

Mining corporations and ‘active trust’: implications for regulation

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Abstract

Local communities are emerging in pivotal roles in the politics and analyses of the global mining industry (e.g., Ballard and Banks 2003). This paper uses Giddens’ (1994) idea of ‘active trust’ to explore the dynamics between corporations and communities in the context of corporate social and environmental performance. Data collected from interviews with mining corporations and a range of stakeholders as well as corporate social and environmental reports is used to inform the analysis. The research finds that mining corporations are strategically seeking to build trust with local communities and other stakeholders in order to further their business interests. Some of the ways in which mining corporations are attempting to build and maintain these relationships of trust are discussed, and paper concludes with a discussion of the implications of this for the regulation of corporate social and environmental performance.

Keywords: Trust; Mining Industry; Regulation; Community Engagement; Corporate Responsibility

Many of the environmental and social problems being experienced around the world have been attributed to a political imbalance that favours the short-term private sector interest over environmental protection (Gleckman 2004:213), and an alignment of governance structures with industrial-oriented development paths (Petschow 2005:39). In order to address such imbalances, there have been calls for a stronger role for civil society, and greater citizen action to broaden the range of interests being represented in regulatory agendas from a mostly economic focus to include other perspectives and interests (Braithwaite and Drahos 2000:36).

Some believe that such a transformation is already underway. Ruggie (2003) has argued that the impact of civil society groups on the social responsibility of the global corporate sector has led to the emergence of a new global public domain where

human interests are being pursued directly with corporations, without being mediated and redefined by the state. Such a dynamic has been observed in relation to mining activities, where local communities are taking a “pivotal position” with respect to the politics and analyses of the global mining industry (Ballard and Banks 2003:288, 304). Local communities are increasingly asserting their right to be involved in decision-making around mining developments (Muradian et al. 2003:787), and there is an increasing trend to include local communities as key partners in decision-making around mining developments (Environmental Law Institute 2004:41). Local communities, NGOs and other civil society groups have also been successful in delaying, preventing, or closing down mining developments through their direct engagement with mining corporations (e.g., see Moody 2006).

One of the key elements to this emerging dynamic between mining corporations and local communities is trust. As Swift (2001:21) observes, “trust is widely held to facilitate interdependent relationships in which stakeholders are given a voice to influence corporate social behaviour for the welfare of society”. This research uses trust as the focal point to better understand the emerging dynamic between mining corporations and local communities in the context of corporate social and environmental performance. It begins by exploring the connection between the expectations of local communities and corporate social and environmental performance. It then looks for evidence of ‘active trust’ in corporate-community interactions, and considers some of the reasons why mining corporations are motivated to build trust with local communities. The paper concludes with a brief consideration of the implications of the findings for regulatory strategy.

Trust in sociological theory

Beck (1992) attributes the increased influence of NGOs and other civil society groups in politics and industry to a lack of public trust in industry and government. Similarly, Giddens (1994:187, 197) suggests that public scepticism of industry and government gives rise to mechanisms of “active trust” – trust that is “energetically treated and sustained” by the party that is distrusted. Giddens (1994:197) identifies “active trust” as the key new forms of social relationships which are emerging in post-traditionalist society.

How might trust be actively built and maintained? It is widely noted that trust is hard to construct and easy to destroy (Dasgupta 1988:50). Accordingly, trust has been described as a “fragile commodity” (Levi 1998:81) that must be negotiated and bargained for (Giddens 1994). Every action of an institution has an impact on an organisation’s trustworthiness (La Porte and Metlay 1996:345). Some of the ‘building blocks’ of trust that have been identified in the literature include: transparency (Miztal 1996:90); making credible commitments (Levi 1998:86-87; Whetten and Mackey 2002:400); assuring citizens and stakeholders that successive leaders in the organisation will continue to fulfil commitments and be consistent in performance (La Porte and Metlay 1996:345); engaging in sincere dialogue and effective participation (Rothstein 2005); being embedded in or associated with trustworthy institutions that act as ‘guardians of impersonal trust’ (Levi 1998:81; Shapiro 1987); and having a good reputation (Granovetter 1985; Dasgupta 1988; Good 1988).

Method

In-depth, semi-structured qualitative interviews were conducted with mining executives from large mining corporations with global operations, as well as with

NGOs, government regulators and other key stakeholders of the mining industry over the period from 2004 to 2007. The 38 participants in the research were asked a range of questions pertaining to the regulation of the social and environmental performance of the mining industry. Interview responses were recorded, transcribed and analysed for references to trust and relationships of trust between mining corporations and local communities.

Data was also collected by way of an analysis of corporate social and environmental reports. These reports are published annually by many large mining corporations, and include details of the corporation's performance over the previous year against certain targets, the challenges and opportunities faced by the corporation, and their performance goals for the future. The reports are written with a range of readers in mind, including regulators, local communities, NGOs and employees. A word search was conducted on the reports, and passages of narrative that included the words 'trust' were identified, grouped and analysed. Similes to 'trust' – such as 'credibility' – were also included in the analysis, but were not found to be significant. The results of these analyses are discussed in the next section.

Findings

Community influence on corporate behaviour

The research found that local communities and other stakeholders have a significant influence on corporate social and environmental performance in the mining industry. "External expectations", or, the expectations from communities and other stakeholders as to how the corporation should behave, were identified in the interviews by mining executives, NGOs, regulators and consultants as a key driver of

change in the way in which the mining industry deals with its social and environmental performance.

The source of these expectations was variously described as coming from “local communities”, “stakeholders” or “the public” at both local and global levels. A number of mining executives specifically stated that a key priority for mining corporations was to act in ways that meet community or external expectations.

The community [driver] is at the forefront, because I guess it’s just so clear that when you are a mine situated in the local community that these are the people who really need to want you to be there and that’s definitely the number one side of things. *Mining Executive #2*

Some of the ways in which the mining industry was seen to have changed in response to ‘external expectations’ of corporate social and environmental performance included: greater corporate acknowledgement and recognition of their social and environmental impacts and responsibilities; the implementation of systems and procedures to address their social and environmental performance; the appointment of specialised personnel with responsibilities for the social and environmental impacts of mining activities; and a greater willingness to go ‘beyond’ legal compliance in terms of their social and environmental performance. It must be noted, however, that none of the participants in the interview process stated that they had seen changes in the performance of the mining industry ‘on the ground’ as a consequence of the mining industry’s responses to ‘external expectations’.

Some mining executives believed that “external expectations” had been a stronger driver of change in corporate social and environmental behaviour than either NGO pressure or government regulation. One mining executive even described the precedence of community expectations over government requirements in terms of a complete turnaround in priority. This shift in corporate responsiveness in the context of social impacts led some mining executives to remark that they would prefer to

bypass government altogether and deal with stakeholders directly in order to fulfil their social impact responsibilities.

Evidence of ‘active trust’

Corporations expressed a strong desire to build trust with local communities and other stakeholders in their social and environmental reports. These discourses were typically found in high level commitments such as the corporate charter, and in the ‘Letter from the CEO’. For example:

At Newmont, we intend to be one of the world’s most trusted, respected and valued natural resource companies, and the clear leader in the gold industry (“Letter from our CEO”, Newmont 2006:4).

The key parties with whom mining corporations expressed a desire or intention to build trust included: “communities”, “nearby communities”, and “local residents”, as well as “employees”, “customers”, “suppliers”, “shareholders”, the “public at large”, “NGOs”, and “stakeholders”. Some mining corporations also identified some of the reasons why they wanted to be trusted. For example, BHP Billiton (2006:61, 121, 129) specifically identified trust as playing an integral role in relation to: stable employee relationships; reduced security risks; and ‘growth’ and ‘prosperity’ in general terms. In other cases, the business benefits of trust were implied. For example, there were a number of discussions in reports of instances where low levels of trust prevented the corporation from conducting its ‘business as usual’.

Corporate-community interactions were seen by corporations as being integral to trust-building. Some of the ways in which corporations sought to interact with and engage stakeholders included: holding an open day at the mine site; being involved in regular meetings with communities; undertaking community engagement; involving communities in the assessment of corporate performance (such as the testing and

monitoring of the mine's environmental impacts); and, 'better communication' in general. In addition, certain 'personal' and corporate characteristics were mentioned in the reports as being necessary for building trust. These were: transparency; accountability; being forthright in communications; consistently delivering on commitments; integrity; and being seen to contribute to economic development in areas where they operate.

Reputation plays an integral role in trust-building (Granovetter 1985), and, in the reports, corporations talked about their desire to build corporate reputation and their belief in a 'business case' for corporate reputation. Mining corporations also gave detail as to how they believed reputation could be built, and these strategies were mostly focused on an aspiration towards high standards of social and environmental performance. Internal management systems that supported the achievement of these high levels of performance were seen to play an integral role in this regard. These included a variety of internal standards, procedures and systems that were intended to guide and direct the behaviour of the employees and agents of the corporation in relation to the social and environmental impacts of corporate activities.

Corporate motivations for trust-building

The analysis found that corporations were primarily motivated to build trust with local communities where levels of distrust in the corporation's social and/or environmental impacts had an actual or potential impact on the business interests of the corporation. In other words, 'active trust' emerged where there was scepticism about the corporation's actual or promised social and environmental performance. For example, BHP Billiton's report detailed the actions taken by them to gain the trust of the local community in Trinidad and Tobago who, as a consequence of past experience with

other corporations, were not amenable to corporations undertaking development activities on their land. The strategy used by BHP Billiton to earn the community's trust was an extended consultation process that involved numerous meetings between the corporation and the community. BHP Billiton described their meetings with the community as having "contributed to the building of positive relationships based on transparency and mutual trust" (BHP Billiton 2006:323).

The impact of public distrust in the business of the corporation was felt even more keenly by Newmont, when thousands of local people protested against the corporation's exploration activities undertaken with the intention of expanding the corporation's existing mine site at Yanacocha in the Peruvian Andes into Cerro Quilish, a nearby mountain that had been declared a protected area by local officials in 2000. The community was concerned that mining activities in Cerro Quilish would lead to water pollution and deplete the supply of water to the community. In their corporate report, Newmont described how they responded to this community distrust by withdrawing from exploration, and then sought to build trust by involving the community in environmental testing and monitoring at the mine site at Yanacocha.

Discussion and conclusion

The research found evidence of "active trust" (Giddens 1994) in relationships between mining corporations and local communities. Mining corporations were found to be energetically treating and sustaining relationships of trust with local communities in order to address (what corporations perceive to be) scepticism, misconceptions and lack of trust in relation to aspects of the corporation's social and environmental performance. Corporations are particularly keen on building trust in circumstances where distrust threatens the business of the corporation. For example, Newmont stated

that they were committed to building trust in order to “reassure communities” about the mine’s impact at Cerro Quilish, Peru, where protests had resulted in preventing the planned expansion of Newmont’s mining activities. Similarly, BHP Billiton talked about their focus on “earning the trust and respect of the nearby community” in a context where the local community was in fundamental opposition to any kind of corporate development on their land.

From a theoretical perspective, the benefits of such trust-building efforts from the perspective of the mining corporation might include greater cooperation between parties with competing interests (Hardin 2002), and an enhanced opportunity to reconcile competing interests (Misztal 1996). It can also mean that the behaviour of the mining corporation as a trusted party is less subject to scrutiny (Levi 1988:78), and, it may even give the mining corporation “free rein” to do whatever it wants to do (Coleman 1990).

Some of the outcomes that were attributed to a greater corporate responsiveness to stakeholder expectations included: improved systems and procedures for addressing social and environmental impacts; a greater corporate acknowledgement of and commitment to social and environmental responsibilities; increased transparency about corporate behaviours; and the appointment of specialised personnel to address corporate social and environmental impacts. However, one critical area where changes were not specifically identified by either corporations or stakeholders in the interviews was in relation to improvements in actual corporate performance ‘on the ground’. Further research would be necessary to determine to what extent corporations have improved their actual social and environmental performance in response to community expectations, or whether changes have merely been seen in mining industry rhetoric for the purpose of building trust.

Instances of “active trust” in the mining industry appear to be supporting new forms of social relationship between mining corporations and local communities and other stakeholders. Numerous examples were identified where corporations engaged directly with civil society to address concerns over aspects of corporate social and environmental performance, bypassing the involvement of the state. Further, there was evidence from corporations that they often preferred to address their social responsibilities by way of direct engagement with communities and other members of civil society, rather than meeting the requirements of communities as interpreted and mediated by the state.

The research found that mining corporations are most keen on building trust with local communities when community distrust of corporate social and environmental performance has an actual or potential impact on the corporation’s ‘business as usual’. For this dynamic to exist, there needs to be informed, engaged local communities who care about the potential social and environmental impacts of mining and who are willing to actively prevent or disrupt the corporation’s business.

As a regulatory mechanism, corporate-community engagement can lead to improved social and environmental results in some cases, but there is still an important role for effective government of corporate performance. Indeed, it is likely that local communities have emerged in pivotal positions in the politics of the mining industry because of a perceived or actual government failure to adequately protect the interests of the local communities. Government regulation plays a critical role in setting standards of performance and the only regulatory mechanism that offers sanctions for non-performance. However, there may be some circumstances where government regulation is too broad to address the localised concerns of particular communities. A useful way forward may lie in the increased government facilitation of corporate-

community engagement, supported by strong and effective government regulation of corporate social and environmental performance.

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