context or circumstances (Aras & Crowther, 2009). Renn (2008; cited in Ghosh et al., 2014) states that when the complexity, uncertainty, and ambiguity of the stakeholder environment is identified, this would guide the selection for the right model of inclusive governance.



Considering the different CSR concepts and frameworks studied in the last two decades and in order to select the most adequate and widely recognized CSR approach to its posterior evaluation within the project management field, we must highlight that:

- The CSR concept is not the only framework proposed to attain sustainable development, among different approaches the business environment has developed concepts such as: corporate citizenship (CC), corporate accountability (CA), triple bottom line (TBL), corporate sustainability (CS), among others.
- From the widespread aforementioned concepts, there currently exists an increased interest in the application of CS in the PM field (Keays et al., 2013; Silviu, 2011).
- The CS definition relies on the organizations' ability to respond to their short-term financial needs in a way that their (or others') ability to meet their future needs will not be compromised (Bansal & Desjardine, 2014), and by analysing the concept of CS and its strategies, it could be elucidated that the main objective is the sustainability of the organization from a long-term perspective.
- Even though Craddock (2013) states that CSR's definition raises the bar for the concept of sustainability due to the ethical commitment included, Ben and Bolton argue that there is a blurred line between both concepts that overlaps and converges at many points.
- The evidence formerly presented in this literature review indicates that both concepts pursue 'sustainable development' and have been proposed as business strategies focused on obtaining long-term business value.
- The applicability of the international standard ISO 2600:2010 (ISO SR) as a guide to implementing social responsibility for all types of organisations, MNCs, SMEs, NGOs and government agencies (Büchner, 2012).
- Hahn's (2013) study argues that the widespread standard ISO SR brings guidance to understanding the concept of corporate sustainability and social responsibility being implemented in order to contribute to sustainable development (CSSR).

- Organizations that promote sustainability reporting such as the Global Reporting Initiative (GRI) recognise the ISO SR as a guide to social responsibility that aims to provide a framework for organizing companies' activities in this regard (GRI, 2011).

Hence, considering the aforementioned reasons, we can conclude that: the ISO SR model could underpin both strategies indistinctly and that the CSR framework provides a wide purpose aiming at sustainable development instead of business sustainability, reinforcing the necessity of CSR adoption as a business strategy. The ISO 2600:2010 will be taken as a reference to draw the current impact of the CSR framework on the business model, and the internal arrangements within an organization to embrace CSR focus areas: (1) business governance, (2) human rights, (3) labour practices, (4) the environment, (5) fair operating practices, (6) consumer issues, and (7) community involvement and development.

For the construction of the model we will need to highlight that in spite of the voluntary nature of CSR (Perez-Batres et al., 2011), its adoption has been pushed forward by different stakeholders and processes (Aguilera et al., 2007; Husted & Allen, 2007; Tengblad & Ohlsson, 2010), resulting in its globally widespread implementation; and in this regard, organizations have implemented several internal changes:

- The corporate governance model tending to turn from a shareholder-oriented model to a stakeholder-oriented one (Ertuna & Ertuna, 2009; Greiman, 2013a), implying the creation of long-term value for the organization with the obligation of fulfilling the general aspirations of societies, beyond shareholders benefits, and face the global challenges/problems (Ertuna & Ertuna, 2009; Husted & Allen, 2007).
- Incorporating CSR as an organizational strategy that would bring benefits for the company, its stakeholders and the society (Burke & Logsdon, 1996).
- The CSR strategy would need a positive corporate culture, reflecting the orientation of company's management and structure (Büchner, 2012) and a good corporate governance to support its embracement (Ntim & Soobaroyen, 2013).
- At a business level, the CSR has been embraced as a strategy oriented to a holistic management of stakeholder (Cochran, 2007) due to the strong support that CSR could

bring to the organization-stakeholders reciprocal relationship (Coombs & Holladay, 2011; Falck & Heblich, 2007).

- Labuschagne and Brent (2005) argue that a company needs to apply changes at three levels to integrate the concept of sustainable development in businesses: strategy, process/methods and operations, but regrettably the change has only occurred at strategic and operational levels. In this way the flux between environment global society, stakeholders and the company will be encompassed totally (Fig 29).



Figure 29: Business embracement of CSR at three levels (strategy, operations and Process/methods). Constructed from Aras and Crowther (2010, p. 65), Willard (2014a, p.7), and Labuschagne and Brent (2005, p.159-168).

- The project management frameworks do not effectively address the three goals of sustainable development (Labuschagne & Brent, 2005). The efforts oriented to embrace the concept at a PM level have increased but are still scarce (Keeys et al., 2013). Furthermore, the project lifecycle, connected with the life cycle of the product, service or process created, should embrace a medium-to-long-term perspective to attempt sustainable development (Keeys et al., 2013).
- The project management field, as part of the business' process/methods has not embraced the CSR framework. Thus, there is a gap that could be manage by including the practical tools of PM to align the project with the CSR strategy (Schieg, 2009)

- PMI (2013) has recognised that an effective application of portfolio, program and project management can be used as a bridge to close the gap between organizational strategy and business value realization. Burke and Logsdon (1996) argue that CSR as strategy could bring support to core business activities and Husted and Allen (2007) have proposed CSR as a strategic value creator. In that sense, it could be inducted that an effective application of portfolio, program and project management could link the CSR strategy and the creation of value for the organization.
- By reinterpreting the PMI's project stakeholder definition by which any individual, group or organization could be considered as stakeholder if the project's activities, deliverables or outcomes impact on them, could affect them or if they may perceive themselves as affected (PMI, 2013g), we can consider the "future generations" as project stakeholders not only in the extended concept provided by the environmental view (Maltzman & Shirley, 2011c), but by including the social and economic impacts that the project could generate, considering that interest and priorities on sustainable development could also vary among project stakeholders (Craddock, 2013).
- By analysing the different tools, methodologies and models that are used to include stakeholders at governance organisations (CSR's framework) and confront them with the three step process suggested by Roeder (Buy-in: observe, involve and respond) to manage stakeholders in a project execution framework, we can recognise a link between tools and methodologies used for stakeholder management and the Corporate Social Responsibility practices. Leadership theories and buy-in models incorporate a CSR's practices in order to enable trust, engagement, collaboration, and innovation. This trend recognises that addressing the economic, social and environmental concerns of stakeholders, means encompassing the concept of sustainability as the only way to achieve project success.

Based on these previous research we have constructed abductively the current changes in the business system due to the impact of the CSR framework (See Fig. 31).

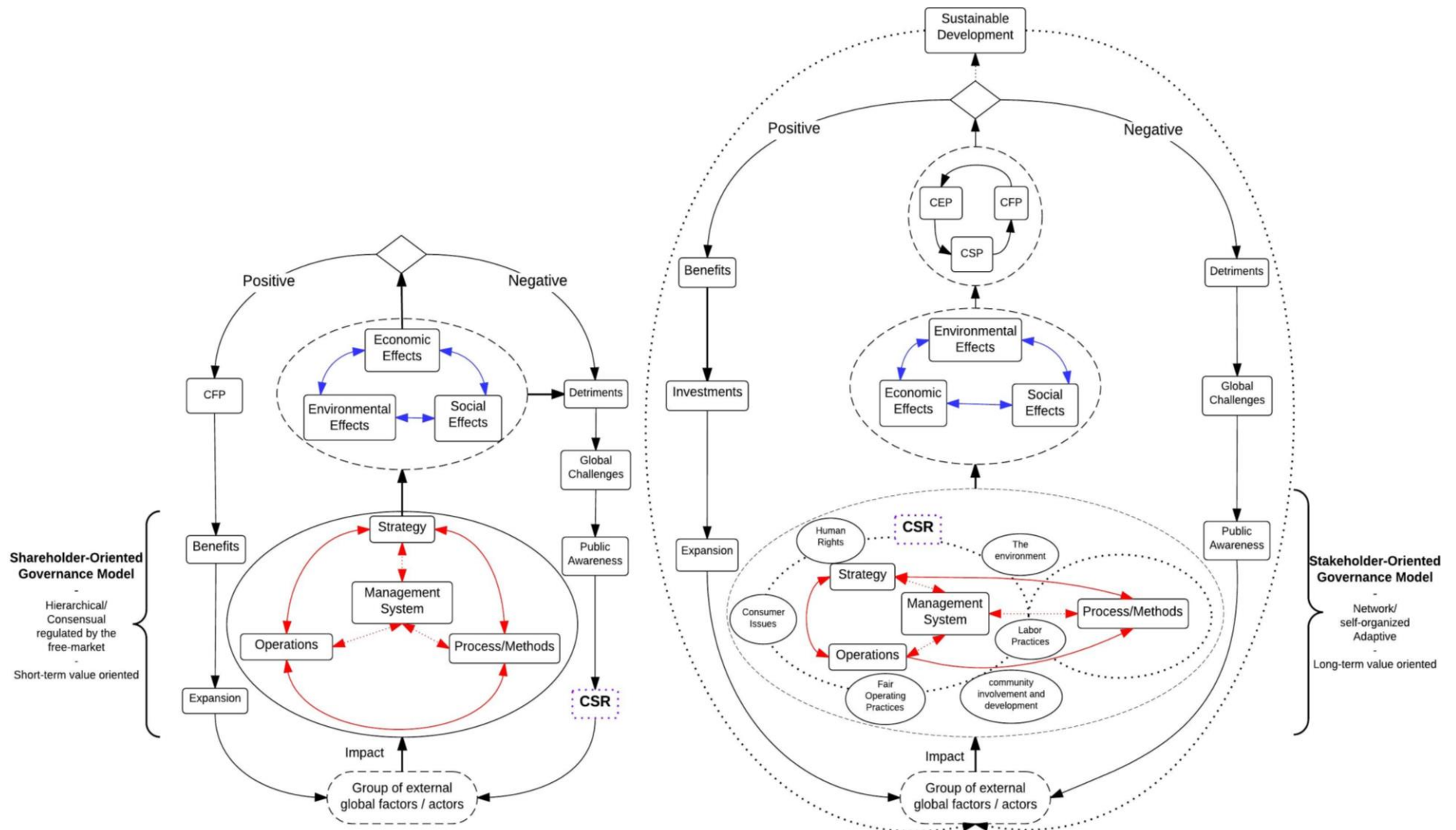


Figure 30: Comparison of Business models to embrace CSR Strategy.

In regards to the model elaborated, it can be concluded that the actual model of business has not considered a complete application of the CSR framework at a project level, and due to the importance of a good corporate governance in underpinning a CSR strategy and the unwavering link between the corporate governance and the project governance, the relevance of this connexion could be implied in order to embrace the CSR strategy at the level of project management, and in this matter underpinning opportunities and balancing risks regarding projects' economic, environmental, and social responsibilities including stakeholders expectations within a medium and long-term perspective. However, the developed model disregards the different motives to embrace the CSR framework and present a general view of the internal changes and arrangements within the organization. Several variances could occur due to the context in which the organization is placed, considering that the political and social environment that support and shape the corporate governance model and how CSR practices are undertaken (Ntim & Soobaroyen, 2013).

Finally, even though CSR is argued as a long-term investment in relation to the future high value of the reputation of an organization (Schieg, 2009), it is still considered as a voluntary social responsibility of companies to self-manage consciously within their host society, with no legal obligations, penalties or reporting liability. Due to problems with the self-regulation of companies, the prospect is to turn it into an accountable process with national and international mandatory standards, reporting and compensations procedures (Benn & Bolton, 2011c, 2011d). In that sense, the embracement of CSR in the project management field could be seen as an opportunity to prepare for the future and uncertainty, as Peter Ducker (1992) stated, we have to manage uncertainty in order to build a resilient and flexible organization that can face social, political, and economic changes.

## **2.10. Summary and Introduction to Forthcoming Chapters**

This chapter has presented an overview of the development process of the CSR framework and provides an understanding about its relationship with business actions, explaining the way it has fostered diverse internal changes throughout it. In this sense CSR has turned into a business strategy that influences the corporate governance, vision and culture boosting a stakeholder-oriented model and the relevance of contributing to the sustainable development of organizations and societies. Hence, a current model of CSR embracement by business practices has been presented in order to understand the CSR position within the

organizational structures/functions and traits. Thus, we began to examine in the research question by explaining the connection with the project management field, recognizing similarities between the management of stakeholders and the necessity of CSR embracement in underpinning stakeholder interest, engagement and commitment. In this way the literature review provides a foundation to formulate in the following chapter the methodology criteria, prior to formulating a new business model and the study of current cases in chapter 4, that could elucidate, in the final chapter, the possibilities for its application and future research pathways to follow.

## **Chapter 3: Research Context**

This chapter aims to describe the methodological approach of the thesis, explaining the logic behind it and its connection with available public data. Hence, my position is stated and contested. The first section of this chapter provides an overview of the logical structure applied during the development of the thesis and its context in order to support the research method selection explained in the following section. Finally, the third section describes the process that will be followed to analyse case studies obtained from secondary sources. At this point and context, it must be highlighted that due to the interrelationship between the case study selection process and the professional working experience of the author, a risk of bias will be stated and described prior to proceeding with the following chapter.

### **3.1. Structure of the Thesis**

The thesis, outlined in five chapters, explores a qualitative research method, supports its selection, and its application in order to answer the research questions positively or negatively (Fig. 31). The flowchart shows the logical top-down flux proposed for a theory driven research. Hence, the logical structure and content of the thesis has been proposed deductively and inductively in loop cycles from the purpose and research question generated (chapter 1) and the literature review (chapter 2) information. The logical structure encompasses the research method to be proposed in the third chapter, in which a major timeframe constraint will be analysed.

In the light of the evidence, trends, interconnections, and potential gaps detected, the literature review supports the development of the current business model for embracing the most extended CSR framework, and underpins the construction of a proposed theoretical model for the embracement of CSR framework at a project level. In the fourth chapter, both are constructed abductively. In this context the aforementioned chapter aims also to investigate some case studies in order to endorse both the current and proposed business model, providing the necessary information to respond to the subordinate and ordinate research questions in chapter 5 and to recommend further research or applications in the last chapter.



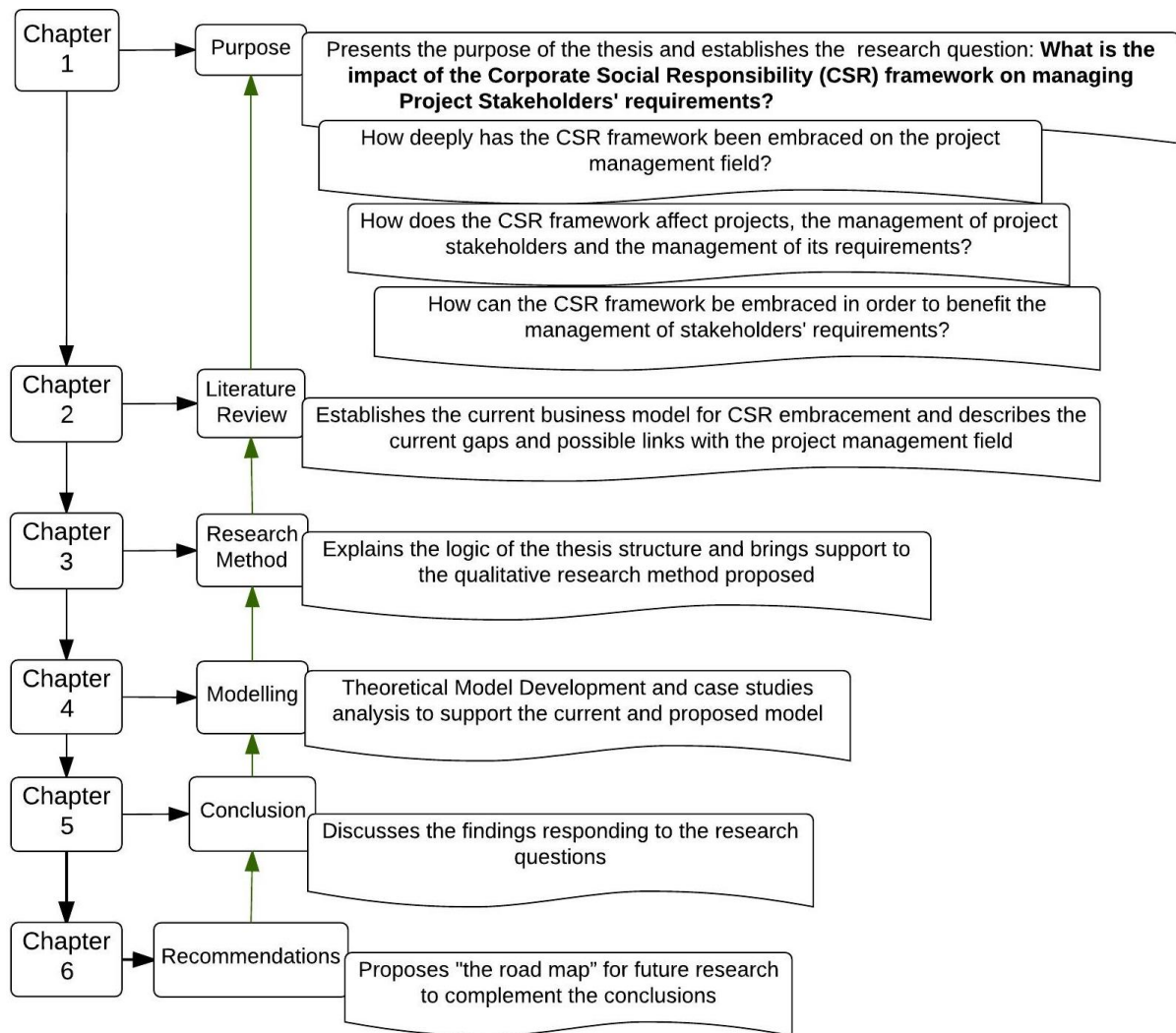


Figure 31: Thesis logical flow structure

### 3.2. Qualitative Research Method

By acknowledging the timeframe as the main constraint of the thesis elaboration and in order to draw a research process that could attempt to answer the research question different methodologies for the data collection were analysed, including the use of qualitative and quantitative data, evaluating potential constraints to its accessibility, ethics and potential biased origin (Hammond & Wellington, 2013). In this regard, the generation of primary data was discarded, redirecting our interest in the available data (secondary sources) by researching cases studies related to the application of CSR framework in different sectors and projects, which could be retrieved electronically (Zikmund, Babin, Carr, & Griffin, 2013b). In this context, a specific situation within an organization would be analysed to identified repetitive variables or coincidences that could elucidate a relevant explanation to our research

question (Zikmund, Babin, Carr, & Griffin, 2013a). Thus, the main traits of the cases studies' development were considered as follows:

- Direct data generation, either to produce qualitative or quantitative information, providing information from an entire organization or project in a specific timeline (Creswell, 2014a; Zikmund et al., 2013a)
- The multiple forms of data used by the researchers for collecting information, and which could provide different levels of evidence, and a variety of aspects analysed (Creswell, 2014a)
- The role of the researcher as an instrument, which influences the method applied to collect the information and the discussion and conclusion of findings with a possibility of subjectivisms (Creswell, 2014a)
- The possibility to apply deductive, inductive and abductive reasoning to analyse the data available (Creswell, 2014a)
- The validity and reliability of the cases supported by their publication at scholarly and professional levels with the corresponding declaration of constraints, limitations, and biases (Creswell, 2014a, 2014b)
- The opportunity to triangulate the different sources of data facilitating the exposure of findings' convergence or divergence (Creswell, 2014a)

Due to the contemporary and exploratory nature of the topic and its restricted area of analysis at a business level and in project management, the generation of quantitative data from secondary sources was dismissed, opting for a qualitative method (Zikmund et al., 2013a); hence, the information gathered could be analysed in relation to the methodology applied, results obtained, gaps found, and its constraints in order to apply inductive, deductive and abductive reasoning during its interrelation and interpretation (Creswell, 2014a, 2014b).

The collection of data is based on a global search of scholar's sources, attempting to obtain references to fact-findings or model-building indistinctly (Zikmund et al., 2013b). Thus, the

use of the grounded theory concept is embraced, letting the data to respond by itself positively or negatively to the research question, without dismissing any finding (Marshall, 2014). In regards to the research methodology selected, the researcher's role is a key aspect in considering the potential influence that his/her biases, values, and personal background could have during the interrelation and interpretation of data (Creswell, 2014a).

### **3.3. Research Method Application Process and Bias Declaration**

Based on the information collected at the literature review a current model of business enterprises that embrace CSR framework has been abductively elaborated and presented. The model highlights the CSR inclusion in the business environment at strategic and operational levels. Thus, the fourth chapter will propose a new theoretical model business model supported in the aforementioned one, and which will suggest the embracement of CSR at a process/methods level that includes the project management field, and in that matter will present the potential links and impacts in the management of project stakeholders requirements.

Posteriorly, a group of case studies will be selected from different areas of business and analysed in order to interpret their findings, limitations, constraints, conclusions, and suggestions for further research, that could support or contest the proposed model. The number of case studies will depend on their availability and information found related to the level of detail, insights and content. The information will be gathered from different sources and will be contested with databases from:

- Global Reporting Initiative: <https://www.globalreporting.org/Pages/default.aspx>
- Dow Jones Sustainability Indices: <http://www.sustainability-indices.com>
- Social Return of Investment: <http://www.thesroinetwork.org>
- Institutional websites for each enterprise
- Search engines in the world wide web

Within the actual organizations' trend in adopting or incorporating international standards and guidance on social responsibility and reporting their performance, the three first institutions outlined are considered the major sources of disclosed information that could bring direct access to specific information from organizations around the world. The

institutional websites and the search engines could bring extra information related to the organizations' structures and actual news associated with the topic and the organizations to be evaluated in the case studies.

Due to the nature and methodology of the research, the role of the researcher has already been highlighted, and in that matter the process for collecting and interpreting of the information results is extremely important in order to avoid discarding important information that could contradict the application of the CSR framework at a project level. In this regard it is important to declare that I am a 37-year-old Peruvian engineer, with twelve years of work experience in urban, peri-urban and rural communities in the coast and Andean regions of Peru that include communities of Quechua native speakers. As a citizen of a 'third world' nation I have witnessed and been impacted by the different processes and problems of development, this drives my special interest on understanding and contributing to Peru's sustainable development. In that context, I have been involved in different volunteering and civil organizations that are non-profit oriented, and I have committed to the execution of several projects aiming to achieve sustainable solutions to local and global problems. Hence, my personal evolution has influenced my professional interest.

My working experience could be divided into three defined stages, the first part related to the execution of sanitary infrastructure in Lima, the capital city of Peru, where a high level of interaction with governmental entities and poor peri-urban settlements reinforce the importance of improving the well-being of people through the delivery of quality infrastructure. The second stage introduced me to an international level of coordination between local and overseas NGOs focused on improving a general quality of life for disadvantaged communities encompassing social and environmental indicators and goals. The last stage allowed me to be involved in the corporate social responsibility framework in coordination with governmental entities and a multinational mining company. This is a sector with a high level of controversy due to imputations to its environmental and social practices, generating a wide range of positive and negative impacts. It is a sector that has been greatly promoted in Peru due to its preponderant impact in the national gross domestic product (GPD). Each of these stages exposed me to a great amount of information, views and opinions related to the thesis topic as an observer and a direct participant in stakeholders' management, encouraging, engaging, understanding and negotiating with them at different levels in order to attain the improvement of communities, projects' success, and

organizational objectives related to social, economic and environmental goals.

The combination of my personal and professional experience has permitted me to collect a wide range of information and it is complemented with documents in Spanish and English languages sourced from journals, books, annual reports, newsletters, policies, minutes, case studies and diagnostics obtained from paperback and digital book collections, electronic scholar databases, and web sites, that have acquired a new meaning and purpose in the context of this research. However, the strengths and weaknesses of my previous positions outside and inside the CSR environment must be acknowledged at this stage in order to outline a potential bias for the qualitative collection and research processes, that would probably not affect the objectivity of other authors not involved in the CSR topic or in Peru history. In that context, the author supported by the academic supervisors, spares no efforts in order to underpin an analytical and objective position in order to evaluate the findings, and avoid any influence on the conclusions and recommendations of this research.

### **3.4. Summary and Introduction to Forthcoming Chapters**

This chapter has condensed and explained the logic behind the thesis structure, detailing the reasoning processes and describing the motivation, limitations and constraints in proposing qualitative research based on case studies developed by previous researchers. In this context, the process of collection and interpretation of the available data could be a strength of the research, due to the third party objectivism, but also a weakness considering the potential bias that could arise from the personal and professional experience of the author. Hence, impartiality and objectivism are underpinned by the author's efforts and the support of the academic advisors of this research. In the next chapter the theoretical model for CSR embracement at PM field is going to be elucidated and discussed in terms of its impact on managing project stakeholders' requirements and its posterior exposure to further judgements in reference to the information obtained from the qualitative data analysed. Chapter 5 examines the results of contrasting the model with the CSR approaches applied in the case studies, highlighting the findings, and building conclusions regarding the research question. Finally, the last chapter shares some recommendations and outlines future areas of research.

## **Chapter 4: Theoretical Model and Case Studies**

The following content aims to propose and describe a theoretical model that could be adopted and applied to embrace the CSR framework at a project level. The first part provides a logical explanation related to the conception of the model, the impact on stakeholders' involvement and engagement, in terms of making them participants in the project governance. The second section provides case study analysis taken from secondary sources and oriented to evaluating the project organizations' approaches related to CSR framework and its management of stakeholders' requirements. The information collected will be discussed and contested in order to support the conclusions outlined in the following chapter.

### **4.1. Proposed Theoretical Model**

The information provided in the literature review has drawn the current business model, which applies the CSR framework at strategic and operational levels (Fig. 31), and has left aside the process/method level. Hence, the main idea of this theoretical proposal is to outline an integrated business model aiming to incorporate the CSR framework in the PM field, describing in this regard, the aspects that could affect the management of all stakeholders' requirements (Fig. 32). Thus, the standard framework for CSR - ISO 2600:2010-, developed to integrate the concept of social responsibility for all types of organizations, has been considered. In this way, a holistic approach of seven interdependent core subjects: business governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development have been incorporated (ISO, 2010). In this context, we have drawn direct relationships between CSR, corporate performance (CP), which include corporate financial, social, and environmental performance, corporate governance (CG), and project governance (PG), based on important concepts and research. In this regard, the following concepts outline the model's rationale:

*At a corporate level:*

- CG frames the company's purpose, its ownership, who should manage it and how it will be managed (Benn & Bolton, 2011f) within a globalized context and amid the sustainable development concerns (Aras & Crowther, 2009); and represents the means to achieving a companies' goals and strategies (Aras & Crowther, 2009) requiring a set of interactions between the management, board of directors, and its shareholders (Greiman, 2013a).

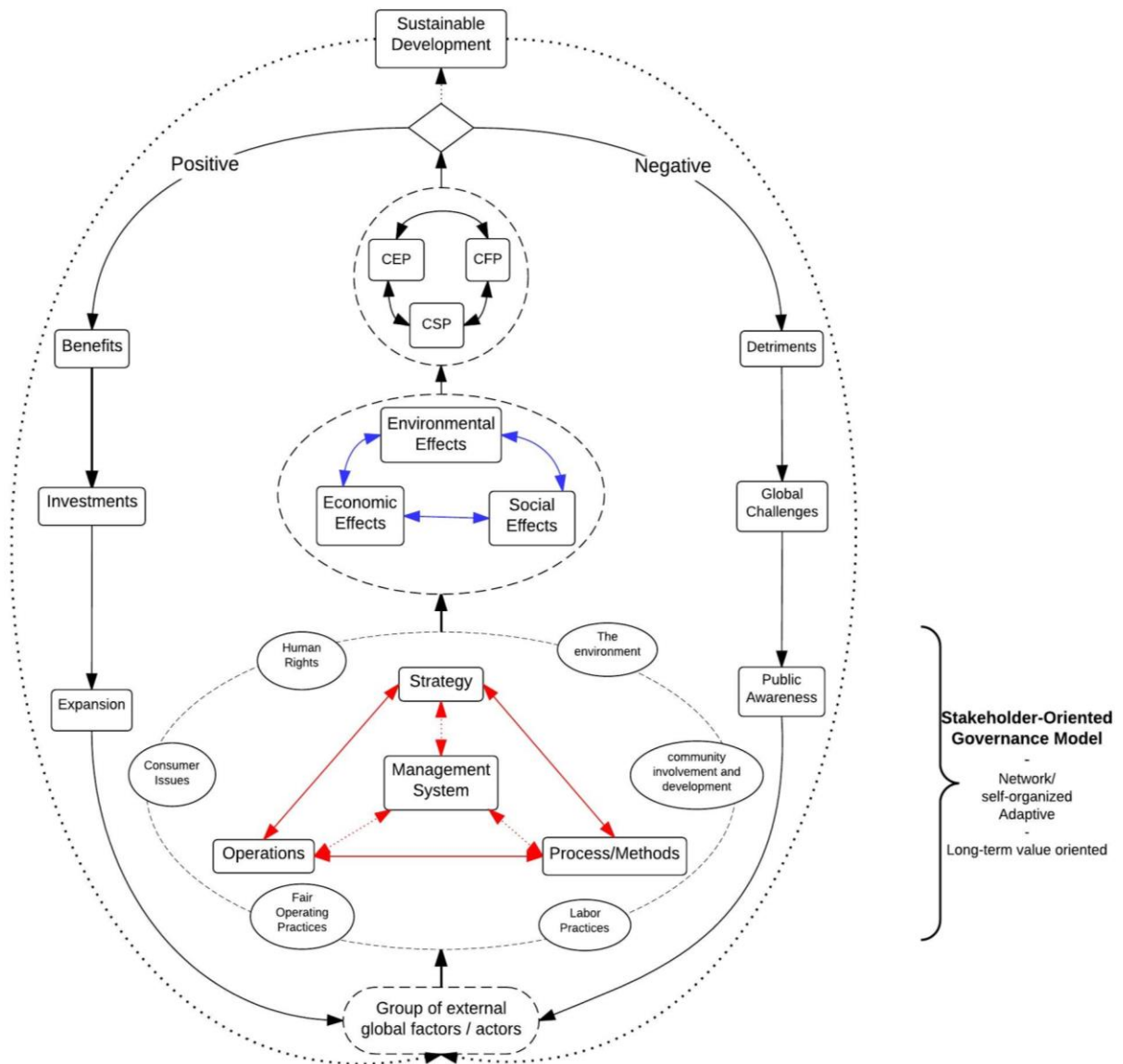


Figure 32: Proposed considerations to embrace CSR at a business level.

- CG has progressively embraced global concerns (Sinclair, 2012) varying its model in order to meet not only shareholders' demands, but to encompass stakeholders' ones with a long-term perspective (Aras & Crowther, 2009), affecting in that sense companies' performance, market value and credibility (Ertuna & Ertuna, 2009), which support the decision to embrace social responsible activities in favour of risk reduction and business profitability.
- Thus, the embracement of a stakeholder-oriented model will incorporate the interests of corporate stakeholders promoting their participation at a corporate governance level, focusing on the creation of wealth and value for all the stakeholders (society included) creating a long-term relationship with them (Ertuna & Ertuna, 2009). This new

understanding of companies' overall performance will require a new understanding of the corporate governance mechanisms (Aras & Crowther, 2009) and structures that cover a board's organization, such as the number and types of committees, members (including stakeholders representation), leadership, and the availability and management of information (Spitzeck, 2009).

- In that sense the concept of good corporate governance (GCG) arises aiming to include multiple disciplines, and views to balance the satisfaction of shareholders and stakeholders by including the four basic principles of transparency, accountability, responsibility, and fairness (Aras & Crowther, 2009).
  
- Considering that the business rational amidst sustainable development has pushed forward the embracement of CSR as a business strategy (Benn & Bolton, 2011a; Falck & Heblich, 2007) and acknowledging that good governance reduces negative CSR action and prevents negative events (Arora & Dharwadkar, 2011), underpinning a positive relationship between CSR practices and the positive effects on CFP (Ntim & Soobaroyen, 2013). Thus, a direct relationship between CSR strategy and GCG could be established, and in this regard, the GCG's principles would need to be integrated in approaches to *human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development*.
  
- In this regard the CSR framework applied at a corporate level has proposed the inclusion of corporate stakeholders at the governance level, involving them in the decision-making processes. Thus, their interest, expectations, and requirements are included, attempting to create a 'stakeholder governance' in which stakeholders can influence the system that directs and controls an organization (Spitzeck et al., 2011) in order to reduce conflicts and achieve business success (Voinov & Bousquet, 2010), amidst the social, economic and environmental concerns and the challenge of sustainable development.
  
- Thus, seeing the sustainable development goal as a wicked problem due to its traits, the embracement of the CSR framework's core topics integrated by a GCG, in which key business stakeholders are involved and engaged, could underpin trust, collaboration, innovation, and shared-knowledge, creating a shared vision about business scope enhancing business success (Conklin, 2005).



At a project level:

- Considering that project governance (PG) plays an overseeing function tending to align the project with corporate governance, providing a framework to manage, support and control the project (PMI, 2013a), any change or new understanding related to CG affects the PG directly. Thus, the integration of the CSR framework at strategic and corporate governance levels involves at a project level project governance must encompassing the four CG's basic principles and its extension on integrating the **CSR's core topics** (Fig.33). Hence, an understanding of the holistic approach and topics' interdependence could be reviewed, evaluated and reported aiming at stakeholder engagement and involvement.

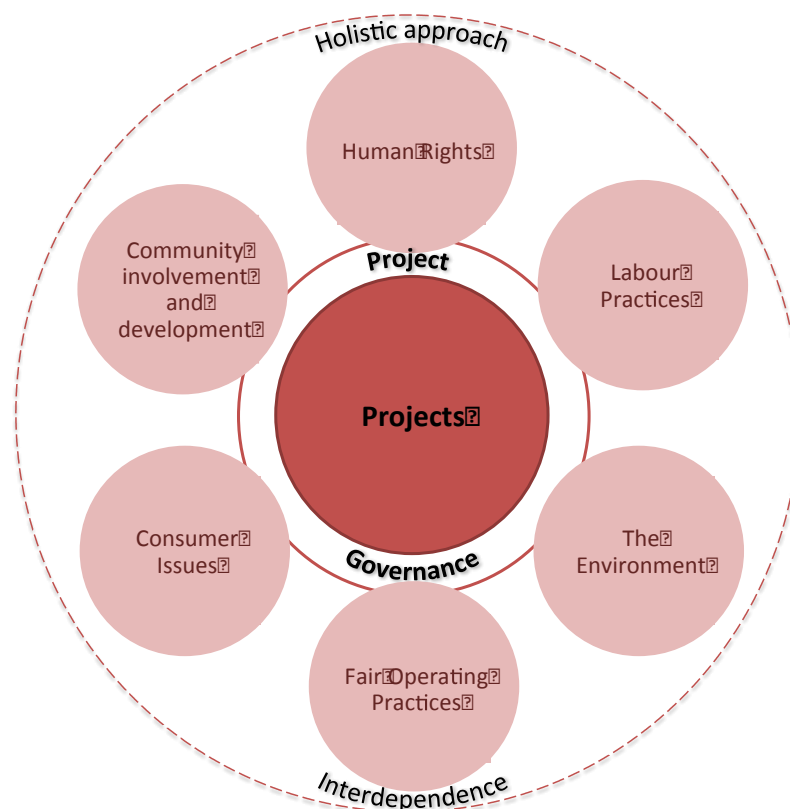


Figure 33: Seven core subject for social responsibility on Projects. Adapted from ISO (2010, p. 23).

- Regarding the literature review it could be noticed that the embracement of six of the seven topics have been occurring partially at a project level as per being part of the organizational process assets such as organizational culture, policies, vision, mission, process certification, among others, however, the project governance has not been linked with these core subjects.

- Projects identified as established temporary organizations immersed in the framework of a permanent one (Lundin & Söderholm, 1995; Sahlin-Andersson & Söderholm, 2002; Turner & Müller 2003; cited in (Crawford et al., 2008), with its own governance (Crawford et al., 2008), but with no pre-established connection into the overall organizational structure; in a way that each link has to be created by the sponsor (Too & Weaver, 2013). Hence, the embracement of the CSR framework must be established at the beginning of the project and its alignment with CSR strategy would have to be monitored and controlled periodically.
- The stakeholder-oriented governance approach amidst socially responsible actions and the sustainable development challenge requires the *reinterpretation of PMI's project stakeholder definition by including the "future generations"*; currently claimed by Maltzman and Shirley (2011) as part of Green Project Management. In this regard, there is a correlation between the future generations' requirements regarding business practices responding to the sustainable development challenge and the embracement of CSR framework regarding the community involvement in favour of environmental protection (Fig 34).

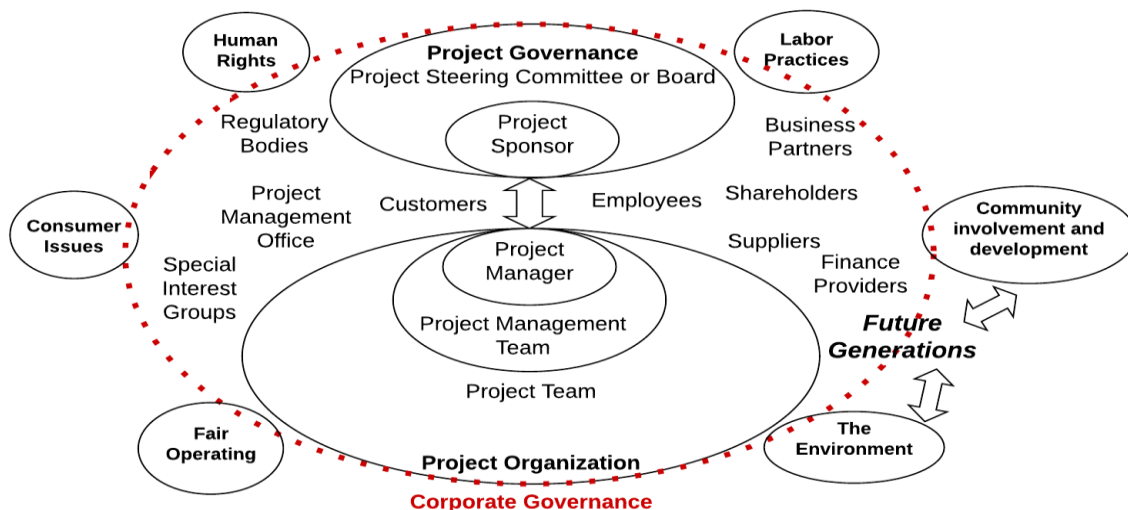


Figure 34: Proposed extended concept for project stakeholders regarding the embracement of CSR framework. Adapted from Carboni (2013, p. 5).

- In this way, the concerns about the environmental, social and economic impacts that the project could generate in a long-term view could be encompassed. Furthermore, it must be understood that the stakeholders' interest and priorities regarding sustainable development could also vary among project stakeholders (Craddock, 2013). In this context, the project

seen as a dynamic system, would be permeable, understanding the broader context for stakeholder management.

- In systems with interwoven actors and relationships governance will need to be supported by flexible organizations, fostering *an adaptive network governance oriented* to include a broad range of stakeholders. In this way, governance could self-reconfigure to deal with uncertainty and constant changes, and this will bring collaboration, facilitating collective actions and the resolution of conflicts between organizations and its stakeholders (Folke et al., 2005).
- In this context, the understanding of leadership as a complex adaptive system in which the formal leaders' role as facilitators within the system, in this case the corporate representatives, could foster leadership processes and/or events emerging from the interaction between participants on project governance (Lichtenstein et al., 2006). Thus, *the participation of key stakeholders allows their involvement to lead processes and activities in favour of projects' success.*
- In order to involve project stakeholders in the decision-making process for the project and replicate the same considerations undertaken at a corporate level, the proposal model suggests *including representative key stakeholders at a project governance level. In that way, their expectation and feedback could be addressed throughout the project lifecycle, building a shared project vision and a general commitment to project objectives.* Thus, a reactive attention to stakeholders concerns will be avoided, proactively anticipating the potential conflicts and reducing risks by taking joint responsibility for their requirements (Spitzeck & Hansen, 2010).
- The formal involvement of stakeholders could be promoted by: *multi-stakeholder dialogue forums*<sup>38</sup>, *stakeholder advisory panels (SAPs)*<sup>39</sup>, and *joint management-stakeholder committees (JMSC)*<sup>40</sup>, which can foster collaboration and innovation (Spitzeck, 2009; Spitzeck & Hansen, 2010; Spitzeck et al., 2011).

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<sup>38</sup> Consider a very broad and diverse group of stakeholders (Spitzeck & Hansen, 2010).

<sup>39</sup> Composed by a limited number of external stakeholders with frequent meetings that function as report review committees (RRC) with limited or no formal power (Spitzeck & Hansen, 2010).

<sup>40</sup> Consisting of formal bodies with a certain number of company representatives as well as internal/external stakeholders who frequently meet (Spitzeck et al., 2011).

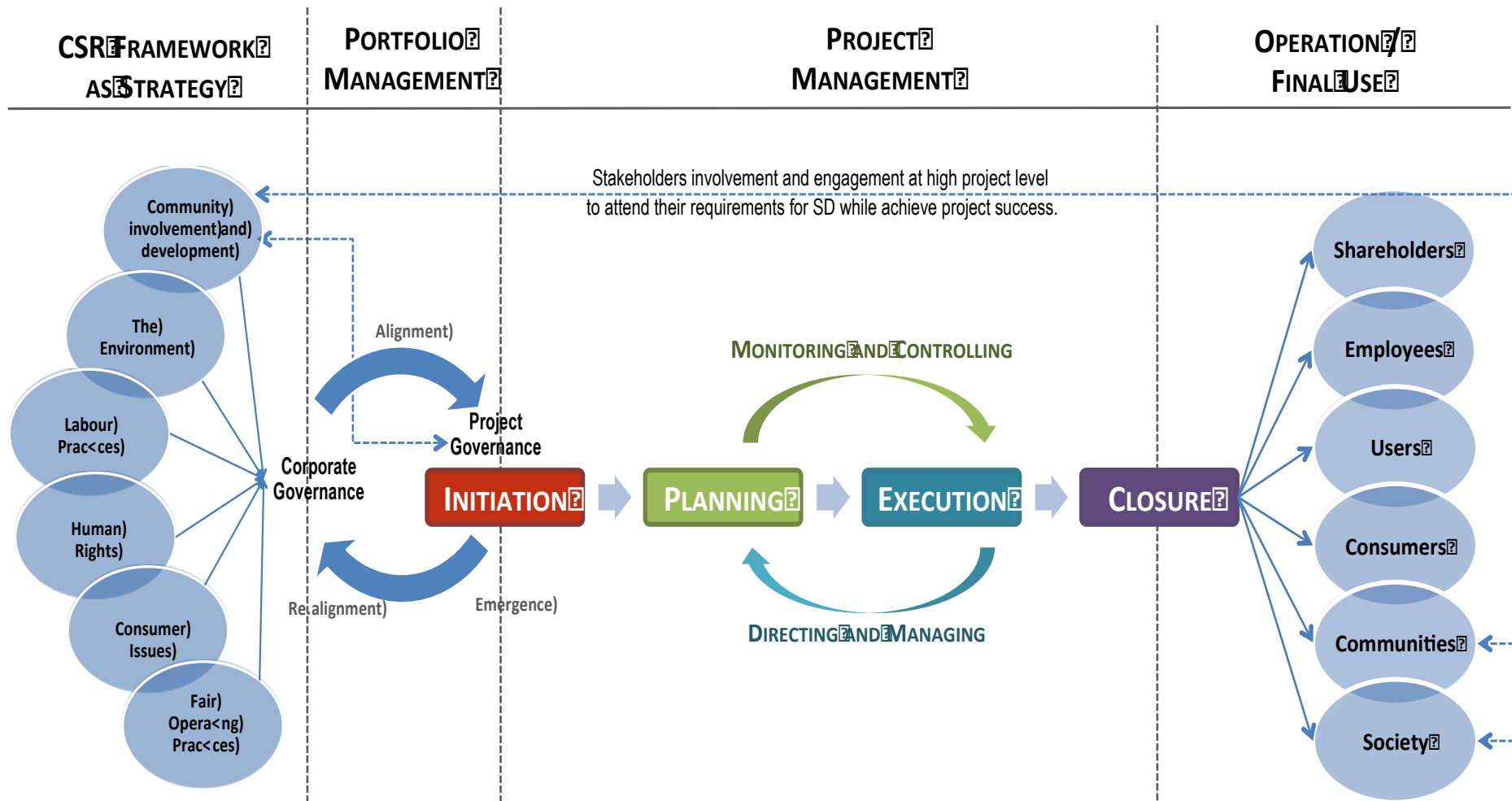


Figure 35: Direct impact of CSR framework on stakeholders' requirements management at a project level<sup>41</sup>

<sup>41</sup> Model constructed taking as a reference ACE's Project Governance Framework (ACE, 2014) and Keey's conceptual framework approach to project SD strategy (Keey et al., 2013).

## **4.2. Case Studies**

Considering that the application of the model is a basic requirement in responding to the research question and the author's practical experience within the Peruvian context, the case studies will bring the evaluation of three different projects executed in Peru. In this regard, the projects executed in different regions and with the participation of different funding sources have been considered: a partnership between a multinational corporation (MNC), local company and an international organization, a MNC's direct investment, and a partnership between the Peruvian Government and the Private Sector. The project selection has relied on the availability of information related to the mining sector due to its important contribution to Peruvian economic growth but with significant environmental impacts, and for which higher expectations and increasing demands exist (Figuroa, Orihuela, & Calfucura, 2010), exposing private investments to perilous circumstances affecting a project's success.

### **4.2.1. Peru's Mining Sector**

Geographically Peru is a country with coastal, Andean and forest regions (Boutilier, 2009a), that also possesses plenty of biodiversity, nature, history and culture (Baca et al., 2007). Socially, Peru has a mixed-race people, with a minor wealthy class, small middle class and a vast majority of poor people and regions where the Quechua, the Incan Language is predominantly spoken (Boutilier, 2009a). In relation to the economic sector, Peru's background as the largest mineral producer in Latin America; registered throughout pre-Incan cultures, The Incan Empire, Spanish conquest and occupation (its predominant role as a silver exporter throughout the colonial era), and its current republican era (Baten et al., 2009); it has supported since the 1980s an economic growth model based on extractive activities (Triscritti, 2013). Further, with the embracement of the free-market economy model in the 1990s, (Congress, 1993a) and several governmental policies launched since 1991 to attract foreign investments (Montoya, 2009), several exceptional conditions were established to attract investments in the mining sector (Baca & Quiñones, 2005). Within said context several juridical stability agreements were signed between investors and government including among others legal frameworks for: taxes, labour contracts, export processes, management of foreign currency, and private property (Baca & Quiñones, 2005; Baca et al., 2007; Forsyth & Velarde, 1998).

Consequently, in the last three decades mining's FDI (foreign direct investment) has abruptly increased leading the extraction of silver, zinc, tin, copper, and gold. Peru has become a leading producer in the global commodities market (BMI, 2012; MINEM, 2013). The mining claims and concessions have been greatly extended and by 2013 active claims covered 15% of Peru's territory (19,308 km<sup>2</sup>) (Bebbington & Bury, 2009; BMI, 2012; GP&CA, 2013; MINEM, 2013). With a wide variety of FDI provenance and several mining projects at execution stage, the sector has a predominant role in Peru's total exports (60% by 2012), fostering its economic growth. Metal's rising demand and price established encouraging conditions for MNEs to plan new investments (Arellano, 2008). The forecast for the 2012-2020 period has predicted US\$53bn new investments, with 44 projects from 10 different countries (BMI, 2012; Triscritti, 2013). However, on the flip side, the recent history of mining companies in Peru is riddled with enormous ecological impacts in places such as Piura, Cajamarca, Ancash, (Bebbington & Bury, 2009), La Oroya, Cerro de Pasco, Ilo, Huarmey and Tintaya (Muradian et al., 2003) associated with private and public mining activities that affected mostly indigenous people (Bebbington & Bury, 2009; Muradian et al., 2003). Furthermore, not only indigenous people's livelihoods have been affected but their culture and symbolic universe has also been impacted (Urteaga-Crovetto, 2012).

#### **4.2.2. The Conga Mining Project: MNC and Local Company Partnership**

Newmont Mining Corporation, one of the world's top gold producers based in Denver - EEUU (Triscritti, 2013), is the operator and majority owner (51.35%) of Yanacocha open-pit gold mine located in Cajamarca, the Andean region in the north of Peru (Fig. 37) (Hutton et al., 2007), sharing ownership with the Peruvian Company Minas Buenaventura (43.65%), and the International Finance Corporation (IFC) (5%) (Yanacocha, 2014a). Since the company's onset in Peru in 1993 its production has exceeded 26 million ounces with three active open pits (Newmont, 2014g), \$4.7 billion has been invested and nearly \$1 billion of taxes generated and it has had several impacts on economic, social and environmental aspects (Hutton et al., 2007).

The cajamarca regions has 1 519 764 people (INEI, 2013), three quarters of whom dwell in rural areas, and to whom, the agriculture activity has had a predominant role supplemented by other economic activities related to commerce, manufacturing, construction, and tourism (Whellams, 2007). In this context, the Conga project could be set as a current global pattern

in the mineral extraction sector, generating friction between the livelihood of local ‘campesinos’ (rural peasants) and companies’ activities, an archetypical situation repeated widely in Peru, Latin America, and worldwide (Silva-Macher & Farrel, 2014).



Figure 36: Yanacocha and Conga mining sites’ location. Taken from Newmont (2013, p. 1).

### ***Newmont’s CSR Approach:***

During the first decade of 21<sup>st</sup> century, Newmont’s environmental and political practices regarding its mining operations in Peru and in Indonesia were questioned by NGOs and the international press (Gifford et al., 2010). In 2007 Newmont became the first gold company included in the Dow Jones Sustainability World Index (Newmont, 2014a) and its approach to social responsibility could be perceived by the appointment of an Environment and Social Responsibility Committee as part of Board of directors’ support (Newmont, 2007), which has evolved into the current Safety and Sustainability Committee (Newmont, 2014b). The company reconfigured its organization in 2012 at sustainability and external relations levels, updating its social and environmental standards and executing a self-assessment to define sustainability issues related to the company and its stakeholders (Newmont, 2014f), having declared Sustainable Development as a core part of its strategy (Newmont, 2014e), and stating as its vision to “build a sustainable mining business that delivers top quartile shareholder returns while leading in safety, environmental stewardship and social responsibility” (Newmont, 2014d)

### ***Yanacocha's CSR Approach:***

Meanwhile, Yanacocha, a company formed by a third-party partnership, has not explicitly expressed its commitment to social responsibility, in its vision and mission (Yanacocha, 2014a), but has declared a matrix organization structure (Yanacocha, 2008) having a PM regional office and aligning it with national and international environmental regulations (Yanacocha, 2014c), in favour of profitability but with responsible actions aiming at sustainable development (Yanacocha, 2014d), and since 2008 the organisation presents sustainability reports aligned with Global Reporting Initiative (GRI) (Yanacocha, 2014b). However, Yanacocha's corporate strategy has increased tensions between the company and local communities and led to devastating conflicts (Triscritti, 2013).

In this context, Yanacocha frames its CSR activities aiming at community development by the execution of 4 types of interventions in: infrastructure development; health, education and rural development (agriculture, animal husbandry and forestry) (Whellams, 2007) through two separate intervention teams:

- The Community Relations & Social Development department which direct its efforts to deliver projects to the mining site's closest communities (Whellams, 2007); and
- 'Asociacion Los Andes de Cajamarca' (ALAC), its corporate foundation created in 2004, that undertake projects within Cajamarca Region (Whellams, 2007).

Table 11: ALAC's institutional objectives

	2008	2012
ALAC's OBJECTIVES	<ul style="list-style-type: none"><li>- (1) Enhance local businesses capacities;</li><li>- (2) Support education to increase human capital; and</li><li>- (3) Strengthening government and civil society groups' institutional and organizational capacities to build social capital (Whellams, 2007).</li></ul>	<ul style="list-style-type: none"><li>- (1) Equity in education and health,</li><li>- (2) Business capacity building,</li><li>- (3) Development infrastructure with emphasis on water management, and</li><li>- (4) Institutional strengthening" (ALAC &amp; Yanacocha, 2012).</li></ul>

### ***Yanacocha's antecedents in Peru:***

In Peru, despite Yanacocha's mining activities' significant contribution to the region's increased revenues (Whellams, 2007), the company has been associated with bribing practices (Perlez & Bergman, 2005), and environmental damage in the village of Choropampa in 2000 due to a mercury spill (Gifford et al., 2010). Owing to these antecedents, in 2004 the exploratory process of the Cerro Quilish deposit was suspended due to local communities opposition (Gifford et al., 2010; Hutton et al., 2007) claiming a high



environmental risk to the local water resources (Hutton et al., 2007). The MNC agreed to halt activities until obtaining community support (Hutton et al., 2007), contracted the University of Colorado Denver (UCD) to perform, as a third party representative, health controls and suggest sustainable-community building interventions for its operation (Gifford et al., 2010). The UCD's study, conducted in 2005, included interviews with key stakeholders in the 20 communities within the Conga Area and specific regional and national representatives (Gifford et al., 2010); and as a result, Gifford states the following recommendations:

- Design and implement a social investment strategy focused on health and development for the Conga Area in the charge of a coordinating body, such as a foundation.
- Construction of a reliable health baseline, by undertaking a household health study in the target communities, considering continuous monitoring.
- Support local communities in accessing safe and adequate water supply and sanitation targeting specific context and needs.
- Execute physical infrastructure development and improvement to boost an effective healthcare system and improving accessibility.
- Building capabilities for the health sector personnel and communities, supporting education and training programs.
- Execute nutrition and economic development interventions in host communities.
- Finance studies to understand and recognise different health problems (Gifford et al., 2010).

Yanacocha's operations manager admitted to BBC news the company's failure in understanding the communities' concerns (Newmont, 2009). According to Whellams (2007) due to the Quilish conflict, Yanacocha stated an increasing need to heed to the local communities. In that context, on March 2004 Yanacocha launched ALAC, aiming to contribute to Cajamarca's sustainable development (Whellams, 2007). However, the company's efforts have not got positive results to date (Emery, 2014).

### ***Conga Project:***

In the same path, the Conga Project, also developed by Yanacocha, was launched in 2004 as its second 'mega-gold' project in Peru (Triscritti, 2013), with an estimate of "6.5 million attributable ounces of gold reserves and 1.7 billion attributable pounds of copper reserves" (Newmont, 2013a). The project is located near Cajamarca city at about 4000 masl (metres

above the sea) (Triscritti, 2013), next to the Yanacocha site (Fig. 37) (Newmont, 2013a). The project planned to invest US\$ 4.5 billion, and the original scope considered to removing four natural lakes and replace them with four reservoirs (Triscritti, 2013). The feasibility study for the project was completed between 2008 and 2009 jointly with environmental baseline updates (Knight-Piésold-Consulting & Newmont, 2010a). The final EIA was approved by the Peruvian government representatives in 2010 (Newmont, 2013a), and included the company's commitment to relocate local lakes and double their capacity on communities behalf (Hutton et al., 2007).

- *Conga's Social Development Program*

In 2008 the Conga Project Team and ALAC engaged the neighbouring communities to identify opportunities for sustainable local development. Yanacocha underpinned the creation of 'Comités de Desarrollo Comunal – CODECOs' (Community Development Committees) in 2009 to prioritize the areas of intervention for social programs and projects and to develop the 2015 Community Vision (Newmont, 2013c).

- *Communities' involvement process for Conga's Environmental Impact Assessment (EIA):*

The study was framed within a variety of governmental regulations including 'Regulations on Citizen Participation in mining sub-sector' (Supreme Decree N° 028-2008-EM complemented by Ministerial Resolution N° 304-2008-MEM/DM) (Knight-Piésold-Consulting & Newmont, 2010a; Newmont, 2013a), that required a consultative process to communities affected by new projects (McIntyre, Bustamante, Hauck, Manz, & de Bievre, 2014); the preliminary commitment to develop mining activities (Supreme Decree N° 042-2003-EM); regulations on transparency, access to public environmental information and citizen participation and consultation in environmental matters (Supreme Decree N° 002-2009-MINAM); among others.

In this regard the EIA determined 32 communities in the Cajamarca and Celendín provinces as directly influenced (Jaskoski, 2014), which were included by 2007 by the Conga Project Team in the Citizen Participation Process ("Proceso de Participación Ciudadana," or PPC) aiming to ensure local governments and communities' participation and regarding legal governmental framework. The program included: focus groups, guided tours, workshops, interviews, monitoring processes, conferences, meetings, public hearings, and the availability of information offices (Newmont, 2013b). In this regard, Yanacocha asserts an open,

transparent and inclusive EIA involving a large number of local stakeholders (over 8,000 of which are said to have provided signatures of support) (Tarras-Wahlberg, 2012), distributing the final report to national, regional and local governmental representatives for revision and opinion (Knight-Piésold-Consulting & Newmont, 2010a). However, the study recognised the communities' leaders and local authorities negative perception about the project, regarding its negative impact on water and soils resources, generating a high impact in agricultural activities and provoking several social problems (Knight-Piésold-Consulting & Newmont, 2010a). The report states only 31% of positive perception related to the benefits of mining activities' with 94% of the population considering mining activities harmful, and with a stakeholder analysis showing a 30% of stakeholders were opposed to Conga's development (Knight-Piésold-Consulting & Newmont, 2010a).

- *Social Management Plan (SMP) within Conga's Environmental Impact Assessment (EIA):*  
The SMP declared for the project presented the company's diagnosis of the local environment in conjunction with previous agreements between the company and local communities (Knight-Piésold-Consulting & Newmont, 2010a, 2010c). The plan is composed of: the Social Impact Management Plan - SIMP, the Community Relationships Plan - CRP, the Social and Environmental Participatory Monitoring Plan SEPMP and the Social Communication Plan -SCP (Knight-Piésold-Consulting & Newmont, 2010c). In regards to the CRP the company established actions in: (1) Infrastructure and Basic Services, (2) Economic Development, (3) Health and Nutrition, (4) Education, and (5) Institutional Strengthening (Knight-Piésold-Consulting & Newmont, 2010a). The internal communication strategy for the EIA's approval process included information campaigns through newsletters and posters and for the external communication process, informative sessions at local levels and media promotion for all stakeholders (Knight-Piésold-Consulting & Newmont, 2010b).

- *Communities' Outcry:*

As an immediate response to Conga's EIA approval, local communities and several civil movements, declared the project socially and environmentally unviable rejecting its construction and operation (Triscritti, 2013). The opposition to the project did not come initially from the communities of the directly influenced area, but the ones not included (Jaskoski, 2014). By July 2011 with the Cajamarca's regional government support, a peak of violence arose (Triscritti, 2013), and in November 2011, due to growing protests and the national government requirement, Yanacocha decided to halt project operations (RepRisk,

2012; Triscritti, 2013). Further, the national government acted as a mediator between the company and the local communities promoting the establishment of an international three-party commission to evaluate Conga's EIA (Tarras-Wahlberg, 2012), whose suggestions were accepted by the company in June 2012 (Triscritti, 2013). Until 2012 protests left many injured and five dead, the project was postponed in September 2012, and only the construction of water reservoirs (Triscritti, 2013) and camp were initiated (Newmont, 2013a). Figure 37 presents the Conga project timeframe.

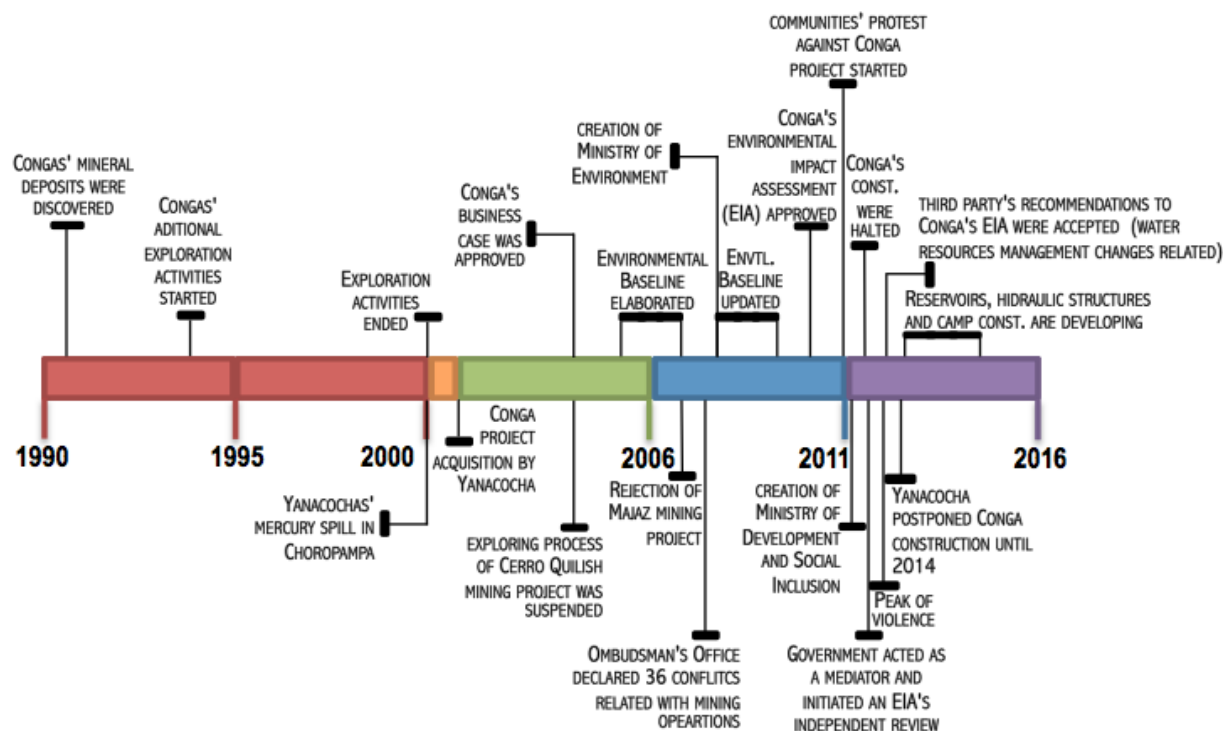


Figure 37: Key Conga mining sites' location. Taken from Newmont (2013, p. 1).

- *Inconsistencies with the CSR framework:*

On the flip side of the information provided by the company, the project became highly controversial being criticised by Cajamarca's Regional Government, and local and international NGOs due to its foreseen and/or perceived environmental effects to the local communities, with the perception of several gaps within its EIA (Tarras-Wahlberg, 2012). The EIA was considered with a lack of clarity and was relatively inaccessible, which hindered the consultative process with stakeholders and boosted the gaps in communication processes (McIntyre et al., 2014; Tarras-Wahlberg, 2012). The information provided has been considered biased due to the involvement of the consultant and contractors directly and indirectly resulting with the company generating a conflict of interest (Moran, 2012). The EIA elaboration process has been perceived as not transparent, inadequate, unclear and not

completely inclusive, generating distrust in the ethical behaviour of the company (Tarras-Wahlberg, 2012), provoking Newmont and Yanacocha's inclusion in the Most Controversial Mining Companies Ranking of 2011 (RepRisk, 2012).

However, WWF Netherlands' evaluation of the EIA (2012) considered the environmental and social data baseline collection as important and comprehensive, but with a weakness on future impact predictions. Furthermore, a third party evaluation promoted by the national government, whose results were launched by February 2012, (Tarras-Wahlberg, 2012; Triscritti, 2013), found EIA's content as acceptable in terms of quality, suggesting improvements regarding water resources management and post closure management (Tarras-Wahlberg, 2012). However, a neglecting tendency regarding long-term environmental impacts has been identified, which finally hinders the economic and social assessment in order to determine what is an acceptable balance (Tarras-Wahlberg, 2012). Furthermore, there were several comments and doubts regarding the information provided at public hearings, workshops, and meetings undertaken within the consultative process for the EIA (Tarras-Wahlberg, 2012).

- *Yanacocha post-outcry actions:*

In mid -late August 2012 Yanacocha recognised institutional mistakes and gaps regarding communities' engagement with mining operations. A stakeholder Perception study was commissioned to the Centre for Social Responsibility in Mining (CSR/M) - The University of Queensland, Australia - in collaboration with CCPM Grupo Consultor from Peru. The study (2013) outlines the following communities' perceptions:

- The company's activities have contributed to Cajamarca's economic inequalities causing and a deep negative emotional legacy.
- Yanacocha does not have the ability to effectively listen to the communities.
- Decisions and activities executed are driven by a short-term vision, within a risk avoidance organization.
- Existence of structural and systemic organizational factors blocking local-level relationships, and in which responsibilities are not clear with gaps in internal and external dialogue and communication.

- Existence of a direct clear link between the “Conga Crisis” and Yanacocha’s activities not assumed by the company. With the Quilish event affecting the company’s relationship dynamics, and contributing to the current conflict.

Based on the communities’ perception the study concludes that the company has not been able to articulate a coherent internal and external development agenda, and it’s inability jointly with the social exclusion generated have contributed to the conflict generation. ALAC strategies were considered as a top-down approach with inadequate interventions regarding the local context, without transparency, with inequality and without a real participatory methodology (Deanna, Owen, Cervantes, Diana, & Benavides Rueda, 2013). Furthermore, it recommends as the company’s next activities to initiate an organisational change process, provide an apology to the communities, revise Conga’s timeframe attempting a long-term view, prioritise the establishment and maintenance of local-level relationships, support community building by fostering local economic development, execute a detailed social closure study for Yanacocha’s activities and agreeing with the host communities a set of ‘co-existence’ rules (Deanna et al., 2013).

Based on the CSR-M-CCPM study Yanacocha has established four intervention components to build the company’s legitimacy by being: Respectful of Cajamarca, a Development Partner for Cajamarca, A Responsible Actor in Water and Environment, and Transparent and Credible (Newmont, 2014c). Thus, the company aims to engage and enhance the quality of its relationships with host communities in order to attempt a long-term vision. Hence, the company reports the establishment of a better Complaints and Grievance mechanism, taking part in agreement processes aiming at sustainable development, fostering debate forums related to the mining activities impacts, strengthening the participatory monitoring processes and communication campaigns, and executing monthly meetings with stakeholders to inform about the project’s status, get feedback through stakeholders’ interviews, organize stakeholders’ visits to operation and project areas (Newmont, 2014c).

#### **4.2.3. Lagunas Norte Mining Project: MNC intervention**

Barrick Gold Corporation is the largest pure gold mining company in the world (Triscritti, 2013), it is a Canadian based organization with operations primarily established in Canada and United States (Dashwood, 2012a). By the end of 2013, Barrick declared 17 wholly-

owned and six joint venture (managing directly four of them) operating mining sites, and four projects in the development process. Barrick has operated in Peru since 1998 through its Peruvian subsidiary, Barrick Misquichilca, operating Pierina mining site located in Huaraz-Ancash, and which has recently started a closure process (Alonso, 2014).

### ***Barrick's CSR Approach***

The Canadian government's institutional settings to address the global environmental concerns which started in the 1970s has influenced Barrick's CSR adoption not only in developed countries but regarding its activities in developing countries (Dashwood, 2012b). Ethical activities have been reinforced by shareholder and NGOs' pressure (Dashwood, 2012a). Dashwood (2012) argues that Barrick's early commitment to CSR policies and practices started in the 1980s but with a philanthropic orientation until 2005 when the focus on developing communities' initiatives managed at local levels were emphasized, and high social standards were incorporated as a core part of the business recognising CSR as a crucial factor to achieving success. In this regard, since the mid 1990s the company released information relating to CSR actions within its annual reports, publishing its first stand-alone CSR report in 2003 (Dashwood, 2012a). Barrick issued responsibility reports according to the Global Reporting Initiative's (GRI) guidelines (Barrick, 2014c), and was included in 2013 on the Dow Jones Sustainability World Index for the sixth consecutive year (Barrick, 2013b).

Barrick states as its vision "to be the world's best gold mining company by operating in a safe, profitable and responsible manner" (Barrick, 2014a), declaring the embracement of CSR as a strategy (Barrick, 2012b), recognising its key role to business success (Dashwood, 2012a), and reorienting its activities to encompass global standards in approaching community relations, supporting communities' initiatives and prioritizing its communications with external stakeholders (Dashwood, 2012a). In this regard, the company has linked CSR with its policies and management systems including part of CSR's core topics in its code of Business Conduct and Ethics issued in 2003 (Dashwood, 2012a):

- Management Systems: Anti-corruption compliance program, Community Relations Management System, Environmental Management System, Human Rights Compliance Program, Safety & Health management System, Security Management System and Supplier Code of Ethics.

- Policies related to: Anti-Fraud, Insider Trading, Doing Business Abroad, Anti-Bribery and Anti-Corruption, Disclosure, Respect to the Declaration of Fundamental Principles and Rights at Work, Environmental, Human Rights, Community Relations, Safety and Health and Security (Barrick, 2014b).

Furthermore, at an organizational level Barrick initiated its major CSR improvements by 2004 creating the Environmental, Health and Safety and Social Steering Committee and the latter (Dashwood, 2012a) designation of a CSR Director by 2005, a position that has evolved regarding contemporary challenges until becoming CSR Vice President by 2009 (Dashwood, 2012a). The company currently maintains Vice Presidents on Environment, S&H, and Corporate Social Responsibility positions, a Corporate Responsibility Committee of The Board, that oversees CSR, environmental, human rights and S&H policies and programs and executes direct recommendations to Barrick's Board of Directors and CSR External Advisory Board with obligatory meetings with the CEO Advisory Board twice a year providing information related to the contemporary trends in CSR and feedback on the company's CSR performance (Barrick, 2014b).

The internal organizational changes inspired the issue of the Community Engagement and Sustainable Development by 2007, which underpinned a Community Relations Vision Strategy release by 2008 that looked for: a strong collaboration with communities, generation of mutual benefits for the company and host communities, and a sustainable legacy. However, the efforts have not avoided accusations regarding negative environmental and social practices (CorpWatch, 2007), several gaps have been claimed in the Lake Victoria Zone Project in Tanzania and the Pascua-Lama Project in the Andean region of Argentina and Chile (Newenham-Kahindi, 2011), including human rights abuses in some operations around the world (Dashwood, 2012a), and it was included in the 2011 Most Controversial Mining Companies Ranking (RepRisk, 2012).

### ***Barrick antecedents and interventions in Peru***

Barrick argues that its contribution to Peruvian development due to taxes and royalties' payments reach nearly \$400 million, with goods and services purchases approximately \$340 million, maintaining 95% of national employment within its operation (Barrick, 2013a).



In this context, Barrick frames its CSR activities aiming at community development by the partnerships and interventions with:

- World Vision: long-term partnership established in 2003 aiming to promote the health and well-being of children (Barrick, 2003a)
- The Community Relations department which directs its efforts to deliver social development initiatives in the mine's area of influence promoting three program donations, community initiatives, and infrastructure development investing in community-level development projects in productive-economic, education, and health sectors (Himley, 2010).
- 'Asociacion Civil Neoandina' (Neoandina), its corporate foundation created in 1998 (Neoandina, 2014), undertakes projects to reduce poverty in the areas affected by Barrick's mining operations and executes Barrick's Voluntary Contribution Programme, a partnership established with the Peruvian Government to execute social investment in communities around mining sites (Alonso, 2014), both programs aim to develop and improve of the quality of life of the local communities located in the mining sites' influenced areas (Neoandina, 2014b).

However, Pierina, first operating in Peru, struggled with social conflicts in 2006 regarding social claims related to its temporary and rotational short-term work initiative executed through third-party intermediary companies, the peak of violence caused a death and 10 others protesters were injured, but the operations restarted after several agreements with the communities (Himley, 2013).

### ***Alto Chicama – Lagunas Norte Project***

The Lagunas Norte project is an open-pit operation (Barrick, 2014b), located in the Quiruvilca District, Santiago de Chuco Province (Barrick, 2011), La Libertad Department in north-central Peru (Alonso, 2014) (Fig.38), at 4260 masl in a low population density area (Triscritti, 2013), with proven and probable gold reserves up to 3.75 million ounces (Barrick, 2014b) and expected operations until 2021 (Triscritti, 2013). The project's area of influence covers 28 local communities ('caseríos') in the Quiruvilca (Santiago de Chuco Province), Sanagorán (Sánchez Carrión Province) and Usquil (Otuzco province) districts (Barrick,

2011). The project's EIA, which included public hearings as part of the communities' involvement process (Barrick, 2003b), was approved by the national government representatives in 2004 (Triscritti, 2013), and was modified in 2010 (Golder-Associates, 2011). Lagunas Norte construction reported US\$ 321 million investment (Triscritti, 2013), declaring a participation of 63% of local contractors from La Libertad Region (Barrick, 2004b).



Figure 38: Barrick's South America mining sites' locations. Taken from Barrick (2004, p. 3)

- *Lagunas Norte's Social Development Program during construction stage*

At its construction stage the project considered a community relations plan aiming for the sustainable social development of the communities next to the project by improving their quality of life with intervention in three areas: health, education and productive development (Barrick, 2004a). The plan included a participatory mechanism as a community involvement process (Fig 39) and the establishment of key partnerships with NGOs (CARE, World Vision), local and regional governments, churches, and others (Barrick, 2004a). The mining operations started in 2005 (Triscritti, 2013). Barrick states that the project maintains a low operational cost ensuring clean and sustainable production while promoting local development having encompassed some previous lessons learnt from Pierina mining site (Triscritti, 2013).

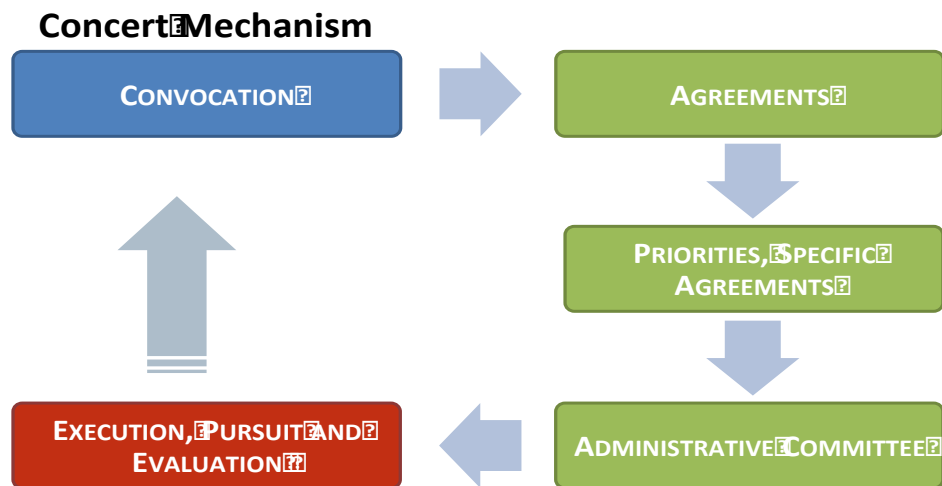


Figure 39: Barrick's Participatory Mechanism for Community involvement applied during Lagunas Norte Project construction. Taken from Barrick (2004, p. 37).

- *Lagunas Norte's Social Development Program during the operation stage*

Since the project's operation initiated by 2005 Barrick has structured its CSR activities through different areas, partnerships and interventions through:

- Communications and Community Relations teams, who pursue community involvement through a participatory mechanism joining efforts with local communities to identify and manage development programs (Triscritti, 2013),
- The Asociación Civil Neoandina as its local operator for social interventions (Alonso, 2014; Barrick, 2011).
- Barrick's participation in the Alto Chicama Commitment (ACC - Fondo Social Alto Chicama in Spanish) which executes projects in local and regional communities (Barrick, 2011). The ACC started in 2009 after and due to its progress in the highest political regional authority in Lagunas Norte's area of influence, the Regional Government of La Libertad joined efforts with the company in 2012 (WGC, 2013) aiming to develop sustainable development projects attempting long-term benefits for local communities (Table 12) (Barrick, 2012a).

Table 12: Alto Chicama Commitment (ACC) Social Interventions

ACTIVITIES/ TOPIC	DESCRIPTION
SCOPE	Strategic alliance started in 2009 (Alonso, 2014) between different institutions committed with the social inclusion, sustainable development and the reinforcement of human skills as means to improve the quality of life of local communities located in Santiago de Chuco, Sanchez Carrion and Otuzco provinces (La Libertad region) (WGC, 2013).
ACC'S PROGRAMS IN LAGUNAS NORTE	<p>Productive Sector</p> <ul style="list-style-type: none"> <li>- Poverty Reduction &amp; Alleviation Project (PRA Project) in partnership with the U.S. Agency for International Development (USAID) and Exporting Highlands (Peruvian governmental organization), designed to connect small farmers with potential markets for their products through providing technical assistance and information (Barrick, 2012a; WGC, 2013).</li> <li>- Productive Highlands in partnership with Alternative Farming Institute (Instituto para una Alternativa Agraria in Spanish) designed to incorporate new production technologies, crops and farming methods easily applied and maintained to improve farmers' production aiming to reach local markets (Barrick, 2012a; WGC, 2013).</li> </ul> <p>Education Sector</p> <ul style="list-style-type: none"> <li>- Reading is being ahead, Program in partnership with the BBVA Foundation, aims to improve reading comprehension levels of elementary school students at 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> grades in Santiago de Chuco, Sanchez Carrion and Otuzco provinces (Barrick, 2012a; WGC, 2013).</li> <li>- Mathematics for Everyone, in partnership with Alto Chicama Social Fund and the Apoyo Institute promoting maths learning through interactive methods in Santiago de Chuco, Sanchez Carrion and Otuzco provinces (Barrick, 2012a; WGC, 2013).</li> </ul> <p>Economic and Social Development</p> <ul style="list-style-type: none"> <li>- Alliance with World Vision and Canadian International Development Agency, 3 year project started in 2011 aiming to ensure sustainable development after mining closure by developing an economic plan that which finances a community investment fund for small businesses and farming operations in Quiruvilca District (Barrick, 2012a)</li> <li>- Artisan Textile Workshops, partnership with Wayra SRL started by 2009 in Quiruvilca and Shorey districts to teach traditional weaving techniques to women aiming to develop an alternative income.</li> <li>- Alliance with Sodexo Foundation to train local farmers in farming and agriculture of products for local suppliers to Sodexo Inc., Barrick's catering contractor.</li> </ul>

The company has also reported the implementation of the community relations management system (CRMS) aiming to track the company's "commitments, manage impacts, and maximize local benefits" (Barrick, 2013a). As part of Barrick's CSMS a Community Grievance Management Resolution Procedures' (CGMRP) (Barrick, 2013a) was developed. The procedure aims to monitor communities and local stakeholders' grievances, intending to identify, track, and redress their claims involving in serious issues the participation of a third party mediator or referring the case to the Peruvian judicial system (Triscritti, 2013). Furthermore, Barrick has initiated an environmental cleaning process for Cayacullan, an abandoned coal mine located within its Lagunas Norte concession and a water management system that trains and encourages local community participation to monitor its processes (Triscritti, 2013), and expects to participate in a working group regarding the Voluntary Principles on Security and Human Rights aiming to involve Peruvian governmental representatives and the Embassies of Canada, Switzerland, and the Netherlands to promote the embracement of the Voluntary Principles at a governmental level (Barrick, 2012b).

Despite Barrick's efforts some problems arose in the Pierina and Lagunas Norte mining sites in 2012 and 2013 respectively (Barrick, 2013a; Defensoria-del-Pueblo, 2012), the former was resolved through the establishment of a 'mesa de diálogo' (dialogue table) and with the participation of governmental representatives (PCM, 2012), and the latter, was addressed directly with the communities involved (Barrick, 2013a). However, Triscritti (2013) reports positive civil societies and local residents' opinions related to Barrick's CSR approach, that attempts to promote local development by executing long-term interventions and supporting small businesses.

#### **4.2.4. Mining Program in Solidarity with the People, or Voluntary Contributions Program: Governmental and Private Sector Partnership**

Peru is the 20th largest country in the world, holding the 5<sup>th</sup> largest population in Latin America with almost 30 million, 35 % of which are Native Americans (OECD, 2010), and presents a long history of social-economic disparities, and unstable political regimes (Baten et al., 2009). Peru is considered a Lower Middle-Income Country ("LMIC") with nearly 60% of informal economic activity, which affects the government's tax revenues, and contributes to creating health and safety problems (OECD, 2010). The political system and economic policies have suffered great variations in the last decades (OECD, 2010). By the early 1990s, after the economy's bankruptcy and the virtual disintegration of the state and the political party system (OECD, 2010), Peru turned from a state dominated economy to a free-market economy ruled by private sector intervention and market forces, whilst several policies were launched to encourage Foreign Direct Investments (FDIs) (Bury & Kolff, 2002). In this regard, free competition law (OECD, 2010), superlative conditions for international private investments (Bury & Kolff, 2002), among other reforms as part of the economic liberalization program, were established (OECD, 2010). Juridical and tax stability agreements were signed, including among others, legal framework for: taxes, labour contracts, export processes, management of foreign currency and private property for 10 years periods (Bury & Kolff, 2002; Forsyth & Velarde, 1998). The changes applied have dramatically affected macro figures with a sustained economic growth and high rate of FDIs (Bury & Kolff, 2002), whit the metal mining sector as a predominant pillar (Figueroa et al., 2010). Thus, the mining sector represented during 1990-2005 period nearly 50% of Peru's total exports (Figueroa et al., 2010), with 11 of the world's 20<sup>th</sup> top mining corporations operating in rural highlands areas with high rates of poverty (Bury & Kolff, 2002).

The nation is organized in 25 administrative ‘departments’ which are divided into provinces (Boutilier, 2009a), however, despite that Peru’s decentralisation program is in progress, the government has maintained high centrality (OECD, 2010). The majority of the modern economic sector is established in Lima, the capital city, with high levels of peasant farmers and of underemployment in the labour force, with an average annual unemployment rate of up to 8-9%, and with a substantial informal economy focused outside the capital city (Parnell, 2010). Even though the macro economic growth allowed a 4% yearly increase in the gross domestic product (GDP) during 1991-2005 (G., Jenkner, Garcia-Escribano, & Alexandraki, 2007) the positive impact of the economic growth has not been distributed equally, it is geographically dispersed (Bury & Kolff, 2002), and has intensified regional disparities (G. et al., 2007). Since the national structural changes by 2000 the national rate of extreme poverty exceed 15% and over 37% of the population lacked basic infrastructure reaching 83 in rural highlands areas (Bury & Kolff, 2002). By 2004 the average poverty incidence rate only decreased by 2.6% and the extreme poverty rate reached 19.2% (Yamada & Castro, 2012).

Historically, Peru has had a high governmental participation in economic activity (OECD, 2010), and by 2004, after the deregulation turning point, maintained public social spending in education (57%) and health services (29%) and supplementary food and nutrition programs (14%) oriented towards poor populations in order to reduce the social inequalities (Yamada & Castro, 2012). An overall evaluation of the positive macro-economic indicators versus governmental capacity on social spending shows an administrative-state failure in providing more balanced opportunities for the Peruvian population (Yamada & Castro, 2012). The lack of local and regional governmental capacity was considered as the origin of the imbalances, with higher fiscal transfers and low capacity for effective investments (WGC, 2012). Thus, due to Peru’s government disinterest in improving its management capacity to spread benefits for local and regional development (Baca et al., 2007), there exists a strong pressure to increase the public budget for social investments with several claims against the Public Investment National System (SNIP – Sistema Nacional de Inversión Pública in Spanish), which evaluates public projects viability (Yamada & Castro, 2012), and the national System of Contracts and Acquisitions (Baca et al., 2007).

On the other hand, the recent history of mining companies in Peru has been related with enormous ecological impacts and social disparities, without adequate environmental and social institutional frameworks (Figuerola et al., 2010). Mining investments were planned

without including local government's development objectives and strategies. Processes outcomes were, in most cases, mining operations, with several gaps regarding environmental and social management plans, entailing a general distrust and stimulating conflicts (Bebbington & Bury, 2009; Bloch & Owusu, 2012; Muradian et al., 2003; Urteaga-Crovetto, 2012). As a result, the communities affected by these problems organized a Coordinating Committee of Communities Affected by Mining (CONACAMI) and several NGOs carried out mining industry surveillance programs (Muradian et al., 2003). Therefore, Peru's population expectancy is unfulfilled, due to the income concentration in a small portion of society, irremediable environmental impacts and a sense of "potential gain lost", and the expansion of large-scale mining projects has been threatened by growing social conflicts (Urteaga-Crovetto, 2012).

### *Peru's Sustainable Development Goals*

Peru endorsed the Millennium Development Goals (MDGs) in 2000 signing the United Nations Millennium Declaration in 2000 as a United Nations' associated country commitment to reach 8 development goals in terms of energy, development, environment, food, security, climate change, global economic crises and poverty by 2015. In this regard, the MDGs have been totally set as a general conductor of the state social policies throughout all its governmental level (PCM, 2008).

### ***Mining Program in Solidarity with the People, or Voluntary Contributions Program***

In this national context, by 2006, after intensive and extensive negotiations with mining companies in Peru; instead of initiating a mining royalties taxation program, the Peruvian government and some mining companies subscribed voluntary agreements to establish the Mining Program in Solidarity with the People, or Voluntary Contributions Program (Programa Minero de Solidaridad con el Pueblo – PMSP in Spanish), aiming to improve the quality of life of local communities (Baca et al., 2007). The programme was put in place in 2007 (WGC, 2013) and the mining companies compromised a 3.75% of their net profits<sup>42</sup> generated in 2006-2010 period to create private nature funds as voluntary, exceptional and provisional contributions, which were liable to the international price of metals (Baca et al.,

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<sup>42</sup> After taxes but prior to profits distribution to shareholders (WGC, 2012).

2007; MIMEM, 2007), as a mechanism aimed to draw national revenues from the mining sector back to areas where the extractive activities took place (WGC, 2013).

PMSP design was aligned with Peruvian national objectives to reduce poverty indices (MINEM, 2010b). At a specific level, the legal framework objective (Supreme Decree DS 071-2006-EM) was to create Local and Regional Mining Funds to promote the well-being and social development and to contribute to improving the quality of life of communities located primarily in areas where the mining activities operate by executing infrastructure works, programs and/or projects (MINEM, 2010a) in:

- Nutrition, focalized in 0-5 year-old children and expectant mothers (Baca et al., 2007; MINEM, 2007).
- Primary education and educative support and technical capacity programs (Baca et al., 2007; MINEM, 2007).
- Health (Baca et al., 2007; MINEM, 2007).
- Capacity building developing and strengthening programs in public-sector management to identify and viable projects oriented to improving levels of investment in public funds (Baca et al., 2007; MINEM, 2007).
- Promotion of productive chains and/or sustainable development programs beyond the expected life of the mine (Baca et al., 2007; MINEM, 2007).
- Basic infrastructure focused on electricity, potable water, sanitation, and access, the development and maintenance of rural roads (Baca et al., 2007; MINEM, 2007).
- Projects with local and regional impacts with high rates of non-technical labour, managed by local communities or local authorities aligned with locally planned priority sectors or strategies attempting to benefit communities' health and quality of life (MINEM, 2007).
- Leverage resources from a third-party or government funds to design and execute projects (MINEM, 2007).
- Other sustainable development projects once the previous priority sectors are attended to (MINEM, 2007).

The program required that at least the 30% of the funds were invested in nutrition, health and education sectors, encouraging efficiency in fund investments, under applicable national regulations but declaring the funds' private nature (MINEM, 2007). The mining companies were required to segregate the contributions from the companies' assets transferring them



annually to a civil association, trust fund or other legal entity, which could not be returned to the companies and must be totally spent in the priority sectors established (Baca, Ávila, & Gamonal, 2011; WGC, 2012). The program was expected to improve the level of public investments by transferring knowledge and straighten public sector capacity (WGC, 2012). Thus in order to establish the program's final impact diagnosis, statistical indicators, or bases lines have to be constructed through secondary sources or particular agreements with universities, governmental entities, or private specialized contractors (MINEM, 2007).

#### *The Program's Community Involvement Approach*

As a mechanism for coordination between civil society and mining companies the 'Comisión Técnica de Coordinación' (technical coordination commissions - CTC in Spanish) was established (Baca et al., 2007) at local and regional levels according to the funds created (MINEM, 2007). Even though the private companies had simple majority vote within CTCs, giving them the control of the decision-making processes (Baca et al., 2007), the nature of the investments enforced close coordination and work between local and regional governments and mining companies (WGC, 2013) who as participants of the CTC were in charge of developing the projects (Baca et al., 2007). The regulation encouraged CTCs as discussion and coordination boards to decide, prioritize, and manage funds' investments (Baca et al., 2011). The CTC had to be constituted by companies following these requirements:

- A odd number of members (not less than 5 and up to 9), with a majority of the companies' representatives participating (MINEM, 2007).
- Consensual decision-making processes (MINEM, 2007).
- CTC could be implemented according to areas affected by the mining operation.
- As a member, none of the representatives are remunerated (MINEM, 2007).
- The local and regional governmental representative must be appointed by the local authorities and designated by the company as CTC's member, with annual representation that could be renewed or replaced (MINEM, 2007).
- CTC could initiate or continue with their functions even though the governmental representatives have not been designated (MINEM, 2007).

#### *CSR Core Topics Embracement*

As per the funds' private nature, companies were not obligated to provide information to civil organizations (Baca et al., 2007), authorizing governmental entities to publish and divulge

contributions and investments information (Baca et al., 2011), which provoked claims from civil society regarding the lack of transparency and availability of the information at the beginning of the program (Baca et al., 2007). The Ministry of Energy published until June 2011 up to 34 periodic reports regarding 34 out of 40 companies stated information (Baca et al., 2011).

### *The Program's Results*

Under the program by March 2011, 40 PSMP agreements (Baca et al., 2011) were signed. The mid-term evaluation carried out in 2010 by governmental representatives, highlighted the lack of specific indicators and goals up to 2011, which can represent an obstacle to finally evaluating the real impact of the program (MINEM, 2010b). The program was considered to have reached acceptable rates of success due to mining companies' direct resource management increasing its efficiency and effectiveness (WGC, 2012). The Grupo Propuesta Ciudadana (Citizen Group Proposal Association) (2011) points out that until November 2011 the program benefited 19 of Peru's 'departments' with 69 local and 43 regional funds. The total contributions reached a total fund of S/. 2.285 million (\$ 843 million, exchange rate at June 2012<sup>43</sup> with 65% of the total fund's execution of which 42% were invested in infrastructure projects, 36% oriented towards the areas of nutrition, health and education areas, and only 6.2% spent in capacity building programs (Baca, Gutierrez, & Gamonal, 2012; GPC, 2012).

The mid-term evaluation executed by 2010 reports a reduction in chronic infant malnutrition rates, improvement of reading comprehension levels of elementary school students, increase of transport, agricultural, potable water and sanitation access infrastructure (GPC, 2012). Investment efficiency improvements have been outlined due to the comparison between PMSP and local governmental investments, as an example irrigation and sanitation projects' cost per beneficiary has been declared 66.66% lower (WGC, 2013). In terms of coordination levels, some funds executed nearly the total annual contributions, while others struggled to reach consensus within the CTCs generating some lags on investments (WGC, 2012). However, WGC (2012; 2013) states a general increase in community involvement in the social program, improving working relationships between the private companies, authorities, and reinforcing regional governments' effectiveness in public funds spends. Furthermore, due

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<sup>43</sup> Exchange rate issued by Peru's Bank, Insurance, and AFP Superintend at 01/06/2012.

to PMSP's regulations allowing designated resources to leverage different initiatives, fostering partnerships with other civil society organizations and firms to execute social projects (WGC, 2012, 2013), mining companies considered the program as a way to overcome political and institutional gaps and bureaucratic blockages (WGC, 2012). In this regard, the mining sector considers that the program aligned the interest of the private sector, the communities and local governments facilitating regulatory procedures to avoid the bureaucratic public procurement system (WGC, 2013).

Finally, even though the mining contributions to the funds stopped by the end of 2011, some companies continue with the investments due to the stock PMSP's funds gathered from the five-year contributions period (WGC, 2013), the program registered a relative success based on its funds execution reports, however, long terms effects need to be deeply studied (Baca et al., 2007).

### **4.3. Analytic Discussion**

The theoretical model proposed at the beginning of this chapter aims to integrate the CSR framework into the management of a project presenting four key points:

- The embracement of a stakeholder-oriented model of project governance, which allows incorporating stakeholder interest and requirements creating value in a long-term view for the project, the organization, and the stakeholders encompassing the concept of social responsibility and contributing to global sustainable development. In this regard, a long-term relationship could be established between organizations and society due to positive social-economic-environmental project performance generated by the application of Good Project Governance that will support organization sustainability.
- A Good Project Governance should incorporate the four basic principles of a GCG, namely: transparency, accountability, responsibility and fairness based on the 6 core topics of CSR: human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development.

- The stakeholder-oriented model requires the reinterpretation of the concept of project stakeholder by incorporating “future generations” in order to generate wealth and value for them and bridging the correlation with being social responsible in a long-term perspective.
- In this regard the model proposes the project governance as an integral factor for the other core topics and by considering the inclusion of future generations as stakeholders, claims the importance of involving key communities and society’s representatives at the project governance level. In this way the important key stakeholders could take part of the decision-making process giving to project governance the traits of an adaptive network governance and fostering complex adaptive leadership.

In order to evaluate the applicability of the key aforementioned concepts the cases studies will be analysed regarding the organizations involvement with the CSR strategy, CSR framework, or the concept of sustainable development. Furthermore, the aspects of community involvement and development will be evaluated in terms of the level and type of involvement applied in each case.

#### Conga Project

- Newmont presents a strategic alignment with CSR embracing the concept of sustainable development in its organization declaring it as a core strategy, its approach has been pushed forward by NGOs complaints and accusations. However, Yanacocha, the company established in partnership in Peru, reports a shareholder-oriented model but claiming its commitment with responsible actions aiming to contribute with its host communities to sustainable development. A gap could be recognised and identified as a cause of its increasing strains with local communities, which has led to devastating conflicts (Triscritti, 2013).
- There exists two different areas within the organization oriented to execute social interventions in three focal sectors: health, education, and rural development; namely the Community Relations & Social Development department and ‘Asociacion Los Andes de Cajamarca’ (ALAC) (Whellams, 2007).
- Even though the company recognised the gaps in previous projects regarding the management and involvement of communities, the lesson learned seems not to be fully taken, the Environmental Impact Assessment (EIA) undertaken as a legal requisite

incorporated several diagnoses and plans regarding stakeholders management but were not placed in practice during the project design and construction.

- The Communities' involvement process undertaken during the EIA was focalised to the 32 communities in the Cajamarca and Celendín provinces which were recognised as directly impacted, and even though a lack of support was identified, the involvement mechanism applied responded to the Citizen Participation Process required by the governmental regulations aiming to obtain the EIA's approval. The execution of informative sessions and the public distribution of the documents were undertaken as a mandatory process but were not fully communicated or socialised (McIntyre et al., 2014; Tarras-Wahlberg, 2012).
- The community involvement mechanism could be outlined as multi-stakeholder dialogue forums where the opinions were received but with no mechanism to report its gathering, nor a feedback process that could ensure its collection or embracement.
- The technical opinions regarding the project design elucidated its compliance with national and international standards regarding environmental project impacts. Even though third party evaluations appoints that the EIA's quality is acceptable, containing comprehensive technical and social information with manageable weakness, its communication process was weak, generating accusations related to lack of transparency and conflict of interest (Moran, 2012).
- A gap existed in identifying project stakeholders and the real impact of the mining operation at a regional level. The communities' perceptions beyond the direct area of operation were dismissed within a risk avoidance organization (Deanna et al., 2013), which resulted in project halted project operations and posteriorly in a partial suspension.
- A gap on including stakeholders' requirements and its vision in relation with the mining activities long-term impacts could be drew, hence, future generations' interest were dismissed.
- As a result the company has extended its social intervention components aiming to maintain a transparent and credible relationship with the communities, and to work in partnership in favour of Cajamarca's sustainable development and attempting to be a responsible actor for the water and environment management (Newmont, 2014c). In this regard the company report the improvement of its complaints and grievance mechanism and commitment with direct participatory process to inform and obtain feedback from the project stakeholders (Newmont, 2014c).

## Lagunas Norte Project

- Barrick's approach to CSR has been established as a strategy aiming to reorient its activities to encompass global standards for its relationship with communities, and the Canadian government, key shareholders, and international NGOs are reinforcing its responsible attitude. As per its operation in Peru, executed by a company subsidiary, a differentiation or gap within its organizational process assets at a local level could not be established, being driven globally by the same strategies, vision, mission, policies, and standards, among others.
- The company has established two different ways to execute social interventions in health, education, productive development aiming at poverty reduction: (1) through 3 direct areas/partners: an NGO (World Vision), Community Relations department and 'Asociacion Civil Neoandina' (Neoandina); and (2) leveraging different initiatives with local governments, local NGOs, civil society organizations, and other corporate foundations aiming to create common objectives and bring support for regional sustainable development.
- Barrick applied a participatory mechanism as a community involvement process based on its previous experience in other Peruvian regions (Triscritti, 2013). The construction did not generate conflicts with the communities. The mechanism appoints a direct relation with the communities to create joint agreements prioritizing social interventions within each community's specific context and establishing a participatory administrative committee in charge of monitoring the execution of agreements and evaluating results.
- The community involvement mechanism could be outlined as stakeholder advisory panels (SAPs) working with a limited number of external stakeholders with frequent meetings to report and review commitments with limited power.
- Barrick's partnerships area focused not only on the direct communities affected by its operations but has extended its initiatives to a regional level, linking them with national and regional development objectives in the education sector, and fostering economic initiatives to generate alternative economic activities that will underpin communities' sustainable development after the mining closure.
- The company's actions suggest that the local, regional and national expectations have been collected tending to build a joint vision in relation with the host communities future.
- The mechanism has been reinforced during mining operation by implementing the community relations management system (CRMS) which includes the Community

Grievance Management Resolution Procedures (CGMRP) and by fostering the adherence of the Peruvian government to the Voluntary Principles on Security and Humans Rights.

- Even though some conflicts have presented on its two mining sites in Peru in the last two years, it seems that Barrick's efforts in communities management and involvement have resulted in a positive relationship generating short outcries that have been managed through participatory mechanisms established between the company and the communities and supported by governmental authorities.

### The PMSP Project

- Five crucial goals can be distinguished for the PMSP project (1) contribute to Peru's sustainable development focusing key sectors linked with the Millennium Development Goals (2) knowledge transfer to strengthen public sector capacity (3) encourage mining MNCs settled in Peru's engagement with the social and economic development of the local communities located next to the mining sites, (4) control local communities growing expectations for the direct economic and social effects of mining investments, (5) management of general public distrust on governmental policies' orientation to attaining Peru's sustainable development.
- The program key trait was to align the private sector, communities and local government's interests and establishing a participatory management mechanism to foster coordination between its participants about the management of the social initiatives to be conducted. In this regard the process underpinned a beneficial relationship between its members to discuss, prioritize, control, and effectively manage the funds entrusted.
- The PMSP's orientation aimed to include communities' requirements by including the authorities' representatives within the program governance. In this way mining operations' host communities' long-term vision was represented.
- The community involvement mechanism could be outlined as joint management stakeholder committees (JMSC), in which the CTC acted as a formal body with a certain number of company and external stakeholder representatives who frequently met to undertake a decision-making process.
- Analysing the program execution within the local, regional and national context, it could be elucidated that the project's participatory mechanism provided the necessary support to program execution.

- Even though the mid-term evaluation and third-party reports have provided favourable opinions regarding the program's benefits, due to its current stage, where funds are still being executed, it is necessary to evaluate the PMSP's results after its closure, assessing the final social, economic and environmental impacts.
- The PMSP's timeframe was initiated two years after Lagunas Norte operations were launched and its final contributions in 2011 coincided with the Conga's outcry, and considering the close relationship of the program with the mining projects design, construction, and operation a further analysis could be needed in order to study a possible connection between the three initiatives.

#### **4.4. Summary and Introduction to the Forthcoming Chapters**

This chapter has presented the proposed theoretical model to embrace the CSR framework at a project level, presenting the considerations for its embracement, which include an extended concept of project stakeholder and a turn from a shareholder-oriented model of project governance into a stakeholder-oriented one. In this regard, Good Project Governance could be based on transparency, accountability, responsibility and fairness encompassing the six core topics of CSR: human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development. Thus a model for communities involvement in project governance has been stated, proposing three different participative models; multi-stakeholder dialogue forums, stakeholder advisory panels (SAPs), and joint management-stakeholder committees (JMSC). The case studies analysed posteriorly, have elucidated the application of different participatory mechanisms for communities' involvement in three diverse contexts and with three different objectives, which obtaining different results that could support the research conclusions that will be presented in the forthcoming chapter and the road ahead to be outlined in the final chapter.



## **Chapter 5: Conclusions**

The literature review and the analysis of the case studies support the importance of embracing the Corporate Social Responsibility framework in business activities in order to contribute to the sustainable development of their host communities and society in general. However, the information provided has also elucidated the gap in the project management field in regards to the concept and framework of social responsibility, which used as an organizational strategy, adds value to the organization. Hence, projects as a means to improving business value must be oriented, like business operations, to embracing CSR and contributing to improving organizations' social, environmental, and economic performance. Thus, this chapter will present the findings regarding the relationships between the Corporate Social Responsibility Framework, Project Management, and Project Stakeholders, and will explain their considerations and effects, attempting to answer the research question.

### **5.1. Minding the Gap**

Subordinated Research Question 1: *How deeply has the Corporate Social Responsibility (CSR) framework been embraced on the project management field?*

The preponderant role of the concept of sustainable development in responding to global social, economic, and environmental challenges, makes it a prerequisite for individuals and organizations survival (Hopwood et al., 2010), underpinning its global spread and leading to the study of its application and/or embracement within different business aspects (Drexhage & Murphy, 2010), and changing the model of governance from a shareholder-oriented model to a stakeholder oriented one (Ertuna & Ertuna, 2009). In this regard researchers have recognised that the integration of SD in project management (PM) field must be the next logical step to thoroughly embracing the concept in the business environment (Labuschagne & Brent, 2005), its importance, however, has not been reflected in how the projects are managed, instead being a simple interpretative checklist (Silvius, 2011). Thus, by integrating the concept, the flux chain between the environment, global society, stakeholders, and organizations (Willard, 2014) could be completely closed, attempting to balance human development and ensuring human existence. In this way, companies' strategies, operations, and process-methods will be totally aligned to add value to both shareholders and

stakeholders. Regarding the need for the embracement of SD, there are two different trends that are currently being studied for its application to the PM field, 'Sustainability' and CSR.

The literature review suggests that the concept of sustainability is being studied to be integrated in the PM field as a way to ensure business sustainability in short and long-term perspectives (Silvius, 2011; Willard, 2014) a concept that prioritizes corporate financial interests, shareholders' interests, before society's well-being. On the flip side, the concept of CSR raises the bar for the concept of sustainability due to the ethical commitment included (Craddock, 2013), in that way CSR as a strategy is oriented to execute socially responsible activities including stakeholders' requirements regarding sustainable development, which generates value for them and consequently for the organization. In any case, antecedents in both cases show that the concept of SD is a contemporary topic in the business environment, and hence, in the project management field. Even though both approaches result in practical applications as business strategies, due to what we consider a wider approach, the embracement of the CSR concept will be analysed more deeply.

Focusing on the most standardized and recognised concept and framework of CSR advocated in the ISO 26000, it is possible to identify the partial adoption of some of its core topics at many levels within the project environment. Core topics such as human rights, labour practices, the environment, fair operating practices, and consumer issues are concepts involved at corporate levels and treated as organizational process assets and enterprises' environmental factors that will need to be considered and/or incorporated throughout the project lifecycle. Thus, corporate governance and policies; H&S, quality, and local environmental regulations, standards, and international guidelines, among others are considered inputs to every project process (PMI, 2013e). However, being considered as interwoven aspects, communities' involvement and development in project governance represent core topics that need to be linked with the aforementioned aspects of CSR to completely incorporate it in the PM field. Hence, it could be concluded that the concept and framework of CSR has been slightly and indirectly embraced, and by answering the next subordinated questions it could be explained how this holistic view can affect every perspective taken in the application of previous factors and their communication within the project context.

Subordinated Research Question 2: *How does the Corporate Social Responsibility framework affect projects, the management of project stakeholders' and the management of its requirements?*

The recognition of project governance and the stakeholder involvement and development as key factors for the embracement of CSR framework leads to understanding the following considerations and effects on the projects' environment:

- Projects are undertaken to achieve strategic organizational results (Pinto, 2013a), in this regard, projects must require their alignment with the organizational strategy (PMI, 2013a) in order to increase business' value for its shareholders and in the light of sustainable development, for its stakeholders (Aras & Crowther, 2009).
- As per the embracement of CSR in business activities as organizational strategy (Burke & Logsdon, 1996; Ghobadian et al., 2007) the management of projects and their environment –including programs and portfolio management- needs to be aligned to the CSR strategy.
- The CSR framework suggested by the ISO 26000 standard proposes 7 cores interrelated topics namely, in no prevailing order: (1) Business governance; (2) Human rights; (3) Labour practices; (4) The environment; (5) Fair operating practices; (6) Consumer issues; and (7) Community involvement and development (ISO, 2010). Thus, their interwoven traits, effects, and impacts require a holistic view and approach within business systems. This framework proposes the organizational governance as an integrating factor between organizations and the other 6 topics.
- A stakeholder-oriented model of governance applied at a project level, tends to create value for the project, the organization, and the stakeholders in the long-term creating a two-way relationship aiming to generate a positive social-economic-environmental project performance by applying a Good Project Governance.

Regarding previously stated considerations, it can be elucidated that as per the key overseeing function in project governance in aligning projects with the organization's objectives, strategies, and governance (PMI, 2013a), and the role of integrator of the organizational governance for the CSR framework implementation, project governance can be appointed as the main aspect in considering in the replication of the CSR approach at a project management level, acting as integrator of the CSR's topics and facilitating its embracement on project inputs and outputs, attempting the sustainable development as a global society requirement. Furthermore, this conception could be grounded by undertaking a

Good Project Governance with the prevalence of transparency, accountability, responsibility and fairness principles, which will underpin the other 6 core topics of CSR.

Moreover, amidst the conjunction between the concepts of sustainable development, the concerns about business impacts, the business response by integrating communities involvement and development as core topics in CSR strategy, and the case studies findings, this research supports the reinterpretation of the definition of project stakeholders proposed by Maltzman and Shirley (2011). In this regard the practical application of the strategy and/or framework of CSR in each case study highlights the relevance of host communities' future sustainable development, considering that all project activities have interwoven effects on societies and when are perceived as a negative imbalance, the generation of stakeholders opposition to the project could increase hindering its progress and increase the risk on investments.

In this regard, the reinterpretation project stakeholders will not only allow the embracement of green trend proposed by the aforementioned authors, but it will underpin socially responsible actions regarding the society's well-being and support of environmental protection, human rights, labour practices, fair operating practices, and consumer issues. Thus, the requirements of future generations regarding business practices that respond to the sustainable development challenge could foster committed organizations. By extending the project stakeholder universe and considering future generations as being impacted or/and affected by a projects' activities, deliverables, and outcomes or which can be perceived as being affected by current stakeholders, they need to be represented in the project environment in order to attempt project success. In this way, the concerns about the environmental, social and economic impacts that the project could generate in a long-term view could be encompassed. Furthermore, considering that the stakeholders' interest and priorities regarding sustainable development could also vary among them (Craddock, 2013), it could be implied that the representation of future generations must be provided by considering the varied group of current external stakeholder. In this context, the project seen as a dynamic system would be permeable, understanding the broader context for stakeholder management.

Subordinated Research Question 3: *How can the CSR framework be embraced in order to benefit the management of stakeholders' requirements?*

By seeing the project as a dynamic adaptive system and regarding the previous aforementioned considerations, when attempting to interconnect project governance and future generations' requirements in favour of the embracement of the concept of sustainable development through the implementation of CSR framework, it results in the incorporation of future generations' representatives on a projects' decision-making processes. Thus, the project, that contains and generates interwoven and dynamic actors and relationships, will be supported by a flexible project organization underpinned by an adaptive network project governance, which could self-reconfigure to deal with uncertainty and constant changes, and this will bring collaboration, facilitating collective actions and the resolution of conflicts between organizations and its stakeholders (Folke et al., 2005).

Furthermore, with the application of this kind of governance, the understanding of leadership as a complex adaptive system, in which the formal leader acts as facilitator within the system (Lichtenstein et al., 2006), needs to be encompassed. Hence, in this context the formal role would be assumed by corporate representatives working to boost leadership processes and/or events emerging from the interaction between participants within project governance, as way to motivate key stakeholders' participation, involvement, and engagement with a projects' objectives, taking interchangeable roles in leading some project's processes and activities, and provoking the internal recognition of stakeholders that their requirements have been listened to and/or attended to. As a consequence, their expectations, requirements, and feedback would be addressed throughout the project lifecycle, building a shared project vision and a general commitment to the project objectives in favour of their achievement, leading us to project success measured by social, economic, and environmental performances.

The case studies analysed in the previous chapter bring some insights about the mechanisms that could be considered for the inclusion of key stakeholders in project governance: multi-stakeholder dialogue forums, stakeholder advisory panels (SAPs), and joint management-stakeholder committees (JMISC). Their different implementation in each case, and the overall results obtained suggest better outcomes by applying SAPs (Lagunas Norte Project) and JMISC (Mining Programme in Solidarity with the People Case). However, taking into account that the projects' context could extensively vary across different business objectives and their host communities' social, economic and environmental conditions, each mechanism could be

applied indistinctively, solely or in combination, regarding the levels of engagement, collaboration and innovation that are being attempted to achieve.

Finally, the considerations previously outlined for each subordinate question shows how the preponderant interest in facing global social, economic and environmental challenges affects the business environment by pressing for the embracement of the concept of sustainable development, and in its regard, the spread of methodologies, tools, frameworks, and models for its application. Thus, Corporate Social Responsibility, aiming to assume responsible business actions, is being applied as an organizational strategy, improving the corporate performance and adding value to organizations, therefore, it requires embracing in the project management field. The ethical obligation to be socially responsible regarding project outcomes and deliverables generates encompassing a stakeholder-oriented model of project governance, which attempts to create wealth for all project stakeholders by achieving good project governance, that will underpin and integrate the other 6 core topics of CSR. In this way, the fundamental overseeing function of project governance is extended and used as a tool to align project objectives with CSR strategy and to incorporate CSR's topics. Moreover, the recognition of the preponderant role of the social factor as integrator and receptor of the environmental and economic effects of projects, leads to extending the concept of project stakeholders encompassing future generations' interest on sustainable development as a requirement for project objectives. Thus, aiming to include all the project stakeholders' requirements, the model proposes to incorporate key stakeholders on project governance, addressing the sustainable development challenge for current and future generations whilst achieving project success. Thus when executing an overall evaluation of the application of the CSR standard framework we can recognise a **direct impact of the Corporate Social Responsibility (CSR) framework on managing Project Stakeholders' requirements.**

## **5.2. Final Notes**

Although this research provides a theoretical model that identifies project governance, which rules the decision-making process of a project, as a key organizational factor in embracing the CSR framework from a resource based perspective, its proposal contains some strengths and weaknesses. By considering a standard framework for CSR, its understanding could be extended in different situations, however, taking into account that CSR is a socially constructed concept (Dahlsrud, 2006), the model proposed may be evaluated in the specific

contexts in which it will be implemented, and to determine most precisely the key stakeholder that would need to be incorporated in the project governance and the adequate mechanism to do it; thus, the research outcome could be used as a general guideline.

Moreover, the timeframe for this research has underpinned the analysis of secondary public sources to draw its conclusions, and in this regard, it has allowed the analysis from different perspectives, of information investigated by other sources. However, considering that any biased information or evaluation within the broad information available could impact the research findings, an extra effort to consult different contested sources, such as organizations, NGOs, governments, civil society, and previous researchers' perspectives, has been done by the author, supported by the research supervisors' feedback and knowledge. Nevertheless, it is expected that this research could contribute to the understanding of the framework of corporate social responsibility in order to take advantage of its positive effects and prepare the ground for future research.

## **Chapter 6: The Road Map**

### **6.1. Future Research**

It could be clear from the conclusions that the application of the framework of Corporate Social Responsibility on project management benefits projects activities facilitating the consecution of project success. However, due to the recent study of the relationship between CSR and the project management field, this work could be considered to be at an early stage of development. Furthermore, considering that the framework of CSR is not clearly and fully understood in the business environment, this research needs to be expanded. The possibility of considering project governance and project stakeholder management, as possible links with the sustainable development challenge from the perspective of the project environment, should be researched more deeply considering the connection between the application of CSR and the concept of sustainability within the PM field, the newest understandings of sustainable development (Engelman, 2013), and concepts as shared value (Crane, Palazzo, Spence, & Matten, 2014; Porter & Kramer, 2011) that are being developed and framed, and which would probably affect the conception and applications of CSR.

Likewise, taking into account that the model proposed attempts to be a guideline for further contextual applications, a future focus would imply the gathering of primary information not only to bring support to the research findings but also to evaluate its application in different social contexts, diverse business sectors, a country's level of development, among others factors, in order to transfer the knowledge to a major level of development. Industries in other sectors will face different challenges, generating different stakeholder expectations and the contextual analysis could elucidate a range of broader considerations drawing major conclusions for the application of CSR. Hence, the perspectives and expectations of governmental authorities, civil society, NGOs, local communities, among other representatives would need to be evaluated. A further step could be done to study the levels of involvement required for each type of stakeholder and the prioritization of CSR's core topics regarding stakeholders' traits. In this regard, the generation of primary information and modelling processes could facilitate the study of different scenarios.

The possibility of splitting the project governance in two interrelated mechanisms of governance within a governance system aligned to corporate governance; one mechanism



that could be related to the standard management of projects, which involves daily decision-making, controlling and monitoring processes, and a second one that would require the involvement of external stakeholders to manage important aspects and/or stages of projects developing in relation to the topics of CSR. In this context, potential conflicts between the management of stakeholders' requirements, the application of the CSR framework and the level of embracement of organizational CSR strategy should also be investigated considering that the application of the proposed model would require a mature organizational structure in favour of socially responsible actions.

Besides, the proposed involvement of project stakeholders on project governance would require studying the link between each CSR core topic with each PM's area of knowledge that could affect the generation of documentation, plans, guidelines, processes, outputs, and deliverables. In this context, the generation of project documents for each area of knowledge would recompile additional information about the external impacts of projects supporting the corporate social, economic, and environmental performance reports. Even though the voluntary nature of CSR adoption could delay academic interest in its application, a normative trend can be visualized and it would require further analysis regarding the use of different sets of project management methodologies, tools, and processes.

## **6.2. Personal Trip**

Taking a moment to analyse introspectively the personal motivations for this research, which as I have stated is linked with my home country's development conditions, further steps must be undertaken to promote the major involvement of different actors and stakeholders such as government authorities, the private sector, local and international organizations, academia, among others. In this context, Peruvian professionals play a preponderant role in acquiring the necessary knowledge and experience that could be applied and transferred in each economic, and social activity in contribution to Peru's sustainable development. Therefore, my personal learning and new understanding through this research will be applied back home in different sectors within my future professional development. In this regard, the theoretical model proposed could be tested, allowing me to determinate its strengths and possible gaps, fostering its analysis and evaluation oriented to bridge them.

Furthermore, regarding the incipient progress of the project management field in Peru, the diffusion of research findings results in an ethical obligation. New postgraduate training programs in project management, and project managers' positions are increasing in different industrial sectors in Peru, bringing grounds to extend and promote the generation of new knowledge in this field of research. Hence, there is an opportunity to gather practitioners and academic suggestions in order to improve the proposed model and use it as a tool to improve Peruvian professionals' position within a globalized context.

Finally, as future project manager professionals, we must lead for the future, recognizing current trends, what is already happening in other parts of the world, what is being researched, and delve further preparing us to manage changes, complexities, and uncertainty. The increasing concerns regarding our current global challenges are going to exert major requirements in every aspects of our life, we will face different concepts and frameworks presenting the concept of sustainable development for a variety of applications, however, by understanding the basic principles of socially responsible actions and activities we can be prepared to lead the way to their full embracement in the business environment. As Peter Ducker (1992) states, we must have the capacity to build a resilient and flexible organization that could face uncertainty managing the social, political, and economic changes, however, in this global context aiming for sustainable progress, I may suggest the addition of a new element to Duckers' thoughts, to take full responsibility for our actions without compromising the ability of future generations to satisfy their needs.

# Appendix 1: Research's Poster



## Impact of Corporate Social Responsibility (CSR) Framework on Managing Project Stakeholders Requirements

**Presented by: Naldi Susan Carrión Puelles**

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### 1. INTRODUCTION

Contemporary globalization has spread investments and information across the globe<sup>1</sup>, elucidating several concerns about their economic, social and environmental impact<sup>2</sup> (Fig. 1). Business activities affect people directly or indirectly, who in turn as stakeholders, respond positively or negatively. This reciprocal relationship motivates businesses to meet stakeholders requirements for sustainable development (SD) for achieving business success.




**Figure 1: Global Concerns.**

CSR framework pursues engaging business activities with societal well-being whilst improving firm's value<sup>3,4</sup>. This research aims to report CSR's impact on corporate governance and consequently on project governance, proposes to consider future generations as project stakeholders, and in this regard, incorporates key stakeholders into the project governance.


### 2. BACKGROUND

CSR concept is socially constructed and integrates five dimensions: Environmental, Social, Economic, Stakeholder, and Volunteers<sup>5</sup>. It impels unwavering and constant business commitment to behave ethically and contribute to economic development while improving the quality of life of the workplace, local communities and society.

CSR at strategy level supports core business activities<sup>6,7</sup>, plays a critical role in stakeholder management (Fig. 2) and impacts positively into the current and future success<sup>7</sup>.



**Figure 2: CSR strategy as identification factor.** Coombs & Holladay (2011, p. 35).

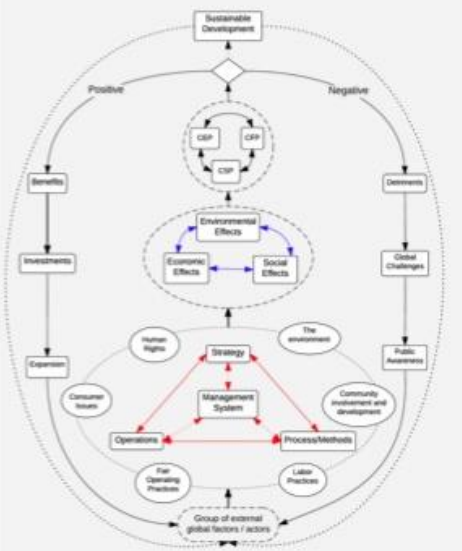


**Figure 3: Seven core subject for social responsibility.** ISO (2010, p. 23).

ISO 26000:2010 is considered the 'best practice' to integrate Social Responsibility (SR) into business activities<sup>9</sup>, standardises its concept and principles and suggests working in seven core subjects (Fig. 3) in all types of private and public organisations and contribute to SD<sup>9,10</sup>.

### 3. BUSINESS MODEL TO EMBRACE CSR FRAMEWORK


An organisation needs to apply changes at three levels to integrate the sustainable development concept: strategy, operations and Projects; but regrettably the changes have only occurred at strategic and operational levels<sup>10</sup>. Thus, there is a gap that could be bridged by the practical Project Management tools to align the Project with the CSR strategy<sup>11</sup>.



**Fig. 4 Business model to embrace CSR at strategy, operational and process/ method levels.**

Evidence suggests that current business model applies CSR framework at strategic and operational levels, and the Project level has been left aside. Accordingly, the proposal is to draw an integrated business model aiming to incorporate the CSR framework outlined by ISO 26000 to the PM field (Fig. 4 y 5).


By adopting a stakeholder-oriented model of corporate governance to obtain long-term firm's value, the project governance is affected and as such requires to involve and engage key stakeholders such as local communities, government representatives and other special interest groups (Fig. 6).



**Fig. 5 Proposed extended concept for project stakeholders regarding the embracement of CSR framework.**

#### Case Studies Analysis

- Conga Mining Project: MNC and Local Company Partnership
- Lagunas Norte Mining Project: MNC intervention
- Mining Programme in Solidarity with the People: Government and Private Sector Partnership



**Fig. 6 Direct impact of CSR framework on stakeholders' requirements management at a project level.**

1. A. C. ... 2. ... 3. ... 4. ... 5. ... 6. ... 7. ... 8. ... 9. ... 10. ... 11. ...

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