



## Original Article

## Mining operations and corporate social responsibility: A case study of a large gold mine in regional Australia

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## ABSTRACT

There has been increasing concern in Australia in recent years over a potential disconnect between the value generated by the mining industry and the return to the local community. This research contributes to this debate by analysing the impacts of a large mining operation on the local communities in the Central West region of NSW in Australia. The research uses a qualitative framework based on a single case study: Newcrest Mining Limited. Major data sources include interviews with key stakeholders and content analysis of media reports and local press. The analysis employs a modified form of PESTEL framework as the analytical tool and NVivo for data analysis. The research revealed how engagement with local communities can improve the investment outcomes in a regional economy. Newcrest adopted a proactive approach from the very beginning. The study observed a very positive and healthy relationship between the company and the local communities in general. Newcrest is found to be a good corporate citizen and is performing well in the area of corporate social responsibility (CSR). This case study analysis is significant as it is located in a regional area that is not considered to be remote and also not entirely dependent on mining operations economically.

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## 1. Introduction

Notwithstanding occasional downturns, Australia's mining industry has experienced an incredible 10 years of growth largely due to strong demand for resources from emerging economies such as China (Measham et al., 2013). New mining operations in Australia are mostly established in remote areas (serviced by a fly-in, fly-out workforce) or in regional, non-metropolitan, areas which are typically rural and serviced by a small number of towns (Cheshire et al., 2011). In many such regional areas mining activities have been responsible for stimulating substantial economic activity and, in turn, substantial changes in the local social environments (Beer et al., 2003; Freebairn, 2011).

On the positive side of the ledger, new mining operations create additional jobs directly for a region as workers are employed on tasks undertaken by the mining company (Tonts, 2008). The effects of additional income generated in the region could be substantial

when multiplier effects are considered. However, there are costs associated with increased mining activity. The demand for inputs into the mining process may compete directly with the local demand for the same inputs by other regional businesses, creating what Freudenburg and Wilson, 2004 referred to as a volatile and vulnerable employment landscape – to the extent that prices and wages are driven up and as a result, potentially forcing some previously viable industries out of business (Wilson, 2004). This argument, presented by Rolfe et al. (2007), is an adaptation of the much earlier discussion in the economics literature of the 'Dutch Disease' (Corden, 1984). The concept of the Dutch Disease, drawn from the experience of the Netherlands when that country became too dependent on natural gas after its discovery in 1959, is now relevant to the Australian economy because of an apparent overdependence on the resource sector. After a decade-long boom in the mining sector that pushed up the exchange rate, Australia's already small manufacturing sector is shrinking.

Indeed, manufacturing appears to be the sector worst affected by 'Dutch Disease' in the country. Although there was a short-term boom due to higher incomes and expenditure associated with mining growth, in the long run, manufacturing was adversely impacted by an appreciation of the exchange rate. As estimated by Downes et al. (2014):

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In the first decade of the boom the net effect is moderate, with manufacturing output estimated to be about 5 per cent lower in 2013 than it would have been in the absence of the boom. By 2016, manufacturing output is about 13 per cent lower, an effect that continues to increase over time [p. 25].

Notwithstanding the fact that the exchange rate has depreciated significantly in the current year, [Corden \(2012\)](#) has claimed that the Australian economy is now a ‘three-speed’ economy and everything is not lost. Specifically, the “fast moving part is the ‘booming’ sector, the slow moving or even declining part is the ‘lagging’ sector, and the rest – which is the largest part and where there are almost certainly net gains – is the ‘non-tradeable’ sector” (p. 290). An associated argument is the concern regarding the establishment of a ‘quarry economy’ ([Mercer and Marden, 2006](#)) – a regional economy that is undiversified in nature and dependent on a single industry. In addition, mining may have serious environmental and social impacts on local communities.

There has been increasing concern in Australia in recent years over a potential disconnect between the value generated by the mining industry and the return to the local community in which operations are located. As a result, advocacy for compensation to the mining communities for the negative economic, social and environmental impacts accompanying the mining activity has arisen ([Esteves and Vanclay, 2009](#)). It is becoming increasingly apparent that assessments of costs and benefits to local communities affected by mining activities must be undertaken on a case-by-case basis as circumstances across projects are not identical and although many issues may be common, outcomes can differ for a number of reasons. One reason for a difference in outcomes is the great variation in the quality and structure of the relationships that exist between mining companies and the respective local community.

This paper examines the socio-economic and political impacts of one mining operation on the local community in regional Australia, and assesses the company’s role in fulfilling its corporate social responsibility (CSR) to the local community. In doing this, we seek to discern whether the mining company attempts to understand the concerns of the local community and to respond appropriately. We also seek to ascertain whether or not the local community is involved in consultations on an ongoing basis with the company, and if the mining company is responsive to the community’s input in a socially responsible way. The overall objective is to identify and analyse the process and outcomes of interactions between the mining operation and local community.

Our case study is based on Newcrest Mining Limited’s operations in the Central West region of New South Wales in Australia. The Central West region is located roughly equidistant from both Sydney and Canberra. The Newcrest operations cover three local council areas: Orange, Blayney and Cabbone. About 70% of Newcrest’s workers live in Orange, the largest town in the region. Orange, with a population of about 40,000, is about 255 km west of Sydney. The other major town in the region is Bathurst. Both Orange and Bathurst are old established towns, the latter (founded in 1815) being the oldest mainland Australian inland settlement. Cabbone Council is predominantly rural and dominated by agricultural activities. The Central West region traditionally remained a relatively significant producer of rural and mining products, and has experienced consistent growth in the retail, accommodation and food industries. However, growth in other segments of the service sector, particularly technology-based services (professional, scientific and technical, finance and insurance categories), in the Central West region, have been underwhelming ([Basu et al., 2012](#)).

The research utilised a modified PESTEL framework as the analytical tool, based on the categorical content analysis ([Boos and](#)

[Tarnai, 1999](#)) of media reports (including the local press) and interviews with key stakeholders. To generate our qualitative findings, the NVivo software package was used to identify common themes and trends throughout the data. The qualitative analysis reported here, therefore, endeavours to provide a comprehensive and broad picture of the impact of the company on regional economic development from the perspective of key local stakeholders, and to assess the extent to which the company has established what the literature terms a ‘social licence to operate’ ([Lacey et al., 2012](#)). To date, only a limited number of studies have comprehensively analysed the local impact and assessed the CSR of a resident mining company in the context of an economically-diversified community.

## 2. Corporate social responsibility and mining in Australia: a critical overview

In Australia, a broad consensus is emerging on what CSR means and which associated practices are seen to be most legitimate in the local context ([Truscott et al., 2009](#)). However, the CSR concept in Australia is at its early stages of development and application. Based on information collected from a survey of 280 Australian companies from the manufacturing and service sectors, [Galbreath \(2010\)](#) observed that CSR activities in economic, legal, ethical and discretionary areas yield positive traditional and financial-based outcomes in such areas as employee turnover, customer satisfaction, and firm reputation. [Chen and Bouvain \(2009\)](#), who examined and compared CSR reporting patterns of Australia with three countries – US, UK and Germany – reported that although significant differences exist between reporting standards, the Australian companies’ reporting patterns are a combination of those in the US and UK. It is interesting to note that German companies preferred to use the word ‘social’ while US, UK, and Australian companies preferred ‘community’ to describe similar activities.

It is very important for companies in the extractive industries to maintain transparent and constructive relationships, particularly with local communities. Typically, these companies undertake considerable expenditure on CSR programmes. A study was conducted recently on the Ichthys LNG Project in Australia using a new methodology which compares the company’s internal vision of the societal context in which it operates with the perceptions of its external stakeholders, and builds action plans aimed at bridging the gaps between the two. Based on interviews with 35 external stakeholder groups from the Northern Territory, Western Australia and the Australian Capital Territory, the study found that although most stakeholders were very satisfied with the quality of their relationship with the project, several valuable suggestions were made on how to improve the dialogue and strengthen relationships. Following this, several CSR strategies were altered or moderated ([Chavee et al., 2012](#)).

The social and economic impacts of a mining operation are complex and can vary widely based on the regional and industrial context ([Eggert, 2001](#); [Esteves and Vanclay, 2009](#)). Externally, various levels of government play a significant role in how mining impacts a region or nation ([Eggert, 2001](#)). Similarly, the level of media scrutiny of, and community interest in, a mine operation may also impact on the extent to which it affects a region ([Freudenburg and Wilson, 2004](#)). Internally, the strategic management, duration of operation and the number of local staff (especially those in senior management positions) in the company can dictate the size and nature of a mine’s impacts ([Freudenburg and Wilson, 2004](#)). The impacts of regional mining operations, therefore, fluctuate in both quality and quantity, depending upon the pre-existing circumstances of the local area.

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