

The role of organisational culture, leadership and organisational learning in driving sustainable CSR and CR in the mining sector in Ghana

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**A STUDY OF A MID-TIER CANADIAN MINING
FIRM IN GHANA**

BY

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Acknowledgement & Outline

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- This research is part of a larger study supported by the SSHRC of Canada. Professor Kernaghan Webb is leading this team of researchers in Chile, Canada, Ghana, Brazil and Indonesia.
 - **Background**
 - **Theoretical Focus & research propositions**
 - **Method**
 - **Case Profile**
 - **Findings**
 - **Tentative conclusions**

Background

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MINING & GHANA

We are in this research asking a fundamental question: what makes a firm committed to CR, ethical behaviour and in a sustainable manner?

Mining

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- Long history. 500+ yrs
- Indigenes controlled gold and other mining activities throughout the period before, during and immediately after the Ghana, Mali, and Songhai Empires up to the Asante Empire.
 - Trans-saharan trade
- Advent of Europeans in 1471 changed that.

Macro Level: Mining in Ghana

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- Ghana has an abundance of mineral resources: gold, diamonds, bauxite, manganese, oil and gas, naturally occurring sea salt, limestone/cement
- Mining boom: 3 waves: late 1800s, early 1980s, mid-1990s
- Small Scale miners have a long history of mining in Ghana
- Contributes 5% of GDP
- Tax revenues in 2006/07 amounted to US\$53m or 10% of IRS receipts

Challenges

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- Pollution
- Environmental damage
- Disturbed lands not rehabilitated
- Community conflicts
- Distortions of local economy

- Institutional weaknesses of regulation
- Governmental contract with the people towards development – eg. Western region is infrastructure poor

Theoretical Focus and Research Propositions

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CSR & CR
INSTITUTIONAL THEORY
OB: LEADERSHIP, CULTURE & LEARNING

CSR & CR

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- CSR: That the firm recognises its larger role and responsibility towards society and its stakeholders or interest groups – normative and at times characterised by moral censure; appears to focus on externals
- CR: The Doughty Centre (UK) is arguing that the core principle should be one of seeing the management and business process as grounded in the principles of sustainability and responsibility to all across and including

Institutional Theory

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- **Rational Choice Institutionalism (RCI)**
 - Firms are rational actors which act with self-interest
 - Externalities provide the key driver – as self interest is taken as a given
- **Historical Institutionalism**
 - The external orientation of RCI does not allow us to interrogate how action preferences are defined, renegotiated and redefined as self interest interacts with externalities
 - HI therefore allows us a historicity of institutional transformation thereby enabling us to see the negotiated settlements of action preferences over time and which internal mechanisms supported same

OB

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- OB literature takes as a starter, the contention that firm behaviour is predictable, as is a firm's state
- There are identifiable internal factors for this eg
 - Organisational Structure
 - Leadership
 - Employee motivations etc
 - Culture etc
- We argue that CSR/CR studies need to look more closely at these OB dimensions as they offer clear, actionable levers, triggers and frames for leveraging corporate behaviour

Our 4 Propositions

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1. Organisational leadership needs to articulate an ethical ecology which enables the firm to respond
2. Sustainability of ethical action is dependent on leadership's consistent, systematic and dynamic connection with stakeholder interests
3. Internal culture is a sustainability tool
4. Junior & mid-tier mining firms face significant resource challenges which may make CSR learning difficult

Method

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- Case Study
 - Interviews with top management
 - Document reviews
 - ✦ Sustainability reports
 - ✦ Annual reports
 - ✦ GCM's reports
 - Procedure
 - ✦ Access negotiation
 - ✦ Entry based on arrangements of management
 - ✦ Pull out anytime – if ...

Profile of Case

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- International mid-tier gold mining company
- Mines located in Ghana, West Africa; Location: along Ashanti Trend, 300 k from Accra
- 1999: the company transformed from an exploration company into a gold producer
- 1999: Bogoso Gold Mine purchased
- 2001: Prestea Underground mine and Prestea surface rights acquired
- 2002: Wassa mine acquired
- 2005: Hwini-Butre and Benso (HBB) properties acquired

Location of mining operations

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Ghana

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Profile of Bogoso/Prestea operation

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- **Bogoso/Prestea:** Bogoso Lease is 95 km²; Prestea Lease is 129 km²
- Close to the towns of Bogoso (pop. 9,000) and Prestea (22,000), in Prestea Huni Valley District of Western Region (est. 2008)
- Aprox. 12 communities within Bogoso and Prestea concessions...
- Standard open pit mining methods
- Area affected by over 120 years of mining, forestry and agricultural activities
- Mine changed hands many times prior to 1999

Profile of Wassa operation

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- Location: 35 km east of Bogoso
- Wassa concession: 36 km²;
- Hwini-Butre-Benso HBB project covers 73 km²
- 6 communities within Wassa and HBB concessions
- Benso pit connected to Wassa processing plant by 50 km haul road (12 km through Subri Forest Reserve)
- Wassa mine developed in 1998
- Benso developed in 2007
- Communities: very under-developed (poor roads, basic services at a very rudimentary level, airstrip)
 - classic case of wealth 'unrealised'

Profile of company

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- Nationality: most of in-country management is Ghanaian; VP, Operations, Ghana is Ghanaian
- Senior executives: based in North America: range of nationalities
- Due to proximity of communities, workers live at home and are not housed on site
- Production: 295,927 oz in 2008
- Employment: 2,400 full-time, aprox. 400 contract

Regulation

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Governmental:

- Mining Act (last amended 2006)
- Minerals Commission: Inspectorate Division
- Ministry of Lands, Forestry and Mines
- Min. of Local Government, Rural Development
- Environmental Protection Agency
- Precious Minerals Marketing Company (PMMC)

Industry: Ghana Chamber of Mines

NGOs: Many. Eg WACAM, National Coalition on Mining, Centre for Public Interest Law

Findings

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- **Leadership**

- CSR is definitely top driven
- Initiatives have full support of top management
- Board sub committee on sustainability
- Management post at highest level
- Internal Structures created to deal with CR and Sustainability

- **Culture**

- Value system behind current CSR initiatives not drilled down
- Disconnect btw executive articulation and line manager articulation
- Lack of clear corporate culture statement
 - ✦ Risk – when leadership changes, so will CSR

Findings

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- **Learning**

- ✦ Up to 2005:

- Checkered history of frequent changes of ownership
 - Poor community relations
 - Poor environmental record
 - Prior tendency to decide for communities what initiative to launch, most were irrelevant and not sustained

- ✦ From 2006: 'duerto' learning (double loop):

- Recognition of arrogance of status quo
 - Unlearning of the unilateral approach
 - Introduction of community dialogue
 - Grafting in best practice from the 'big players'
 - Introduction of internal org structures

The Result?

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- Company's CSR initiatives are significantly owned, championed and supported by community
 - Training
 - Oil Palm Plantation
 - Development foundation
 - CMCCs
- Initiatives consistent with locale
- Has mutual business benefits
- At present the firm has the largest range of gold mining concessions in the country – although it is a mid-tier business
- Willing to abandon a concession if cannot get social license to relocate community

Conclusions

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- Tentatively
 - CSR needs to shed the censuring posture that has become politically correct about the extractive sector (or put it in perspective)
 - Reconstruct a CR ethic
 - Leverage obvious OB tools as criterion measures
 - Both companies and regulators need to ask the critical question: HOW or THROUGH WHAT CORPORATE MECHANISMS WILL THE FIRM ENGAGE THE ISSUES?
 - We will quickly realize that it's a bit like the difference between two parents
 - ✦ One is constantly chiding a child without showing the him/her how to deal with the issues
 - ✦ The other takes time to explain the pitfalls and shows the child what skills they possess which they may be able to appropriately deploy
 - All things remaining equal, which child will be strategically oriented in their later actions?