

# Mining Sector CSR and Stakeholder Management: A Comparative Developing Country Study

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## Abstract

This study examines the stakeholder management approaches practiced by gold mining multinationals within a developing country context. A qualitative case study approach was employed purposively to select forty-seven (47) key informants including top company officials, chiefs, and community members. Face-to-face in-depth interviews was the main instrument for primary data collection. The study found that though CSR practice is not mandatory, companies consider it a desirable requirement and have established institutional arrangements for stakeholder engagement in CSR through the establishment of Community Consultative Committees, a Community and Mine Consultative Committee, a Trust Fund, and a Development Foundation. The study established that the stakeholder engagement approaches adopted have prevented confrontations between the firms and community members, promoting a very congenial atmosphere for mining operations. Furthermore, outstanding issues with communities have been amicably settled to the satisfactions of community members. The study recommends that, mining firms need to effectively manage expectations and demands that come from various stakeholders by prioritizing stakeholders on the basis of the legitimacy and urgency of the demands; and secondly, according to whether these demands fall within the mutually agreed action points already identified by the joint consultative committees.

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**Keywords:** Corporate Social Responsibility (CSR), Stakeholder Management, Mining, Ghana

## Introduction

Mining in Ghana accounts for 5% of the country's GDP, with gold accounting for 90% of total mineral export (Sector Profile Report Ghana, 2015). Institutions regulating mining activities in Ghana are the Ministry of Mines and Energy, Minerals Commission, Geological Survey Department, Mines Department, Lands Commission, Chamber of Mines and the Environmental Protection Agency. The government of Ghana, since the mid-1980s, has privatized its large-scale mining sector, attracting foreign investment for the development and expansion of large-scale gold mining and explorations activities (Hilson & Potter, 2003). Aryee (2001), observed that the reform of the mining sector has produced a dramatic boom in investment flows and the national economy has been quite dependent on the sector. The benefits accrued to mining companies as a result of the dynamic evolution of mineral laws and policies have led to a rapid growth of Ghana's mining economy. Between 1983 and 1998, the mining industry brought approximately US\$ 4 billion in FDI to Ghana, representing more than 60% of all such investment in the country (Ghana Minerals Commission, 2000).

The mining sector is credited with bringing in a significant amount of foreign exchange earnings, employment opportunities, mineral royalties, employee income, tax payments etc. It is remarkable that mining's contribution to GDP improved from 1.3% in 1991 to an average of about 5.2% between the years 2001-2004 (Ghana Minerals Commission, 2006). The sector's contribution to the nation's gross foreign exchange earnings has also

increased gradually from 15.60% in 1986 to 46% in 1998. In clear terms, the sector created US\$ 124.4 million in 1986, and US\$793 million in 1998 (Ghana Minerals Commission, 2000). The sector continues to be one of the highest contributors to the Internal Revenue Service through the payment of mineral royalties, employee income taxes, corporate taxes and ancillary levies. The country's mining industry performed considerably well in 2012. According to the Gold Fields Mineral Survey, Ghana was the 8th leading producer of gold in the world as its output increased by 6% to 96.8 tonnes, regaining its 2010 position. The total payments from the mining industry to the Authority's chest in 2012 was approximately GH¢1.5 billion (Ghana Chamber of Mines, 2012).

According to the GRA, total outflows from the sector to the nation's purse was approximately GH¢ 1.1 billion in 2013. This amount represented 18.7 percent of direct tax and 14.3 percent of total domestic revenue mobilized by the GRA in 2013 (Ghana Chamber of Mines, 2013). The minerals and mining sector continued to be a leading source of fiscal revenue to the state. In 2014, the sector contributed GH¢ 1.24 billion to the national kitty through the Ghana Revenue Authority. This represents 16.2 percent of total direct tax in 2014 relative to a share of 18.7 percent in 2013 (Ghana Chamber of Mines, 2014). The country's earning from mining is set to drop significantly in 2015 and the next six years, from an account of the distressing low price of gold on the world market. The sector's contribution to the national kitty is projected to reduce by about US\$724 million (Ghana Chamber of Mines, 2015)

Corporate Social Responsibility (CSR) is increasingly gaining grounds in companies' activities and practices globally, particularly in the case of mining. Various terminologies have been associated with the concept (Matten & Moon, 2004). The most common terminologies which have become synonymous to the CSR concept are: business ethics, corporate citizenship, sustainability or sustainable development, corporate environmental management, business & society, business & governance, business & globalisation and stakeholder management (Amposah-Tawiah & Darty-Baah, 2012). Solomon (1991) argues that CSR is shared altruism or an act of philanthropy whilst the World Business Council for Sustainable Development (WBCSD) in its publication "Making Good Business Sense" gave a much broader outlook to the concept. They defined CSR as the "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (WBCSD, 2000:6). Recently, researchers' understanding of CSR hastened to include the concept of stakeholders and the crucial roles they play in the process of CSR. For example, Hopkins (2011) noted that CSR is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. Again, the European Commission (2012) also defines CSR as a concept and a practice where companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. Moreover, Ofori, Nyuur and S-Darko (2014) agree to the stakeholder dimension of CSR and observe that the concept is now being perceived as

satisfying the needs of both firms and the stakeholder, and thus maximizing profits while still meeting wider stakeholder demands. This study, therefore, considers CSR as a process concerned with integrating all relevant stakeholders in acting upon the social, legal, ethical and economic objectives of a business.

For mining companies, CSR is the expression of a move towards greater sustainability in the industry, which is the practical implementation of the goals of sustainability. CSR is a means by which companies can frame their attitudes and strategies towards its stakeholders (Obara & Jenkins, 2006). According to Garvin, McGee, Tomic and Aubynn (2007), the mining industry has embraced CSR as the fundamental approach by which the challenges facing the industry, particularly in the areas affected by mining activities are being addressed. For Yakoveva (2005), in the mining industry, CSR transcends impact mitigation to include improvement of economic and social benefits of operation. According to a International Institute for Environment and Development (IIED) report, cited by Amposah-Tawiah and Darty-Baah (2012) the mining and minerals industry is currently distrusted by many of the people it deals with on a day to day basis and has failed to convince some of its constituents and stakeholders that it has the "social license to operate" in many parts of the world.

The concept of CSR in Ghana however, has become almost synonymous with the mining industry where there appears to be more environmental and human rights concerns, with a lot more interest groups calling for ethical, social and environmental responsibility from companies operat-

ing in the area (Amposah-Tawiah & Darty-Baah, 2012). Reforming the mining sector was seen by the World Bank as a key factor in attempts to alleviate the economic crisis in Ghana (Hilson & Potter, 2003). The reform of the mining sector, therefore, has produced a dramatic boom in investment flows and “the national economy has been quite dependent on the sector” (Aryee, 2000:71). For Ofori and Ofori (2014), financial accountability, charitable giving, community development through philanthropy and tri-sector partnerships, worker rights enhancement and environmental management are at the forefront of the mining sector CSR. This relates with the observation made by Amposah-Tawiah and Darty-Baah (2012) that mining firms have begun to show their responsibility to the environment and the society by adopting policies and initiatives for improving their performance, and also contribute to the sustainable development in the communities affected by their operations. The mining industry in Ghana has had some positive effects on the economy, providing support for the protection of the cultural heritage of the country, and enhancing community development through the provision of education, employment and other livelihood programmes.

### *Stakeholder Management*

For an organisation to get the best out of corporate social responsibility, the role of the stakeholder must not be undermined. According to Drienikova and Sakal (2012), stakeholder management involves the administration of the relationship between a business and its stakeholders. They observed that mutual relations between the company and its stakeholders may occur in either a positive or negative way. Or-

ganisations owe a duty to themselves and their diverse constituents to manage relationships with their stakeholders so as to minimize their negative influences and to ensure that they will not be the brakes in achieving the objectives of individuals and company. Stakeholder management, according to Drienikova and Sakal (2012) essentially dictates that the company should be in constant contact and interact with a multiplicity of significant groups, encourage, and uphold support of these groups, noting and harmonizing their respective relevant interests.

Like the very concept of CSR, stakeholder management has a voluntary basis. In their view, Drienikova and Sakal (2012) opine that experience has confirmed that stakeholder management aids as a voluntary fundamental tool in attaining economic success of business efficiency and sustainable development over the long-time interval. Within the framework of corporate social responsibility, Drienikova and Sakal (2012) assert that stakeholder management can be viewed from two basic perspectives: the stakeholders' identification and analysis of the impact of their interests and the process of engaging stakeholders (stakeholder engagement). A central part of stakeholder management in CSR activities is also the dialogue and negotiation with stakeholders. Stakeholder dialogue enhances mutual understanding between business and individual stakeholders.

Lee (2007) agrees with the stance of Drienikova and Sakal (2012) on stakeholder management and asserts that practitioners now understand the implications of managing relations with key stakeholders such as shareholders, customers, employ-

ees, the local community, government, the media and the general public globally within the corporate world. According to Freeman (1984), stakeholder management encompasses the distribution of organisational resources in such a way as to consider the impact of such supply on various groups both within and outside the firm. Post, Lawrence, and Weber (2002) subscribe to Freeman's claim on stakeholder management and confirm that stakeholder management means the development and implementation of organisational policies and practices that consider the objectives and interests of all relevant parties, all of whom are entitled to consideration in strategic managerial decision making. The doctrine of stakeholder management pushes management to aim at outcomes that optimize the performance for and balance the conflicting demands of all involved stakeholders rather than maximize the results for one stakeholder group. One of the primary objectives of the firm is to maintain the capability to balance the interests of different stakeholders in the firm. According to Wood (1991), social responsiveness of an organisation is based, in part, on the ability to meet the needs of the stakeholders. Wood's assertion is in congruence with that of Donaldson and Preston (1995), who believe that stakeholder management essentially places importance on the active management of stakeholder interests and utilizes various approaches including corporate social responsiveness and CSR activities.

### The Research Gap and Objective

Extant literature on CSR and stakeholder management suggest that both concept have well been researched. Comparative

studies of corporate social responsibility (CSR) are fairly rare, as opposed to other related fields, such as comparative corporate governance. This is to be expected because according to McWilliams, Siegel and Wright (2006), CSR is still "emergent" It has been noted that there is a convergence between CSR and Stakeholder Management (Korppi, 2013). However, a critical search of literature shows that research on CSR and Stakeholder Management has dealt mostly with their relationships with firm performance (Hillman & Keim, 2001; Waddock & Graves, 1997). Little research however has probed the relationships between Stakeholder Management and CSR (Agle, Mitchell & Sonnenfeld, 1999; Savage, Nix, Whitehead & Blair, 1991). Carroll (1991) explains that there is a natural fit between CSR and Stakeholders Management, however, stakeholder approach is not viable as it implies the sacrifice of sound business objectives. This thinking might have led to fewer studies examining the relationship. None of the current studies have comparatively examined CSR and stakeholder management approaches in Africa and other developing countries particularly in the mining sector.

Hence, this study will fill the gap by providing a comparative study on the various stakeholder approaches adopted by the mining firms in engaging their key stakeholders in CSR activities, which is absent in current literature. The study seeks to answer questions like what are the stakeholder approaches to effective CSR within the mining sector; what roles do key stakeholders play in promoting CSR activities by using two multinational firms both in Ghana as a case study whilst examining why and how stakeholders could

be managed within CSR to help maintain the social license to operate. The main objective of the study is to:

*Assess the Corporate Social Responsibility and Stakeholder Management approaches adopted by two mining MNCs for promoting community development in the communities where they operate and to determine the role played by key stakeholders in promoting CSR activities of mining firms.*

## LITERATURE REVIEW

### Corporate Social Responsibility

The concept of CSR has been discussed in theory and practice Weber (2008) but it appears that there is no consensus on its definition (Turker, 2009). The challenge for an acceptable conceptualization is the generic nature and scope of the concept (Idemudia, 2008; Gulyas, 2009). As a result, researchers are yet to find a universally accepted definition of CSR (Weber, 2008; Turker, 2009). This lack of an acceptable conceptualization generally suggests that CSR currently is defined differently to fit specific environments and periods (Griffin, 2000). This study, therefore, explores three different generations of definitions for CSR: earlier definitions- before 1991, mid definitions between 1991 and 2010 and most recent definitions from 2011 onwards.

Researchers, before 1991, conceptualized the concept of CSR as a social phenomenon of businesses. Here, their orientation of CSR revolved around societal expectations of businesses. Davis (1973) for example, defined the orientation of CSR as the responsibility of decision makers, to take

actions that will not only meet their own needs and interests, but to also safeguard the protection and enhancement of public wealth. In line with this definition, Carrol (1979) argued that social responsibility encompasses the economic, legal, ethical and discretionary expectations that a society has of organisations at a given point in time. In 1983, Carrol (1979) gave a broader outlook to the concept by defining CSR as “the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive” (p. 608). In support with all the researchers above, Frederick (1986) postulated that the fundamental idea of corporate social responsibility is that a business organisation has an obligation to contribute to social betterment.

After more than a decade, the focus of researchers on CSR that tended to center predominately on the society's expectation of businesses broadened to include other elements of CSR. For example, Wood (1991) expanded the ideas of CSR by encapsulating them into three driving principles of social responsibilities, identifying those principles as: business being a social institution, business being responsible for the outcomes relating to their areas of involvement with society, and individual managers being moral agents who are obliged to exercise discretion in decision making. The basis of Wood's assertion was based on the fact that business and society are interwoven rather than distinct entities. Again, the World Business Council for Sustainable Development, in support of this, proposes a definition for CSR as the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their

families as well as the local community (WBCSD, 1999).

Steiner and Steiner (2000) observed that social responsibility is the duty a corporation has to create wealth by using means that avoid harm, to protect, or enhance societal assets. McWilliams and Siegel (2001) describe CSR as actions that appear to further some social good beyond the interest of the firm and which are required by law. Pearce and Doh (2005) describe CSR as the actions of a company to benefit society beyond the requirements of the law and the direct interests of shareholders. The European commission (2001) remarked that CSR is a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. The central theme of these definitions is the focus on the environment, creating shareholder value and contributing to economic development. The rationale behind this shift in attention could be attributed to new levels appreciation of the concept of CSR as well as the realization that perhaps the concept transcends societal expectations.

From 2011, the definition of CSR tends to include the concept of stakeholders and the crucial roles they play in the process of CSR. For example, Hopkins (2011) noted that Corporate Social Responsibility is concerned with treating the stakeholders of a company or institution ethically or in a responsible manner. The European Commission (2012) also subscribes to the current trend of CSR definitions and defines it as a concept and a practice where companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. According

to Amponsah-Tawiah and Dartey-Baah (2013), CSR is the strategic decision of an organisation to voluntarily and deliberately act upon the social factors that have the potential of militating against the fulfillment of corporate goals. Moreover, Ofori, Nyuur and S-Darko (2014) agree to the stakeholder dimension of CSR and observe that the concept is now being perceived as satisfying the needs of both firms and the stakeholder, and thus maximizing profits while still meeting wider stakeholder demands. This study therefore considers CSR as a process concerned with integrating all relevant stakeholders in acting upon the social, legal, ethical and economic objectives of a business.

## CSR and Stakeholder Management

The term "stakeholder" has been widely examined in corporate and academic literature. Researchers before the dawn of the 1990s defined stakeholders variously: Stanford (1963), for example, defined stakeholders as those groups without whose support the organisation would cease to exist (cited in Freeman 1984). Freeman's (1984) seminal definition holds that a stakeholder is defined as any group or individual who can affect or is affected by the achievement of the organisation's objectives. It can be inferred that both Stanford's and Freeman's definitions focused on the power of the stakeholder, i.e. the fact that a stakeholder wields some form of power over an organisation. For Cornell and Shapiro (1987), stakeholders are claimants who have contracts; Alkha-faji (1989) also defines stakeholders as groups to whom the corporation is responsible. It can again be inferred that Cornell

& Shapiro and Alkhafaji also emphasized the legitimacy of a stakeholder's relationship with an organisation.

Another set of definitions can be identified between 1991 and 2000. The emphasis during this decade was the fact there exists a relationship between a stakeholder and a business; a stakeholder having a stake in an organisation; a stakeholder as a claimant or influencer and a stakeholder possessing legitimacy. For example, Smith (1990) defined stakeholders as groups in a relationship with an organisation; Donaldson and Preston (1995) posit that stakeholders are those who identify through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or inactions; Brenner (1995) defined a stakeholder as one who could impact or be impacted by the firm/organisation; whilst for Carroll and Bushholtz (2000), a stakeholder is an individual or a group that has one or more of the various kinds of stakes in a business.

Researchers after 2000 seem to center their definitions on the fact that organisations affect the stakeholders and vice versa, or have mutual relationships where the actions of each group affects the other. For example, according to Post *et al* (2002), stakeholders are individuals and groups that are affected by an organisation's policies, procedures, and actions. Freeman, Wicks and Parmar (2004) define a stakeholder as those groups who are vital to the survival and success of the organisation. O'Riordan and Fairbrass (2008) also define a stakeholder as individuals or groups whose actions affect and are affected by the activities of a firm. Stakeholders are diverse and could range from the pub-

lic, shareholders, employees, customers, suppliers, creditors, investors, competitors, other business partners, the media, government and local community. The WBCSD (2002) provided a list of entities that supposedly qualify as stakeholders. They include employees, customers, suppliers, governments and their agencies, the public, NGOs, investors and lenders. Also, Mitchell, Agle and Wood (1997), two decades ago argued that apart from customers, suppliers, competitors, government agencies/administrators, local communities/governments, activist groups and unions, persons, groups, neighborhoods, organisations, institutions, societies, and even the natural environment are generally thought to qualify as actual or potential stakeholders.

According to Clarkson (1995), stakeholders can be categorized into primary and secondary groups within and off the components of the firm. Primary stakeholders (e.g. shareholders, creditors, employees, customers and suppliers) include those groups with direct and sound legal rights on organisational resources. Clarkson admits that if any of the primary stakeholders becomes dissatisfied with and withdraws from the corporate system, the corporation cannot thrive. Secondary stakeholders (e.g. dismissed workers, the natural environment, media, a wide range of special interest groups and general public) refers to those parties whose claims on organisational resources are less soundly established in law, thus are entitled less protection, or are based on non-binding criteria such as ethical obligation or community loyalty (Garriga & Mele, 2004). Lee (2007) asserts that secondary stakeholders affect, or are affected by the corporation's actions but are not engaged in direct transactions with



the corporation and is not essential for its continuance. To Garriga and Mele (2004), the corporate stakeholder examination encompasses the corporate planning model to include external influences on the firm. The management's role includes public corporate planning and business policy making through the political negotiation processes among major stakeholders. This concept contrasts with decision making in strict accordance with economic rationality directed at maximizing profit for only primary stakeholders. In recent times, the groups of relevant stakeholders have come to include NGOs, activists, communities, governments, media and other institutional forces who increasingly voice the demand of what they consider to be responsible corporate practices from corporations (Garriga & Mele, 2004).

### Corporate Social Responsibility in Ghana

In Ghana recently, there has been a call on organisations to help with social programmes as government alone is incapable of handling all societal problems. This call occurred because the socialist orientation of the late Dr. Kwame Nkrumah's government gave the impression that State Owned Enterprises (SOEs) were able to solve all of society's problem (Amposah-Tawiah & Darty-Baah, 2012). This has limited corporate organisations social obligations to payment of taxes and affected the implementation of the concept of CSR in the country. Ghana has a diverse corporate environment with limited liability, companies limited by guarantee, state-owned-companies etc. Despite the proliferation of initiatives to promote CSR at the global level in the face of public con-

cerns about the political, economic, social and environmental impact of the activities of corporations, Ghana still does not have a comprehensive document on CSR available (Anku-Tsede & Deffor, 2014).

The CSR framework in Ghana is provided by a variety of policies, laws, practices and initiatives. Simply put, in Ghana, policies, legislation, and other forms of law regulate CSR (Anku-Tsede & Deffor, 2014). For instance, the Ghana Land Policy document bears directly on CSR. Large-scale multi-national companies spearhead CSR activities in Ghana. Again, low per capita income, a weak currency, capital flight, low savings and low productivity makes it almost impossible for indigenous companies (mostly engaged in retail and production of primary commodities) to pursue social actions (Amposah-Tawiah & Darty-Baah, 2012). This is evident from what Ofori (2006) referred to as "the engagement of haphazard indulgence of corporate good works" in Ghana. For Abugre (2014), managerial role in the practice of CSR is limited and ineffective in Ghana. He discovered that difficulties of effective CSR implementation can be attributed to leadership weak spots in the form of mismanagement and corruption, lack of leadership commitment and unwillingness to allocate monies due for CSR activities. He claims that organisations in Ghana can do better in the practice of CSR if management's attitude to CSR, corruption, and work behaviours are positive.

Commenting on how CSR activities in Ghana can be properly regulated, Anku-Tsede and Deffor (2014) recommend that even though CSR is, to a large extent, influenced by various regulatory regimes in Ghana, its efficiency is often adverse-

ly affected by deficiencies in the enforcement of the relevant laws and thus suggested that enforcement agencies should be empowered to ensure compliance with the laws to enable an effective delivery of CSR in Ghana. Large-scale manufacturing, telecommunication and mining companies such as MTN, Valco, Goldfields, and AngloGold have been instrumental in the social development of the country (Amposah-Tawiah & Darty-Baah, 2012). The absence of a clear CSR policy makes it difficult for individuals, advocacy groups and public agencies seeking to hold corporations responsible for their social responsibilities (Anku-Tsede & Deffor, 2014). Companies seeking to meet their corporate social responsibilities are also not sure of whether they are doing what they should be doing and are unclear as to the exact parameters of CSR.

## Theoretical Framework

### The stakeholder theory

The overall notion of the stakeholder concept is the understanding of the organisation as a system of different components with varied interests regarding what the organisation should be and how it should function. Friedman and Miles (2006) state that the organisation should be conceived as an assemblage of stakeholders and the aim of the organisation and management should be directed towards managing their needs, desires and viewpoints. Again, Friedman noted that management of the firm should not only promote the benefit of its stakeholders in ensuring their rights and participation in decision making, but also act as the stockholders' agent to en-

sure and safeguard the survival and long-term stakes of the firm and each group.

The pre- and post-Freeman (1984) emphasize the idea of stakeholder, or stakeholder management or stakeholder approach to strategic management, suggesting that managers ought to articulate and implement processes and activities that satisfy all and only those groups who have a stake in the business (Freeman, 1984). The core of this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other relevant groups in a manner that ensures and guarantees the long-term success of the firm. The stakeholder approach is very much concerned about the active management of the business environment, the relationships and the promotion of shared and mutual interests in developing successful business strategies.

Stakeholder management has developed to become one of the largest domains within CSR in the last couple of decades. Gjerdrum (2011) underscored that even though the stakeholder approach is only one of the many different perspectives on CSR and, albeit the fact that basic stakeholder research has had little to do with CSR, this dimension has developed to become one of the most essential and famous perspectives on CSR. Finally, Gjerdrum (2011) argues that a stakeholder approach to CSR includes a high level of relationship not only among the stakeholders but between mining firms and their many stakeholder players.

## Criticisms Against the stakeholder theory

The stakeholder theory has attracted varied criticism from a number of researchers. For example, according to Jenson (2000); Marcoux (2000) and Sternberg (2000), the theory provides no specific objective function for businesses and managers. Jenson (2000) observes that the theory cannot satisfactorily provide corporations with precise objective functions since the balancing of stakeholder interests abandons an objective basis for evaluating business actions. However, according to Mele (2008), this is not a strong objection because stakeholder theory is not against shareholders. Also, Sternberg (2000) observed that stakeholder theory effectively erodes business accountability and also creates an excuse for managerial opportunism. This is because according to him, any corporation that attempts to meet the needs of all stakeholders cannot be accountable to anyone. He further claimed that this theory gives corporate management the ability to justify egotistic behaviours by appealing to the interests of those stakeholders who benefit. Sternberg's position on managerial opportunism was challenged by Freeman (1998), who claims that though managerial opportunism is problematic, it is not a problem for stakeholder theory, than the alternatives.

For Marcoux (2000), stakeholder theory seems more likely to focus on the distribution of final outputs. Yet, this argument has been rebutted by Freeman (1998). He replied that "stakeholder theory is concerned with who has input in decision-making as well as with who benefits from the outcomes of such decisions. Notwithstanding these weaknesses,

the stakeholder theory has proved useful to businesses and managers. According to Mele (2008), the stakeholder theory maximises shareholder value by taking into consideration stakeholder rights and their legitimate interests. He adds that the theory is not a mere ethical theory disconnected from business management, but a managerial theory related to business success and the fact that the theory shows how business works at its best, and how it could work. Fassin (2009) indicates that the theory is descriptive, prescriptive, and instrumental at the same time. Stakeholder theory superseded the conceptual vagueness of CSR by addressing concrete interests and practices and visualizing specific responsibilities to specific groups of people affected by business activity (Clarkson, 1995). Irrespective of these diverse discussions on stakeholder theory, it offers a theoretically and practically useful framework for studying and evaluating CSR and stakeholder management which correlates with the needs of this study.

## Methodology, Instrument and Rationale for selecting the site

This study was designed using the case study qualitative approach and employed methods such as focus group discussions, stakeholder meetings and interviews. The qualitative research approach is adopted for a number of reasons. The first reason is that the researcher studies the phenomenon under a natural setting (Creswell, 2003). This is because the qualitative approach offers the opportunity to undertake an in-depth discussion with stakeholders of the two firms. It generates richer data and can provide important outcomes with

smaller samples (Brown, 2010). Creswell (2003) explains that qualitative research explores a social or human problem in which, among other things, the researcher conducts the study in a natural setting. This study adopts the case study design. According to Thomas (2011), Case study research is an increasingly popular approach among qualitative researchers. Case study consists of detailed investigation often with data collected over a period of time of the phenomena within their context (Hartley, 2004). Eisenhardt (1989) defines case study as a research which focuses on understanding the dynamics present within a single setting.

Yin (2009) also defines a case study as an empirical enquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. The study was carried out in the Bibiani

and Prestea Huni-Vally Districts of the Western Region of Ghana. Both Districts are among the leading producers of gold in Ghana. The Districts were selected for the study because they host a number of multinational gold mining operations in Ghana. Hilson and Porter (2003) have observed that the Districts have the largest concentration of mining activities than any area in Ghana. Subsistence farming and small scale mining are major economic activities for the local people living in the communities. Although the two districts are known for natural resource production including mining, timber and cocoa which generates a lot of money, it has been reported by Akabzaa and Daramani (2001) that very little of these monies get to the mining communities and, as a result, the local folks continue to live in poverty. Issues such as compensation, local employment, environmental degradation and societal disintegration continue to pose conflicts between the companies and the communities in the districts. The Maps below show the study areas.



Maps showing the location of the two companies relative to the rest of Ghana

## Participating Companies

Both companies are multinational mining firms owned by two Canadian gold mining companies. They were selected for the study because of their outstanding CSR credentials. According to AKOBEN programmes report of 2009-2012, both companies have been consistent in following their CSR activities. AKOBEN programme is an environmental performance rating and disclosure initiative of the Environmental Protection Agency (EPA), Ghana. Under the AKOBEN initiative, environmental performance of mining and manufacturing operations are assessed. Through the AKOBEN initiative, regulators inform companies about their operational performance and also send a clear message to companies about their performance gap (AKOBEN Environmental Rating and Disclosure Programme, 2012).

## Procedure

*Document Review:* company reports such as CSR policies, constitutions of CCC, CCMC, as well as the development foundation were reviewed to provide insight into general company CSR operations and stakeholder activities. These aided the researchers to build a full and comprehensive CSR and stakeholder profile of each participating company. Relevant reports published by state organisations were studied to understand the role of these organisations and their key stakeholders in mining sector CSR

*Interview:* Comprehensive interviews were conducted with different stakeholders involved in the selection and the implementation of CSR initiatives. The interviews were used to gather in-depth infor-

mation about the role these stakeholders play in making company CSR activities. Interviewees were selected from the two companies, community members, and representatives of chiefs, representatives of farmers and some selected assembly and unit committee members. Two sets of interview guides which were used, through in-depth interviews which led to follow-up questions, helped achieve depth of answers as well as the reasons, feelings, opinions and beliefs behind answers (Legard, Keegan & Ward, 2003).

*Focus group discussion:* the study employed a uniform sampling method where participants are selected to give detailed insight into a particular phenomenon Robson (2002). This was used to choose participants for the focus group discussion. In this study, four sets of focus group discussions were conducted with eight people (both males and females) within each set; participants engaged for the focus group discussion were beneficiaries of ongoing CSR programmes and they offered the chance for deeper appreciation of community/ stakeholder perspectives on the performance of the CSR programmes and stakeholder engagement approaches being implemented by the participating companies. These individuals who are farmers, youth leaders, representatives of market women and women's groups and other community dwellers were all selected from communities currently benefiting from the programmes being executed by the two mining companies. Questions asked at focus group discussions included: "are these support/activities relevant to your community"? "Does the company communicate to your community on programmes/projects they undertake"? "Do

you contribute some resources to help the company's CSR projects?"

## Findings

This section presents the findings from review of the companies' CSR programmes-company mission statements, stakeholder identification and structure for stakeholder engagement in CSR activities. The review showed that both companies share key features in stakeholder engagement and community development. With regard to community relations, both companies have established community relations departments and community consultative committees to address community issues. However, company B has additional institutions known as the Community and Mine Consultative Community and a Development Foundation. The companies, through these institutions, have been able to give more attention to communities affected by their activities. As evidenced in their respective CSR mission statements, these companies are responsible and concerned about the welfare of the communities affected by their operations.

## CSR mission statement

We sought to find out whether or not these companies have clear CSR mission statements in place that demonstrate their commitment to CSR activities. Our findings revealed that both companies have clear CSR mission statement and policies in place. The mission statements of the companies:

### Company A

*"We believe we have both a moral and a business imperative to be a good neighbour where we operate, and regard social responsibility as a core value. We understand that maintaining our social license to operate means maintaining strong and mutually beneficial relationships with communities and stakeholders wherever we live and work. Our guiding principles for Corporate Responsibility define what 'doing the right thing' means to us and are central to how we conduct our business."*

### Company B

*"We are committed to being a part of the community in which we operate. We will achieve this by maintaining and building strong relationships with other members of the community based on mutual respect and recognition of each other's right, and by engaging in active partnership, to support and sustained the betterment of the community and local development."*

The two mission statements recognize the need to respect stakeholders who are core parts of CSR activities. It also speaks to active partnership with stakeholders as well improving the lives of the community within which it operates.

## Various Stakeholder Approaches

This objective was to identify and assess approaches adopted by these two companies in managing their various stakeholders as far as the delivery of CSR is concerned.

### a. Structures for CSR Stakeholder Engagement

Company A's structure for stakeholder approach is organised as follows: it has set up

two important structures that collaborate to deliberate on CSR projects and activities. The company has a CSR department which was established before the company started its operations in 2005; whilst there is also a Community Consultative Committee (CCC) currently headed by a traditional chief, established in 2004 to liaise between the company and its various stakeholders. Within this same period, the company established a Trust Fund Board to be managed by Trustees or Board. The CSR department spearheads and coordinates all the CSR activities as well as facilitating stakeholder discussions. In an interview, the chairman of the Committee explained:

*“Currently there is a committee known as the Community Consultative Committee that is responsible for disbursing all funds that are located to the communities. This money constitutes 2% of each ounce of gold sold. The money is used solely for community development, which is different from other corporate social responsibility projects often undertaken by the firm”.*

#### **b. Stakeholder engagement in CSR**

On stakeholder engagement in CSR activities, a key stakeholder submitted thus:

*“Various stakeholders are involved at every step of the way but non-governmental organisations (NGO’s) do not exist in these rural areas and the company is not accountable to any... We operate in 2 district assemblies and 3 traditional areas with more than 10 communities. The company sits down with the various stakeholders and listens to their demands. The CCC as a major stakeholder is consulted where a budget is allocated to CSR in a fiscal year”*

The revelation above appears problematic because without NGOs and probing media to ensure compliance on the mining

companies, various deviations in the CSR process could occur. The role of NGOs and media in enhancing effectiveness of the CSR has well been argued by Teegan, Doh and Vachai (2004) who justify the need for NGOs to get involved in CSR activities of mining companies.

### **Company B**

#### **a. Established structure for stakeholder engagement**

It has a number of structures for stakeholder engagement. Prominent among them are the Community Relation Department, the Community Consultative Committee and the Community/Mine Consultative Committee as well as the Golden Star Bogoso/Prestea Development Foundation which collectively work together to achieve CSR goals. According to the head of the CSR department, the structure for CSR and stakeholder engagement starts right from the board of directors. In his submission, he stated thus:

*We have an established structure for CSR and stakeholder engagement and communication. Our company runs in stages. We have the board, the corporate and operational levels. So right at the top, we have a committee and a lead person responsible for CSR, and the corporate level, we have Vice President for CSR; and finally at the operational level, it’s the Community Relation Department that is responsible for CSR.*

This point substantiates the findings by Puplampu and Dashwood (2011) that, “Golden Star Resources CSR activities are driven by the top”. They found out that Golden Star has the sustainability committee of the Board that decides to work

on a series of initiatives that would improve the company's CSR efforts.

#### b. Identifying with all relevant stakeholders and understanding of needs

The company identifies with all relevant stakeholders. These include the chiefs, communities, District Assembly, regulating bodies such as the EPA, mineral commission and NGO. According to a leading member of the CSR office,

*"CSR is part of our core policy undertaking. Our desire to peacefully coexist with our host communities helps build and maintain a good reputation for the company. We have set up information centres in all our communities. This helps our community members to get us with their complaints, challenges and other relevant information".*

The revelation above is important as interacting peacefully with a company's stakeholders helps build stronger relationships with stakeholders and improves the company's reputation. The observations made by Suchman (1995) and Kemp (2010) also buttress this assertion. They argued that a stakeholder approach to CSR includes a high level of interaction between the firm and the different stakeholders, where all players participate and gain advantages out of a good relationship and highlight the need for mining companies to adopt a strategic approach to community relations primarily concerned with managing corporate reputation.

#### c. Stakeholder communication through established institutions

A very important CSR stakeholder approach is stakeholder communication. It has laid down structures of communica-

tion for stakeholder engagement in CSR, which enables the company communicate with its stakeholders on a regular basis. It has with agreement with the community, established the Development Foundation which collaborates with the Community Consultative Committee and Community/Mine Consultative Committee to deliver CSR activities. In an interview with the lead person in the CSR department, he explained thus:

*"The company is committed to the sustainable economic and social development of the Bogosol Prestea Mine Local Community as well as the promotion of peace and harmony between the company and the community. We are desirous of contributing some amount of money from our operations within the community towards the said commitment. We and the community agreed to set this Development Foundation to be the 'corporate vehicle' to achieve the sustainable and social development of the community. We hold regular meetings with these three institutions which enhances effective communication between us and our stakeholders."*

Commenting on the need for effective communication, it emerged from the focus group that:

*"They consult and communicate with us. I think because they are mining our gold they can't afford not to consult and communicate with us. We have agreements with them that allows us to meet regularly with them. Though they don't take all the suggestions we present at the table of discussion, I can't take away the fact they communicate to us the community members"*.

#### *Roles of key stakeholders in the companies' CSR process*

On the roles of stakeholders, findings from this study reveal that there are in-



stitutional and procedural arrangements that enable collaborative approaches to CSR projects and activities of these firms. Whereas company A has the Community Consultative Committee as its major stakeholder, company B has the Community Consultative Committee (CCC), the Community/Mine Consultative Committee and a Development Foundation.

### **The Community Consultative Committee (CCC)- Company A**

The community consultative committee comprises governmental/quasi-governmental agencies, the chiefs, and selected community members who meet quarterly and sometimes in emergencies to discuss and resolve issues of common concern. Essentially, the CCC is a collection of all relevant stakeholders of the company. These members are to present the needs of their constituents, deliberate on CSR and to communicate proceedings to the constituents. By involving various stakeholders in the CSR process, it tends to reduce the resistance that could have been encountered in the mining areas. This finding corroborates a position held by Gifford and Kestler (2008) that in recent times, stakeholders around mining sites are now mobilised in developing nations to help develop local legitimacy and to reduce conflicts.

The study revealed that the establishment of the CCC and its community-focused broad based membership makes the committee effective. It comprises members drawn from traditional rulers whose communities host mining operations; representatives of the people including Assembly members and chief farmers; and Institutional representatives including the

BNI, MoFA, District Assemblies, among others. As posited by Post *et al* (2002), effective stakeholder management means the development and implementation of organisational policies and practices that consider the objectives and interests of all relevant parties, all of whom are entitled to consideration in strategic managerial decision making. Institutional arrangements for engaging stakeholders from diverse backgrounds is imperative as argued by Delmas and Toffel (2004). They note that firms whose outputs have an environmental impact operate in a hostile environment and so there is the need to engage a range of stakeholders in CSR and strategic development to help leverage both coercive and normative pressures from a range of institutions including government, customers, community and environmental groups as well as the industry. The Committee elects its own chair and vice who preside over meetings. The main mandate of the Committee is to promote cooperation and understanding between the company and its various stakeholders and to ensure that the company lives up to its Corporate Social Responsibility to the communities in particular, and the country at large.

### **The Trust Fund**

There is also a Trust Fund from which all deliberated projects by the CCC are funded or implemented. In other words, the Trust Fund serves as the consolidated fund which is used to implement the CSR activities of the company. The Trust Fund Board is composed of professionals including Auditors, Lawyers, Accountants, Planners, Administrators and Quantity Surveyors. However, this Board is to

take advice from the community members and representatives on the effective use of the fund to meet community needs. The Board appoints its own chair or leader who shall preside over all meetings and shall approve projects proposed by the CCC for implementation. In a focus group discussion, a participant of the CCC, explained that:

*“Before its establishment, the company met with opinion leaders of the various communities and since its inception, no suggested projects have been rejected by the community. To help facilitate these activities the traditional rulers issue out land for the implementation of these projects. Community confrontation is also avoided because of effective way of engaging stakeholders”.*

Whereas literature argues that mining operations continue to be the focal point of community concerns, protests, and in some cases outright opposition (Bush, 2009; Hilson & Yakovleva 2007; Horowitz, 2010; Omeje, 2005; Puplampu & Dashwood, 2011). These studies observed that the approach adopted by the company has made it peacefully co-exist in the mining communities. In other words, the literature suggests that mining operations are usually associated with community conflicts but the opposite was found in the study area. This point was clearly made by an informant, a key member of the CCC, who explained that the cordial relationship between the company and its various stakeholders makes the people supportive and unlikely disrupt operations or activities of the company, and are even ready to support them to continue their stay.

This observation is quite revealing and tends to deviate from most mining communities in developing African countries, where mining communities are in constant

confrontation with mining companies and would even want to drive the latter away (Hilson & Yakovleva, 2007). This study reveals that effective stakeholder engagement in CSR activities would enhance the legitimacy of mining companies to the extent that community members do not want them to leave any time soon. It confirms an argument by Gifford and Kestler (2008) who observe that mining firms have begun to work with stakeholders around their mining sites in developing nations to develop local legitimacy.

## Company B

### The Foundation

The Bogoso/Prestea Development Foundation was set up by the company to carry out its developmental agenda to the communities. The foundation is run by the selected members from the company and the communities within which it operates. It was established on the premise that the company is committed to the economic and social development of the mine local community as well as the promotion of peace and harmony. Therefore, the foundation would be the conduit through which it would achieve sustainable and social development of the community. The foundation is entitled to 1 dollar out of each ounce of gold sold and 1% of pretax profit to carry out development in the communities. The foundation gives priority to communities most impacted negatively by its activities. According to Delmas and Toffel (2004), institutional arrangements for engaging stakeholders from diverse backgrounds is imperative as firms whose outputs have an environmental impact op-

erate in a hostile environment and need to engage a range of stakeholders in CSR and strategic development. In an interview with a member of the foundation, he submitted that:

*“We agreed to set up a foundation to be called Golden Star (Bogoso Prestea) development foundation to be the ‘corporate vehicle’ to achieve the sustainable and social development to the community as well the custodian of 1 dollar out of each ounce of gold sold.*

### **The Community Consultative Committee (CCC)**

The Community Consultative Committee of company B comprised of representatives of the various groups in all the communities within which it operates. The groups are the Odikros, Unity Committee, and assembly members, the Urban Council, Local Council of Churches, Muslim/Ahmadiyya Council, Youth Association and the Chief Farmer of the surrounding communities. The CCC is the “think tank” of the community in that they are mandated to deliberate on various projects needed in all the communities and submit proposals to the CMCC for final decision. The CCC also acts as the “mouth piece” of company to the community. It uses the CCC to get information across to members of the communities.

### **Community and Mine Consultative Committee**

The community consultative committee comprises governmental/quasi-governmental agencies, the chiefs, and selected community members and the company who meet quarterly and sometimes in

emergencies to discuss and resolve issues of common concern. They are mandated to discuss and vote on all project proposals received from the CCC and submit to the Development Foundation for implementation. They are also to look at issues of common interest to all the communities for appropriate action. It comprises members drawn from traditional rulers whose communities host mining operations; representatives of the people including assembly members and chief farmers; and institutional representatives including the BNI, MoFA, District Assemblies, and members of Parliament among others. As posited by Post *et al* (2002), effective stakeholder management means the development and implementation of organisational policies and practices that consider the objectives and interests of all relevant parties, all of whom are entitled to consideration in strategic managerial decision making.

### **Conclusion**

From the discussions and findings above, the study concludes that:

The mining communities want mining firms to extend their operations and duration of stay as a result of their effective approaches to CSR and operations. We, therefore, conclude that effective stakeholder engagement in CSR activities of mining companies has fostered a cordial relationship devoid of acrimony and tension in the mining communities. Secondly, we conclude that effectively engaging various stakeholders and community members in a cordial relationship requires multi-faceted processes driven by good faith and effective communication, and pragmatically addressing community concerns.

Finally, the study revealed that the stakeholder approach comes with various demands from diverse stakeholders which tend to increase the company's responsibilities and cost; again the absence of NGOs affects the engagement processes to an extent. We, therefore, conclude that the absence of NGOs in mining communities poses challenges to both mining companies and community members.

The study revealed that both companies embrace the concept of stakeholder management in the planning and execution processes of their CSR towards their mining communities. It was further observed that they both have in place clear CSR mission statements that demonstrate the respective commitments towards their CSR activities. They have formal structures and institutional arrangements for engaging various stakeholders in the CSR process. The study also observed that the relevant institutions in the companies' CSR processes are: the CSR departments known as the Community Relations Department, the Community Consultative Committee (CCC) and the Community and Mine Consultative Committee (CMCC). It came to the fore that the CCC and CMCC are the same in terms of their constitution and function. They comprise governmental/quasi-governmental agencies and selected chiefs among others who meet quarterly and sometimes in emergencies to discuss and resolve issues of common concern. Because of the broad-based membership that cuts across all relevant stakeholders in the community, the people feel well represented and these are strategies adopted by the companies to seek legitimacy. In order to enable the CCC and CMCC carry out their plans and objectives, the companies have a "Trust Fund", and a "Development

Foundation" respectively from which all decisions and deliberations reached by the CCC and CMCC are funded from.

## Recommendations

From the above conclusions we draw the following recommendations:

First and foremost, as a result of the consultative process, the company experiences over-subscribed demands from numerous stakeholders. We, therefore, recommend that the companies need to effectively manage expectations and demands that come from various stakeholders. This can be done by prioritizing stakeholders. According to Mitchell *et al.* (1997), stakeholders possess three different attributes: these three attributes are power, legitimacy and urgency. With the help of these attributes, a firm could identify which stakeholders the firm should pay its attention to. Managers must know about entities in their environment that hold power and have the intent to impose their will upon the firm. Power and urgency must be attended to if managers are to serve the legal and moral interests of legitimate stakeholders. Agle, Mitchell, and Sonnenfeld (1999) and Griesse (2006) subscribe to the assertion of Mitchell and his colleagues but added that it may be unrealistic for firms to appease all categories of stakeholder groups, hence managers need to identify and prioritize according to the power, legitimacy and urgency of a given stakeholder's claim to determine their salience. Managing expectation is one best way of making sure people's demands are reduced to 'reasonable limits' by effectively explaining and communicating to them on real issues. Some individuals and groups are not well informed on real issues

of corporate mining and that may inform them in making flamboyant demands. Therefore, an effective way to reduce these is to manage their expectations through the power of communication and education.

Secondly, we recommend that existing relevant NGOs need to expand their scope and operations to new mining communities. It is also imperative for new ones to be set up in these areas with communities coming up with formal establishment to be part of the process. These NGOs could serve as a link and buffer between mining communities and mining companies. The role of NGOs and media in enhancing effectiveness of CSR has well been argued by Teegan, Doh, and Vachai (2004) who justify the need for NGOs to get involved in CSR activities of mining companies.

## Limitations and Directions of future research

This study, like any other, is subject to certain limitations. First the study concentrated on a single industry (extractive industry) which means the results are only applicable to that sector. With regard to future research, since CSR and stakeholders of the extractive industry may not be similar to all sectors of the economy such as manufacturing, banking, pharmaceutical, etc. it would not be proper to make generalisations about industries' CSR activities given that each sector is different. A further study area could involve a cross-industry comparison of CSR and stakeholder management in Ghana. This will afford the society the opportunity to know the various approaches being adopted by industries in the process of CSR and stakeholder management to meet social responsibility, particularly in the area of community development

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