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Corporate accountability and human rights disclosures: A case study of Barrick Gold Mine in Tanzania



Sarah Lauwo^{a,*}, Olatunde Julius Otusanya^b

^a Essex Business School, University of Essex, United Kingdom

^b Department of Accounting, University of Lagos, Nigeria

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ABSTRACT

Analysis and debate on the roles of accounting in human rights issues is an emerging topic of research. This study draws attention to certain human rights dilemmas arising from investment initiatives of transnational corporations within the Tanzanian socio-political and economic context. Evidence is provided on how accounting operates in resolving such dilemmas through an examination of foreign direct investment episodes where the state has agreed contracts with transnational corporations in the mining sector of Tanzania. The study finally considers the possibility of corporate governance reforms informed by accounting ideas in order to promote realisation of human rights alongside other interests.

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1. Introduction

In the contemporary global economy, the liberalisation of markets, increasing flow of information technology and the rapid movement of capital around the globe have increased the size, reach, power and influence¹ of corporations (Klein, 2001; Monbiot, 2001). Corporations, particularly transnational corporations (TNCs), have arguably become the most powerful category of 'entity' in the global economy, with the largest ones reaching into virtually every country of the world (Bakan, 2004; Korten, 2001). Global corporations have financial resources and political reach that rivals or exceeds many nation states (The Times, 2012). However, there are tensions between the corporate pursuit of business objectives of profitability, as instituted in a corporate governance structure, and the human rights of populations within the host states where such corporations seek to invest (for example see Cooper, Coulson, & Taylor, 2011; Sikka, 2011; Whelan, Moon, & Orlitzky, 2009). Yet, conventional theories such as agency theory frequently celebrate the pursuit of private profits or shareholder wealth maximisation while offering little help in exploring the tensions between corporate power and society.² At the same time, the complex forms of financial and economic transaction (such as structured investment instruments), designed by corporations operating in global markets to increase capital and profit, can be seen, from other economic or social justice perspectives,

* Corresponding author at: Essex Business School, University of Essex, Wivenhoe Park, Colchester, Essex CO4 3SQ, United Kingdom. Tel.: +44 1206874463. E-mail addresses: slauwo@essex.ac.uk, sarahlauwo@yahoo.com (S. Lauwo).

¹ Corporate activity affects practically every aspect of our lives (e.g. the right to food, shelter, safety at work, non-discrimination, clean environment, education, healthcare) (Mitchell & Sikka, 2005).

² Under such theories, the corporate commitment is to increase profits and to maximise shareholder wealth (see Friedman, 1970; Jensen, 1989). This may or may not complement social objectives such as human rights issues, but is still the predominant strategic route for a firm, including a TNC, to follow.

to pose significant challenges as to how to make a corporation accountable and responsible for human rights issues (Černič, 2010; Unerman & O'Dwyer, 2010; Whelan et al., 2009).

As TNCs invest in developing countries through foreign investment contracts, the terms entered upon in the investment agreements may constrain the host state's ability to govern or restrict the activities of large corporations on the ground, and to promote the realisation of basic human rights for local populations (Sikka, 2011). In the context of globalisation, it appears that the ability of a developing country's government to set and enforce regulations that promote corporate accountability for human rights obligations remains problematic. So even if in contemporary globalised settings, human rights issues are increasingly highlighted as factors that need to be taken into consideration within the corporate governance system, existing corporate governance policies continue to be dominated by the notion of maximising shareholder value (for example, see McSweeney, 2009).

In this context, there is an increasing need for research focusing on the tension between private pursuit of profitability and the enjoyment of human rights by local populations in host states. There is also arguably a more specific need for such research within accounting, given the roles that accounting and accountability ideas and practices play in constructing the contracts through which TNCs enact their investment initiatives in host countries. Yet it has been noted (e.g. Cooper et al., 2011; Sikka, 2011) that little such research has as yet been generated within the accounting literature. Instead human rights issues in host countries where TNCs have contracts have been mostly discussed in disciplines such as law, sociology, political studies, economics, international relations, management and public administration (see Černič, 2010; Muchlinski, 2012; Rabet, 2009; Sheldon, 2010; Whelan et al., 2009).

In recent years, however, there have been calls for the accounting scholars to engage with the discourse of human rights, in particular the human rights obligations of TNCs (see Gallhofer, Haslam, & Walt, 2011; Sikka, 2011). One response has been to position human rights within broader debates about corporate accountability and responsibility and its impact on humanitarian, ecological, workplace and social issues affecting society at large (see Cooper et al., 2011; Gallhofer et al., 2011; Sikka, 2011). For example, a case study Cooper et al. (2011) has examined the right to a safe working environment where the pursuit of private profit resulted in preventable death and injuries. Sikka (2011) has examined the pursuit of private interests through foreign direct investment agreements and showed that the stabilisation clauses contained in the agreement constrained the ability of comparatively poor host countries to protect and promote basic human rights.

Although the present study is in broad agreement with the findings of the recent literature, its objective is to make a somewhat different contribution to this emerging literature on accounting and human rights by considering how accounting ideas and discourses may be used to open up the opportunity for local populations to pursue human rights issues relating to TNC initiatives. In this way it may become easier to see accounting as a practice that is not only simply located within a context bounded by corporate or state-level entities, and their internal activities and documents, but also as something that operates across a certain context that includes local populations, and not least those who work locally within corporate entities. By extending our implicit sense of 'context' in this way, we may begin to perceive ways in which host state corporate governance regimes may be able to shape (as well as be shaped by) what accounting does and says within corporate and/or state activities and documents. The study seeks to suggest how this may be possible through underlining some of the potentially significant implications of documents typically incorporated as part of the contracts signed by TNCs in launching investment initiatives in developing countries, particularly those concerned with social accounting disclosures and so with accountability aspects of human rights issues. The main argument put forward is that corporate accountability to human rights obligations continues to be developed within the shadow of the existing systems of corporate governance, even while these continue to be centred upon a shareholder profit maximisation model. This shareholder primacy model of corporate governance may in practice repeatedly neglect or downplay social issues, including human rights obligations, but the contracts signed by modern business corporations commit them to forms of social accounting which are now embedded aspects of their documentary self-presentation in a range of locations, such as annual reports, CSR reports and other public relations releases (see Muchlinski, 2012). In this connection the study considers the possibility of corporate governance reforms informed by accounting ideas in order to promote realisation of human rights alongside other interests.

One distinctive feature of this study is that it offers some insights from a different socio-political and economic context. As McSweeney (2000) has stressed, 'context informs understandings built into the questions; the evidence available for answering the questions; the actual multi-layered operation of the processes within contexts; and the constitution of, and changes in, those contexts' (p. 845). The study examines corporate accountability and human rights obligations in Tanzania, a developing country in East Africa. As one of the poorest countries in the world Tanzania has in recent years implemented a number of reforms advocated by the World Bank (WB) and the International Monetary Fund (IMF), in order to attract foreign investment particularly by transnational corporation operations. However, it has been shown that the investment contracts, in particular the stabilisation clauses agreed therein, have created dilemmas for the Tanzanian government in that its capacity to promote corporate accountability and responsibility to human rights issues is being significantly constrained (see Bitala, 2008; Kitula, 2006; Lauwo, 2011). In particular, the study focuses on the Tanzanian mining sector where the human rights practices of large TNCs have been a subject of debate (see Bitala, 2008; Kitula, 2006; *The Guardian*, 2009b).

A case study was designed to draw attention to the dynamics of human rights practices and the dilemmas faced by the Tanzanian citizens in realising the rights to have a safe and clean working environment, to non-discrimination and equal pay at work, and to freedom of association. A case study allows for investigating a contemporary phenomenon in a context where the boundaries between the phenomenon and the context are blurred and multiple sources of evidence are employed (Yin,

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