**Corporate Social Responsibility and Multinational Enterprise Identity:**

**Insights from a Mining Company’s attempt to localize in Ghana**

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Abstract

This paper investigates how one of the world’s largest gold mining multinational enterprises (MNE) of United States origin operates its subsidiaries in various parts of the world by creating a unique “glocal identity”. The US parent firm has experienced several significant challenges across its network of subsidiaries. These challenges were mostly due to enforcing the MNE’s identity and culture in its host environment. We contribute by describing in detail the attempts by this company to localize their Corporate Social Responsibility practices in Ghana as it seeks to gain legitimacy and create an identity that overcomes the issues relating to liability of foreignness. Our data comes from a combination of data sources including questionnaires, detailed semi-structured interviews with the key management employees of the mining company, members of the local community and opinion leaders of the company’s host communities and secondary sources. Our main finding is that the construction of a ‘host friendly’ identity is centered around the mining company’s collaboration with the Newmont Ahafo Development Foundation.

**1. Introduction**

The existing theory and research in international business (IB) portrays a negative view on foreignness, distance, and differences in for e.g. national, cultural, organizational, and institutional, with an emphasis on liabilities and adverse outcomes thereof (Stahl, Tung, Kostova & Zellmer-Bruhn, 2016). Furthermore, while the extant research is certainly valuable, focusing on primarily negative processes and outcomes has hindered the understanding of the dynamics, processes, and conditions that enable organizations to benefit from diversity in a wide range of IB contexts (Stahl, Tung, Kostova & Zellmer-Bruhn, 2016). Drawing on institutional theory, Kostova & Roth (2002) study has identified two factors influencing the adoption of a practice namely a) the institutional profile of the host country and b) the relational context within the MNC. Thus, multinational enterprises (MNEs) operate in complex environments with multiple, diverse, and possibly conflicting institutional forces. Such forces could also affect a firm's adoption of corporate social responsibility (CSR) practices. Based on the study of 710 US MNEs from 2007 to 2011 with global ties to over 100 countries, Marano and Kostova (2016) identified a set of factors that make certain pressures more salient than others, including a firm's economic dependence on a particular country, heterogeneity of institutional forces within the firm's transnational field, exposure to leading countries with more stringent CSR templates, and intensity and commitment to particular economic linkages (i.e., foreign direct investment versus international trade).

The extractive industries, which include oil, gas and mining sectors are an important part of the economies of many developing countries. In the specific context of low and medium-low income countries, such as countries in Western-Africa, the extractive industries account for a staggering 75 – 80% of the total exports and 45-50% of total government revenue (Halland et al. 2015; IMF 2012). It is this focus on extractive industries that has made countries in Western Africa witness significant increases in foreign direct investment (FDI), particularly in the mining sector during the period 2000 – 2012 (UNCTAD, 2015).

Scholars attribute the growth in FDI in sub-Saharan African countries to incentive packages, such as tax breaks and low royalties, offered by the host country governments to MNEs (see for instance Hilson, 2012). At the same time, a majority of these countries are characterized by weak and corrupt governance systems, widespread poverty and lack of any resemblance of labour unions, which in turn allows MNEs to dictate terms and scope of their investment (Hilson and Maconachie, 2009; Hilson, 2012). As a consequence, one of the fundamental challenges that these resource rich countries face is how to translate benefits from the natural resources into long term sustainable socio-economic development for its regions, where the resources are located in (Garvin et al., 2009).

MNEs that are keen to invest in these locations find it challenging to navigate through the complex socio cultural, economic and institutional settings. It is in this context that creating and maintaining important relationship with local stakeholders, including community members becomes paramount to successfully operate in extractive resource rich countries. Therefore, exploring ways to mitigate stakeholder related risks rank very high on the agenda of MNEs involved in the extractive industries (Davis and Frank, 2014).

Despite the increasing importance attached to corporate social responsibility (CSR) activities in host countries there are few studies that highlight challenges which MNEs face in adapting CSR issues that are of importance to their respective host countries (Logsdon and Wood, 2005). Equally, there is dearth of research that provides insights on how MNEs use their CSR activities to interact with various stakeholders in their host countries with the aim to gaining legitimacy (Husted and Allen, 2006; Beddewela and Fairbass, 2016).

The importance of this special issue topic lies in the limited understanding of how MNE develop and adjust their identity when internationalisation, especially to emerging market countries. The MNE’s identity in the home country setting has a strong influence on its strategy, operation and behaviour in the marketplace. However, this identity may be of little value to the MNE when it tries to establish its operations in foreign markets, due to many different factors outlined by the social identity theory (Ashforth and Mael, 1989). These differing perspectives that stakeholders in host countries may hold create a significant social identity challenge for MNEs in their quest to understanding and managing these additional liabilities of foreignness.

Thus, through this paper, we contribute and aim to fill the gap identified above in the literature on social identity of MNEs by providing case study evidence on how a US based mining company localized its CSR policies in Ghana to maintain its corporate identity. We highlight detailed issues in terms of challenges for the MNE in implementing its CSR activities and the management of its various stakeholders in Ghana. We find that localizing its CSR policies was central to the MNEs strategy and behaviour to develop a “glocal identity” (Robertson, 1994) in the host country to gain legitimacy and overcome the issues relating to liability of foreignness (Zaheer, 1995).

The remainder of the paper is structured as follows. In section 2, we begin by reviewing the literature on internationalization of MNEs and explore the challenges that liability of foreignness poses to MNEs. In section 3, we review the literature on CSR and particularly focus on the body of work that calls for organizations to take a strategic view of the programs to gain reputation and identity. Section 4 describes the research design and how our data were collected and analyzed, followed in section 5 by a discussion of our findings in relation to localization of CSR policies to maintain the corporate identity. We conclude in section 6 with a discussion of the implications of our findings for future research on CSR and identity.

**2. Internationalisation and liability of foreignness**

Drawing on the concept of liability of foreignness coupled with insights from institutional theory allows us to explain the success of the US mining MNE’s subsidiary in Ghana. The liability of foreignness concept has its origins in the international business literature (Hymer, 1976; Kindleberger, 1969; Zaheer, 1995) and states that MNEs face significant upfront costs when setting up subsidiaries in foreign markets. These sunk costs arise from differences between the home country and the host countries where the MNEs decide to set up their subsidiaries.

For example, firms may be unfamiliar with the business environment in host countries, which includes cultural, institutional, political and economic factors. Some of these costs can be overcome more easily, such as learning about setting up a business and paying corporate taxes. However, other subtle and complex challenges include dealing with corruption or other network based relationship, which are built over a long period of time (Gaur et al., 2007). This unfamiliarity means that MNEs need to invest significant time, effort and investments in learning about the various dimensions of the host country. This is essential for any MNE in order to reduce their disadvantages and compete successfully vis-à-vis local firms that are already present in the host country. A recent study by Munjal and Pereira (2015) show that local embeddedness of mergers and acquisitions is strengthened by the MNE’s persistence and learning from the local emerging host country context.

In turn, the ability to overcome the challenges from the liability of foreignness means that MNEs need to possess significant and unique firm-specific advantages that can be exploited in foreign markets. Only then can foreign expansion in different countries be worthwhile because the firm-specific advantages outweigh the sunk costs, which are incurred the learning phase about the host country. These firm-specific advantages can come in the form of superior resources (e.g. technology) and other managerial or organizational advantages, which are transferred from the parent headquarters to the subsidiary in the host country. This superior performance of foreign investors over domestic firms has become a stylised fact in the applied and policy-oriented literature concerned with FDI flows or the impacts of inward investment. In this vein, Kostova, Marano, & Tallman (2016) in their comprehensive review of the existing research on headquarters–subsidiary relationships published in the Journal of World Business, highlighted the need for the further exploration of the novel trends and approaches in elucidating the connection of this topic to the broader field of international management research and practice. For instance, Hoenen & Kostova (2015) identified key unresolved issues in headquarters-subsidiary relationships including closing the gap between headquarters’ expectations and subsidiary performance, managing the nested hierarchical relationships across multiple organizational layers, and aligning these relationships across diverse subunits embedded in different social contexts. Furthermore, departing from the classical agency theory, Kostova, Nell, & Hoenen, (2016) recently proposed an agency model for headquarters-subsidiary relationships in MNEs with headquarters as the principal and the subsidiary as the agent. They maintain that in the organizational setting, one cannot assume absolute self-interest and perfect rationality of agents (subsidiaries), but should allow them to vary through a set of internal organizational and external social conditions in which the headquarters-subsidiary agency dyad is embedded. Another interesting aspect refers to the examination of the fulfillment of complex roles when managers develop dual organizational identification towards both entities (the MNC and the subsidiary). The study by Vora, Kostova, & Roth (2007) indicates that high identification with both entities is associated with high role fulfillment and that similarity in organizational identities directly affects role conflict.

However, in host country settings, culturally and institutionally, which are much different from the home country, a MNE may try to minimise their foreignness by mimicking the behaviour of local firms, who are seen as the better performing firms due to their familiarity with the country, industry and consumers. This view emanates from institutional theory which argues that firms behave similarly by following a set of written or tacit rules and strategies in order to signal their commitment and legitimacy to the host country and thereby be accepted which increases the chances of survival (DiMaggio & Powell, 1983). This allows MNEs to adapt to different institutional environments by limiting their risk and reducing their transaction costs. In short, the goal of MNEs lies in the virtue of fitting in and playing by the rules of the game in a manner that is similar to local firms. This is coined as “Isomorphism” by organization theorists and “strategic herding” in the management literature. Both terms represent a change that makes firms and other organisations more similar to each other.

Therefore, MNE subsidiaries around the world are faced with a dual pressure of conforming to the global organisation and standards of the MNEs, which achieves internal legitimacy and the pressure to conform to the host country environment, which reduces the liability of foreignness. This is particularly important in the case of emerging market countries (Nachum, 2003), where the liability of foreignness can be significant and thus creates enormous challenges. In general, these challenges emanate from the MNE’s efforts of imposing its corporate identity which in the face of manager’s bounded rationality and/or reliability of host countries creates stakeholder hostility in these countries

**3. CSR as a mechanism to localise social identity**

CSR is considered as a Western concept that gained popularity in the 1980s (see Blowfield and Frynas, 2005), and which was subsequently spearheaded in developing countries, particularly by companies active in the extractive industry (Hilson, 2012). Despite a burgeoning body of literature on CSR, there is no agreement on a single definition of the concept (Torugsa et al, 2012). Broadly speaking, CSR pertains to the formal and in-formal ways in which enterprises make contribution to improve governance, social, ethical, labour and environmental conditions in the developing countries in which they operate in, while remaining sensitive to prevailing religious, historical and cultural contexts (Visser et al., 2007). Simply put, the common thread that permeates amongst different conceptualisation of CSR is the relationship between an enterprise and the society they are embedded in (Matten and Moon, 2008). In this context one notes a certain degree of congruence amongst some scholars who posit that companies, MNEs in particular, could accrue benefits if they proactively embrace environmental and community development concerns of their host country (Dunphy, 2003; Jenkins, 2009*).* However, it is a widely acknowledged that in the specific context of developing countries, there is a wide gap between what CSR means and stands for and how it is implemented by different corporate entities (Hilson, 2012). Extant literature on CSR implementation points to two broad approaches that firms, MNEs, in particular, adopt in host country environments. First when firms operate in host countries, which are geographically and institutionally closer to the home country environment, they pursue either the global strategy (Muller, 2006) or a strategy akin to what they implement in the home country (Munjal and Tripathy, 2015). However, when host countries are geographically and institutionally afar, then MNEs either tend to improvise and localize their CSR strategies (Muller, 2006) or simply use CSR as rhetoric (Hilson, 2006). Hence, Banerjee’s (2001) assertion that in contrast to developed countries, where CSR complements a set of robust check and balance mechanisms, in developing countries, which are often characterized by weak enforcement of legislation and rampant corruption, the companies find themselves in a situation to self-regulate and in the process act as the ‘de facto government’ (see Blowfield and Frynas, 2005).Therefore, some scholars assert that CSR has inevitably become critical for corporate reputation (Garberg and Fombrun, 2006; Hillenbrand and Money, 2007) and hence represent a critical aspect of corporate identity (Balmer et al, 2007; Arendt and Brettel, 2010). The CSR based corporate identity and reputation, particularly in the context of the extractive industry, and most specifically, the mining sector is considered critical in generating good community relations. It has been suggested that working closely with local communities could help companies to positively contribute to the wider socio-economic development in the areas they operate in and help mitigate that the issues relating to liability of foreignness (Moeller et al, 2013).

* **4. Research setting and methodology**

Mining in Ghana and other Sub-Saharan Africa countries dates back as far as pre-colonial era (Garvin et al, 2009; Government of Ghana, 1980). Ghana is naturally endowed with mineral resources like gold, manganese, diamond, bauxite, aluminium and many others. The extractive industry in Ghana is the leading source of foreign exchange and drives other economic activities, such as attracting foreign direct investment, boosting domestic revenue generation, and job creation (Akabzaa, 2009; Forstater et al, 2010). The extractive industry in Ghana has been majorly dominated by gold mining and it is ranked amongst the top 10 global producers of gold (US Geological Survey, 2016). Today, gold production in Ghana constitutes between 80 and 90 percent of the sector’s output (Appiah-Adu,and Bawumia, 2016; US Geological Survey, 2016). Ghana’s export income from mines stood at about US$4.9 billion representing 44 % of the country’s total merchandise export in 2016 (Bank of Ghana, 2016). According to the Ghana Chamber of Mines (GCM) (2014), the industry’s tax revenue for 2013 was 1.24 billion Ghanaian Cedis (US$540 million), representing 14.3% and 18.7% of total domestic and direct tax revenues respectively (*ibid*). Global industry players like Newmont Corporation, Goldfields and AngloGold Ashanti operate several mines in Ghana. Apart from the MNEs, there are many other small and medium-scale enterprises licenced by the Government of Ghana through the Minerals Commission (Ministry of Lands and Natural Resources, 2004).

Newmont Corporation is a US based mining company that has operational presence in five countries worldwide: United States of America, Australia, Ghana, Peru, Mexico and New Zealand (Newmont, 2014a). Today, Newmont continues to be one of the key players in the mining industry with about 29,000 employees and contractors (Newmont, 2014b). The company considers its operation in Ghana to be stable and does not present any social or political risks, which is not the case with the operations in Indonesia and Peru (Annual Report, 2014-15). In this context, it is critical to highlight that Newmont Corporation sold off its operations in Indonesia in early 2016 due to unmanageable high social and political risks (Welker, 2009). Its operations in Peru has also attracted attention of different groups, including widespread protests from the local community, due to environmental issues and the company’s highhanded actions in resolving local issues[[1]](#footnote-1).

The subsidiary of Newmont Corporation in Ghana is called Newmont Ghana Gold Limited (henceforth NGGL). The NGGL commenced commercial exploration of gold in Ghana at the Ahafo Mines in the Brong-Ahafo region in 2006. In December 2003, Ghana’s Parliament unanimously ratified an investment agreement between Newmont Corporation and the Government of Ghana. The investment agreement established the fiscal and legal regime underpinning the operations of NGGL. The fiscal regime included royalties and taxes the company would pay to the State’s exchequer during the life of the project in Ghana.[[2]](#footnote-2) NGGL, together with its contractors employ approximately 6,000 people in two mines and produces about 550,000 ounces of gold per annum (Newmont, 2017). The Ahafo mines for instance encompass two administrative districts and cover ten major communities. A living standard survey conducted by the Ghana Statistical Service in 2008 found that the two local councils are rural districts and lack many basic social amenities such as education and health infrastructure, portable pipe-borne water, and road networks. Thus, NGGL is envisaged to play a critical role to in the development of the region.

We collected data between December 2014 and June 2015. We used several data sources, namely, (a) initial data generated from a survey questionnaire; (b) qualitative data generated from semi-structured interviews; and (c) archival data including corporate documents, press releases, annual reports and other investor’s presentations on the company’s CSR initiatives and activities.

In the first phase, we collected data through the administration of questionnaire to 103 respondents. We adopted random sampling technique in selecting the respondents for the study. This technique ensures that all the members of the target population were provided equal opportunity to be selected for the study (Cooper and Schindler, 2006). The population surveyed consisted of both the employees of NGGL and members of the communities that the mines operated from. The purpose for drawing the research participants from both officials of the MNE and the local communities was to ensure that data collected for the study were more representative. Hence, our findings do not emanate from the responses from one section of the population only. Eighty-two questionnaires were retrieved from the sampled population, representing 79.6%. In similar study conducted by Welford and Dixon (2010) the retrieval rate was 37%. Therefore, the high rate of response for this study reflects the fair representation of the sampled population (Gao, 2007). The summary of the sample population is provided in table 1.

(Please insert table 1 here)

The questionnaire was carefully designed to obtain information in three main parts: a) personal data b) the benefits and factors motivating CSR and c) the level of stakeholder participation in the CSR strategy formulation and implementation. The first part obtained information about participants’ gender, the number of years they have worked/encountered the company under study and their awareness of the company’s CSR policies. Also, this part of the question suggested seven key CSR motivating factors, and asked the participants to rate them in order of importance from a range between one and seven, where the former was the least important and the later the most important. Furthermore, participants were asked to disclose other

The CSR motivating factors were not listed in the questionnaire but related to the organisation under study. The responses from the survey respondents pertaining to NGGL’s motivation for CSR are in Figure 1.

(Please insert Figure 1 over here)

Responses from the questionnaire, particularly regarding perceptions of the respondents regarding motivation of the firm to engage in CSR activities, encouraged us to undertake a more in-depth study. In the second phase, we undertook semi-structured interviews of 14 key individuals to develop fine-grained understanding of how NGGL approaches and implements its CSR strategy in the region. The interviewees for the semi-structured interview consisted of some management employees of NGGL, members of the local community, and opinion leaders of the company’s host communities. The responses from the questionnaires and interviews provided us insights on (a) the motivating factors that drive CSR initiatives of NGGL in the region; and (b) the approach the company adopts to implement the CSR initiatives, and in the process, creates and localize its ‘host-friendly’ identity. We used archival sources to complement the data and insights we generated from the survey and interviews. The list of the interviewees is provided in table 2.

(Please insert Table 2 here)

* **5. Findings**

The review of literature on extractive industry and CSR suggests that although CSR ranks high on the agenda of the mining enterprises, there is lack of agreement on whether these enterprises adequately implement the strategies in their host country settings and if they do, how they do they really implement in practice (Hilson, 2012; Banerjee, 2001; Blowfield and Frynas, 2005).

In contrast, Newmont Corporation has through its subsidiary in Ghana, NGGL, has facilitated creation of a successful structure which is at the core of its CSR implementation in partnership with the local community. In this context, the Newmont Ahafo Development Foundation (NADeF) becomes an effective vehicle to facilitate localization of NGGL’s CSR initiatives in the region. We build on our understanding of this special structure that underpins the partnership between NGGL and other local stakeholders, to discern the overarching motivation of CSR initiatives pursued by NGGL. In the final part of this section we present our findings on localization of CSR initiatives leading to legitimization of NGGL within the local community.

**5.1 Localization of CSR and community engagement structure**

The first thing we note about the localization of NGGL’s CSR strategy is that it rests on three major institutions, namely the Ahafo Social Responsibility Forum (ASRF); Newmont Ahafo Development Foundation (NADeF); and the Sustainable Development Committees (SDCs). These three institutions are community-based and are dominated by indigenous people.

Before the commencement of mining operations at Ahafo in 2005, the Chief Executive Officer (CEO) of Newmont Mining Corporation announced that the NGGL would contribute one US dollar per every ounce of gold it would extract from the Ahafo mine enclave (NADeF 2009). He also announced that the company would dedicate one percent of net annual pre-tax profits for sustainable development of the local communities (*ibid*)[[3]](#footnote-3). The gesture from the CEO of Newmont was, we argue, about assuaging local community about his and his company’s commitment for the development of the local region.

Subsequently, ASRF was established in 2006 with 53 members representing a diverse set of stakeholders including: traditional leaders, local councils, advocacy groups and non-governmental organizations, and the management of NGGL (Ayee, 2011; Mares, 2012). The ASRF, which is the highest decision making body for the NADeF represents the interests of the local community. This body, which came into being though the initiative of the members of the local community, engaged with NGGL to explore ways to effectively execute the commitments by the CEO (NADeF, 2009). After consultations for over two years, the Ahafo Social Responsibility Agreement (ASRA) and was signed in 2008 between the NGGL and people of the Ahafo Mine local communities (Owusu-Ansah, 2015) ASRA is underpinned by three main agreements: (a) A relationship agreement that provides the modalities governing the relationship between NGGL and the communities affected by the mine; (b) An employment agreement, which spells out the modalities relating to local content; and (c) The NADeF agreement, which focuses on funding and implementation of various sustainability development projects in the communities.

The NADeF was incorporated in 2008 as a trust with a nine-member Board of Trustees to oversee the implementation of the three agreements. The respondents referred to NADeF as a “special structure” wherein the communities in the mining region are “fully represented”. The key motivation for the formation of NADeF was highlighted by one of the Trustees of the Foundation. She asserted that:

*“in 2008, an agreement was signed between NGGL and some local stakeholders. The leading stakeholders were the local communities, represented by ASRF and certain Civil Society Groups. We were mindful of the effects of mining in certain local communities in Ghana and wanted to take proactive measures in order not to experience the same in our communities. We brought the NADeF to distribute fairly mining proceeds for our community development.” (Trustee, NADeF)*

As committed by the CEO in 2005, NGGL between 2008 and 2015 contributed about 50.5 million Ghana Cedis to the NADeF towards various projects for the development of the local community (NADeF, 2015). The NADeF board of Trustees have disbursed about 25.41 million Ghana Cedis of the money received and invested 25.09 million Ghana Cedis in a endowment fund to be used after the closure of the mines. Below we provide the figure regarding various developmental programmes sponsored by NADeF since 2008.

(Insert Figure 2 over here)

The sustainable development committees (SDCs), are community-based teams, established in each of the 10 Ahafo communities affected by NGGL’s mining activities. In other words, 10 SDCs are part of the NADeF structure, each representing one Ahafo community. Thus, the SDCs serve as a link between the communities and the NADeF. The main roles of these committees are to identify and appraise projects/initiatives within their respective communities and submit the same to NADeF for sponsorship. The committees undertake these responsibilities by engaging all the indigenous stakeholders. The engagement process includes periodic meetings durbars with the residents. The relationships maintained among the three institutions, facilitating implementation of NGGL’s commitment to contribute proceeds from its operations in community development is depicted in figure 3.

(Insert Figure 3 here)

The distinctiveness of the NADeF emanates from adequate representation of the local communities in it and this allows representative of the local community the opportunity to be involved in the evaluation of the developmental proposals, implementation and monitoring of the approved developmental projects. The board of trustees of the NADeF comprise of representatives from all the 10 communities in the mining region. In this context, one of opinion leaders asserted:

*“We have large communities, as many as 10 and under two different local government structures. Others [mining communities] have fewer communities and different culture, beliefs and norms. To us, a consultative group like NADeF reflects our tradition. Our culture supports working with opinion leaders to facilitate harmony.” (Interviewee 9).*

The above quotation highlights two critical issues. First, there is a recognition that collective functioning or consultative approach is central to achieve long-term development of the region and in that context NADeF provides a space to the 10 local communities to suggest potential developmental programmes. The consultative approach entails regular periodic interaction between the NGGL, which effectively sponsors the developmental programmes and other representatives in NADeF and ASRF, who propose various initiatives based on proposals received from the SDCs. In that context, NADeF provides a platform for the interaction between NGGL and the members of the local community to take place. The second issue relates to how the local community views the presence of the MNE in their midst. It is widely acknowledged that CSR initiatives of MNEs in extractive industry in countries with weaker institutions fail to deliver adequate long-term results (Hilson, 2012; Cambell 2012). Thus, seen through the lens of CSR performance, we would argue that the existence of a structure, such as NADeF, which came into existence as an initiative from the local community to make good of the commitments announced by the CEO of Newmont in 2005, ensures that benefits from mining in the region are directly accrued back to the local community. Put simply, participatory decision-making, wherein voices of the local community are not lost in the corridors of NGGL, underpins effective long-term development in mining regions.

* The interaction between the three institutions, the NADeF, SDC and ASRF, ensure that matters relating to community development remain at the forefront so far as financing of developmental initiatives are concerned. In this regard, one of the Opinion Leaders provided us insights on the functioning relationship between NADeF and SDC:

***“****We liaise with the NADeF in identifying community projects. The SDC then writes proposals, justifying the benefits of the identified project to the community concern. We also monitor the progress of approved work and report same to the NADeF Secretariat.”*

The above assertion highlights the functioning of a bottom-up approach system, not only when a proposal is drafted but also when the project is being implemented. This approach ensures that NGGL does not impose development projects on their local communities. Instead, the communities assess their own needs and seek approval from the NADeF and monitor the progress of work. Simply put, even though NGGL financially contributes, it does not solely decide which projects are justifiable and which are not.

Most respondents acknowledged the positive contributions of NADeF, which also has representative from the NGGL as one of the trustees. The response from one of the Traditional Rulers aptly captures this point:

*“They [NADeF] are doing a very good job. We [community] have been provided with schools, a health post and a community centre…most of our children are awarded scholarship to senior high schools. This was rare before the mining operations commenced”*

Traditional rulers in Ghana are viewed as custodians of local culture (see for instance Augustine. 2016; Asante et al., 2017). The above quotation from one of the traditional ruler, suggests that NADeF is considered as the central entity that has constructively engaged with NGGL in delivering social and infrastructure development. Interestingly, majority of the respondents identify developmental initiatives funded by NGGL through the NADeF. This is important because in the past, the mining communities of the region, were considered one of the most under developed regions in Ghana, (Ghana Statistical Services, 2008) and were solely depended on the government for the provision of developmental projects, which were not always forthcoming.

Interestingly, although our respondents acknowledged NGGL’s financial contributions in NADeF, they did not hesitate to suggest that the company could do more than what it promised. The views ofanother Traditional Ruler summed up this view:

* ***“****They [NADeF are working very hard. I think they can do better if we increase the funding received from the sponsor. I have the feeling that NGGL can give better than 1% of their profit. There are many other social amenities our communities would be provided with if funds were available.”*

Although empirical evidence suggests that in many developing countries, MNEs take advantage of weak regulations in the areas of community development and environmental responsibility (Cuervo-Cazurra and Genc, 2008), the comments by the Traditional Ruler suggests that the local communities are conscious of the NGGL’s operations, and expect a fairer share of the profit.

Arguably, Newmont’s strategy of involving their stakeholders (especially, local communities) in the formulation and implementation of CSR programmes is intended to mitigate possible local discontent or social risk, particularly in the backdrop of opposition in Peru and Indonesia that the company encountered (see for example, Stern, 2016; BBC, 2011; Perlez, 2005; Johnston, 2006). Newmont has introduced and embraced this concept of corporate-community participation in Ghana to win the support of their host communities. This provides an illustration of NGGL’s attempt to create a ‘host-friendly’ identity in Ghana to enhance its corporate reputation. We argue that the creation of this ‘host-friendly’ identity is critical for the company, particularly, in the back drop of loss of reputation due to its mishandling of social and environmental issues in Peru and Indonesia.

Considering that NGGL also uses NADeF as a mechanism to undertake and localize its CSR initiatives, it is critical that local communities observe and acknowledge the relationship. The critical examination of the relationship between NGGL and NADeF help us in discerning motivation of NGGL’s CSR activities in the region.

**5.2 Motivation of NGGL’s CSR**

It is increasingly argued that enhancing corporate reputation underpins motivation of firms to engage in CSR activities (Garberg and Fombrun, 2006; Hillenbrand and Money, 2007) and hence represent a critical aspect of corporate identity (Balmer et al, 2007; Arendt and Brettel, 2010). Our findings from the survey highlighted that most of the respondents considered NGGL’s attempts to project corporate reputation as the key motivation for undertaking CSR activities.

Senior managers we interviewed acknowledged that CSR activities undertaken by the company are part of their efforts to create a favorable image amongst its stakeholders[[4]](#footnote-4). In this context, an official informed us that:

* ***“Our CSR activities are voluntary****. As a company, we have fulfilled all the legal requirements to enable us operate this mining field. No law in Ghana enjoins us to undertake developmental projects in our communities.* ***However, we are mindful of our operational impact on our communities and strive to live in harmony with them****. With this in consideration, we have voluntarily adopted several international best practices to protect the environment, and contribute to their social development.”*

We can discern two critical issues from the above quotation. First, the quotation is an illustration how MNEs view CSR in general. CSR is considered as a ‘voluntary obligation’, on part of the firm to fulfil. Without any legal or institutional oversight on their respective CSR activities, the MNEs are under no obligation to do any more than that they perceive necessary. The voluntary conception of CSR, in essence, captures the ambiguities associated with the concept and how it is implemented by MNEs (Blowfield and Frynas, 2005; Torugsa et al, 2012). At the same time, the respondent also acknowledges that the company has a social obligation to the local community and hence the motivation for CSR. However, it is important to emphasis here that, although the announcement by the CEO to contribute specific amount was voluntary, the local community, by coming together and forming ASRF ensured that they are able to facilitate the commitment[[5]](#footnote-5). So, irrespective of the opinion of the manager that their contribution to is voluntary, in effect it is not because they are bound by the agreement with ASRF to contribute the said amount.

The second issue we discern from the quotations pertains to the essence of maintenance of harmonious relationship with the local community. Other respondents also highlighted the link between CSR and reducing and the necessity to avoid conflicts with the local community. One of the respondents from NGGL aptly highlighted this aspect:

*“You will agree with me that peace is priceless. Many mining companies, globally, suffer huge operational losses because of misunderstanding, conflicts and legal battles with their communities. The communities here do not disrupt our activities and that's a good gain for us.”*

The local community also recognises that peace in the region necessarily entails sharing of profits from the company that could be used in social development activities. In this context one of the Traditional Chiefs asserts:

* *“They have to share the profit with us because we are giving them our natural resources. When they collaborate with us, we will be at peace. They will make their profits whiles we also mind our business. It means we will not disturb them with demonstrations that would disrupt their operations.”*

Mining is a capital-intensive industry with a long project life and mining MNEs are inexplicably linked to social conflicts in the regions they operate in. Most of the conflicts between the local community and the MNE result from the use and acquisition of land and how the company manages influx of immigrants into the existing community (Kemp et al., 2011; Carstens and Hilson, 2009; Owusu-Korateng, 2008). In this context, creating and maintaining cordial relationship with the local community is critical for an MNE to functioning over a longer period, to recoup its capital and operational costs. Creation of NADeF not only allows NGGL to operationalise its CSR activities in the Brong-Ahafo region in Ghana but also provides it a structure to engage with the community in potential conflict situations. For instance, in a major cyanide spillage at the Ahafo Mine in 2009, the water bodies were polluted resulting in loss of aquatic lives that were destroyed. The local community used NADeF to engage with Newmont and although Newmont was subsequently fined about five million dollars by the Government of Ghana[[6]](#footnote-6). As a consequence, the matter was amicably addressed without community agitations. It is important to highlight here that Newmont has faced limited opposition in its operation in Ghana as compared to other parts of the world.

The creation and successful operationalisation of NADeF contributes to the development of cordial relationship between the local community and the company. In a sense, it has provided a platform for not only sharing of profits but also working together on matters central to the needs of the local stakeholders. The structure and functioning of NADeF, wherein NGGL is viewed as a key sponsor of community development activities as decided by the members of SDC. This bottom up approach to resource community development initiatives provides the company a platform wherein it could act as ‘partner in development’. According to the Director of NGGL in charge of sustainability:

***“****First, we want to build a solid brand for our company. We want our communities to see us as* ***a partner in development*** *and not just a profit-making venture.”*

Clearly seen as a partner in development is at the core of the company’s attempts to create a positive corporate image and identity, which is also critical in attracting new skilled employees to the organisation and retain them (Cable and Turban, 2003; Turkey 2009). One of the stated objectives of the local content agreement on employment between NGGL and the mining community was that NGGL would create job opportunities for local members. Respondents in our survey also attributed NGGL’s motivation for CSR in their community to attract and retain competent and skill labour.

**5.3 Localization of CSR and legitimisation of NGGL**

NGGL has clearly embraced a localized approach to implement CSR initiatives in the Brong-Ahafo region in Ghana. Consequently, we note that, the company enjoys a positive image amongst the members of the community. Members of the local community acknowledge that the relationship between the local community and NGGL is that of ‘partners in development’ – an identity that NGGL has attempted to foster in its host environment. The comments from a Youth Leader capture this view:

*“NGGL sees the communities as development partners. They want to share their profit with us. I know they pay huge taxes and royalties and that local and central governments were supposed to initiate these projects. These are voluntary services they are rendering to the communities.”*

A similar view was also expressed by one of the Traditional Leaders:

*“I think they want to impress the public as a company that cares for the community. I belief they have succeeded in achieving this as many people come from all the corners of Ghana to look for jobs here. It appears they enjoy favourable reputation among the local people because their workers are highly respected by our people”.*

Creation of a host friendly identity inevitably entails acceptance by the local members as being community friendly. These positive assertions about NGGL demonstrate how NGGL, in Ghana has been accepted within the local community. Apart from sharing profits and investing in infrastructure, housing, schooling and providing training and scholarships to school going children, NGGL also maintains its identity (and in the process, reinforces it) as a part and parcel of the local community. This is exhibited in the comments by another management employee:

* ***“****Our office is opened to the public. We receive letters and sometimes, petitions from interest groups. We have Information Centres in all the Communities where members can lodge complaints and receive answers to their questions. Most of the staff manning these Centres are locals, trained by the company. We act promptly to all requests because we aim at building a relationship of trust”,*

Responding quick to concerns and complaints helps in the building of cordial relationship between NGGL and the local community. NGGL has also been extremely cautious in adhering to the culture and traditions of the region and did not alter the social structure. The interaction with the Traditional Leaders highlights that they do not view their role to have been diminished after commencement of mining operations by the company. In fact, there is greater recognition that through NADeF, NGGL has effectively accommodated members of different stakeholders.

**6. Conclusion**

The purpose of this paper was to explore how MNEs use CSR as a mechanism to address issues relating to liability of foreignness. Extant literature on MNEs and internationalisation sensitise us to various socio-economic and political challenges firms face when they internationalise into culturally and institutionally unfamiliar territory. Although burgeoning research on CSR emphasises the significance of a fruitful relationship between the firm and the society it is embedded in (Matten and Moon, 2008), there are less evidence on how firms actually implement their CSR strategies. In our paper we highlight how the NGGL, the subsidiary of Newmont Inc, a US based mining company works closely with NADeF to facilitate implementation of community development initiatives. NADeF is a unique foundation that was created in 2008 as a result of community development agreement between ASRF, where all the 10 affected communities are represented and NGGL.

We observe that NADeF plays a dual role in the sense that it represents the voices of the local communities and thus help facilitate interaction between the company and local communities. In this respect, it acts as platform for conflict resolution and in the process help in mitigating potential stakeholder related risks (Davis and Frank, 2014). NADeF also facilitates creation of a friendly identity by Newmont inc in Ghana. The financial contributions made the company in undertaking various community development initiatives are well acknowledged by the local people, which helps in enhancing reputation the firm. NADeF, in that sense also contributes in entrenching Newmont’s presence in the communities (Munjal and Pereira, 2015), which underpins the view of the parent company that its operation in Ghana presents significantly less social and political risks.

Our research suggests foundations, which are underpinned by community development agreements (World Bank, 2012), such as NADeF, could potentially play a direct role in facilitating that localization of MNEs in host countries. Community development agreements have emerged over the few years, particularly in the extractive sector, as an approach to ensure sustainable development of affected communities. These in essence, provide the MNEs a ‘social licence to operate’ based on continued support from the local communities (Mayers, 2015). In this paper we find support to this assertion.

One of the major reasons attributed to failure of CSR is that it is conceptualised as a voluntary activity (Brammer et al., 2012). Although most MNEs in extractive industries have CSR strategies, they often struggle to implement them in host countries, particularly if the host countries are geographically, institutionally and politically ‘afar’ (Munjal and Tripathy, 2016). In this context, we find that NADeF has emerged as a platform for NGGL to fulfil its CSR commitments and in the process creates a host friendly identity and enhances its corporate reputation.

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**FIGURES**

Figure 1 Factors Motivating CSR Strategies of NGGL

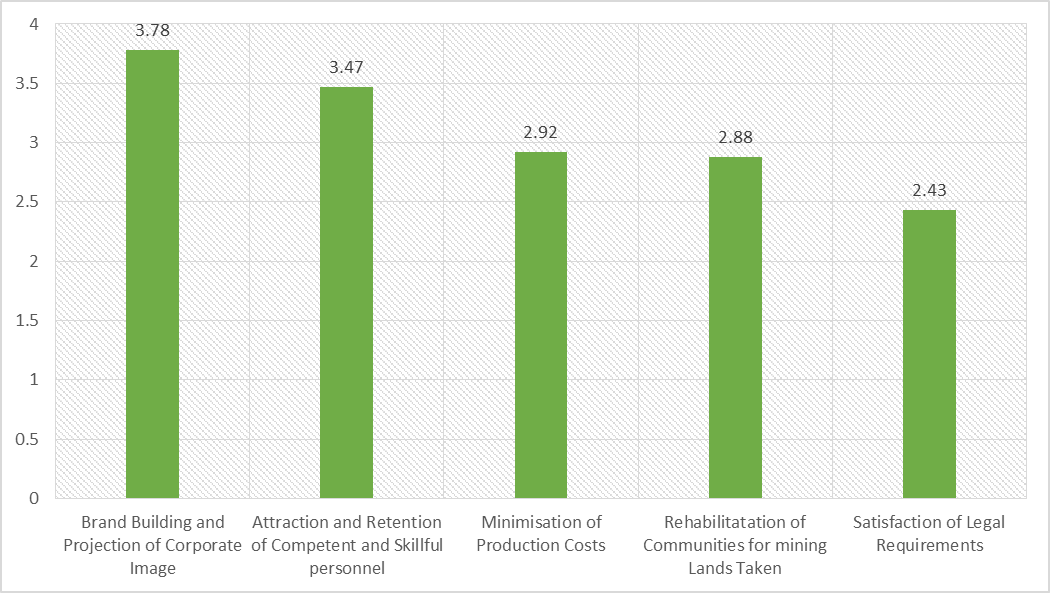


Figure 2: Developmental projects sponsored by NADeF 2008-2015 (NADeF Annual Report, 2015)

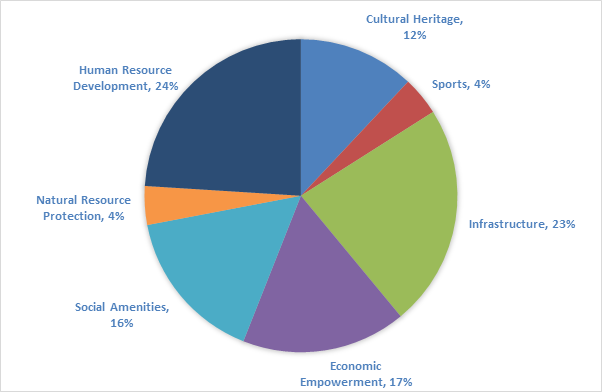


Figure 3: NADeF operational structure

**Local Government**

The two Local Councils are the agents of development in the local communities. Elected Members of the Councils serve on their respective SDCs, providing technical support and ensuring that developmental projects initiated by the communities are in line with the Council’s plans.

**Newmont Ahafo Development Foundation**

NADeF manages and invests the CSR funds through a Secretariat headed by an Executive Secretary. The Secretariat is the link between the SDC and the NADeF Board of Trustees, assessing and reviewing project needs identified by the communities.

**Sustainable Development Committees**

The SDCs are local-level groups that consult communities to initiate/plan projects to be supported with the CSR Fund. The committees also receive complaints from people affected by mining activities and forward same to NADeF for resolution.

**The Ahafo Social Responsibility Forum**

The Forum is the highest decision-making body for the NADeF, represented by traditional chiefs, civil society groups and the local people affected by the Ahafo Mine Community.

TABLES

Table 1 Summary of sampled population

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Gender | Rate of Occurrence | Percentage (%) | | Employees | Community Members |
| Male | **68** | **82.9** | **16** | | **42** |
| Female | **14** | **17.1** | **6** | | **18** |
| Total | **82** | **100** | **22** | | **60** |

Table 2.0 Details of Interviewees

|  |  |  |  |
| --- | --- | --- | --- |
| **Interviewee No.** | **Sex** | **Office** | **Outfit** |
| Interviewee 1 | Male | Sustainability | NGGL |
| Interviewee 2 | Male | Sustainability | NGGL |
| Interviewee 3 | Male | Health and Safety | NGGL |
| Interviewee 4 | Female | HRM | NGGL |
| Interviewee 5 | Male | Administration | NADeF |
| Interviewee 6 | Male | Trustee | NADeF |
| Interviewee 7 | Male | Traditional Ruler | Community |
| Interviewee 8 | Male | Traditional Ruler | Community |
| Interviewee 9 | Male | Opinion Leader | Community |
| Interviewee 10 | Female | Opinion Leader | Community |
| Interviewee 11 | Male | Opinion Leader | Community |
| Interviewee 12 | Male | Assembly Member | Local Council |
| Interviewee 13 | Female | Assembly Member | Local Council |
| Interviewee 14 | Female | Unit Committee Member | Local Council |

1. On May 3, 2017, the Supreme Court of Peru ruled in favor of local potato farmers who were protesting against Newmont’s use of their land. The company’s plans to expand its presence in Peru by building Conga mine has been put on host since protests from local community [↑](#footnote-ref-1)
2. Under the Investment agreement, Newmont Corp. would pay corporate income tax not to exceed 32.5% and fixed gross royalties on gold production of 3.0% (3.6% for any production from forest reserve areas). The Government of Ghana was also entitled to receive 10% of the project’s net cash flow after Newmont had recouped its investment and another 20% of the production. The investment agreement also contained commitments with respect to job training for local Ghanaians, community development, purchasing of local goods and services and environmental protection (Source: [www.sec.gov/archives](http://www.sec.gov/archives); accessed on 25.12.2016) [↑](#footnote-ref-2)
3. Ghana became a center for mining with the arrival of the Portuguese and Arab traders. Between 1957, when Ghana became attained independence from the British, till 1972, foreign MNEs dominated the landscape of Ghana’s mining sector. In 1972 the mining sector was nationalised and foreign mining companies were taken over by the State. In mid 1980s, the mining sector was privatized in the backdrop of the IMF Structural Adjustment programme. The gesture from the CEO of Newmont was essentially made to to assuage local community about his commitment for local economic development of the region. [↑](#footnote-ref-3)
4. Before commencement of operation in Ahafo, some Civil Society Groups campaigned against Newmont’s entry onto the Ghana market because of their previous records of environmental pollution in other developing countries. [↑](#footnote-ref-4)
5. Professor Gyimah- Boadi, the then Vice Chancellor of the University of Mining and Technology, Tarkwa, who although was as not a member of the local community, was made the co-moderator of ASRF, which was represented by the representatives of the 10 communities and Government and imminent members of the civil society He and his colleagues were instrumental in drafting the formal agreement between NGGL and the ASRF. In an interview he stated that, “the agreement is the most comprehensive document ever to be enjoyed by a mining community in the country, if not in the world” (speaking to SKY FM, May 11, 2007; reported in www.Ghanaweb.com) [↑](#footnote-ref-5)
6. The company initially denied the charges that it had wilfully caused the cyanide spill but the accusation was upheld by the Govt of Ghana in 2010. (<http://www.minesandcommunities.org/article.php?a=9597>; accessed on 22.05.2017) [↑](#footnote-ref-6)