



Multinational mining enterprises and artisanal small-scale miners: From confrontation to cooperation

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ABSTRACT

In many developing countries, multinational enterprises (MNEs) in mining operate alongside fast-growing communities of informal artisanal, small-scale miners. This has led to direct conflict and competition for mineral resources. This paper introduces the Saliency and Institutional Analysis and Design framework as a means to analyze the MNE strategies used to address informal miners across different governance levels in the gold mining sector of Ghana and discusses the implications of these strategies for sustainability. We identify the emergence of a cooperative strategy with informal miners as a sustainable alternative to the political strategy of reliance on the state to protect tenure.

1. Introduction

The growth in foreign direct investment (FDI) in mining in emerging markets has been criticized for contributing to rising inequality and marginalization of communities that historically rely on artisanal, small-scale mining, posing a distinctive, sustainable development challenge (Aubynn, 2009). Artisanal, small-scale mining (ASM) that uses rudimentary techniques to mine gold, precious minerals, and coal is the most common form of mining in developing countries and is widespread in poverty-stricken communities (Verbrugge & Besmanos, 2016). It is a labor-intensive activity that can be formalized, where artisanal miners receive legal approvals from the state, or informal, where miners work without formal licenses (Tschakert & Singha, 2007). The ASM sector provides direct employment to an estimated 15 million people in 80 countries worldwide, supporting the livelihood of up to 100 million people (WB, 2009). At the same time, ASM poses serious challenges to sustainability due to poor health and safety measures, the use of child labor, and ineffective environmental protection due to the use of mercury (OECD, 2015; Veiga, Angeloci-Santos, & Meech, 2014).

Since the 1990s, liberalization of investment regimes and mining codes in many developing countries has increased mining FDI in countries with a tradition of ASM. Simultaneously, informal ASM has rapidly expanded in the Global South, driven by rising commodity prices and lack of employment opportunities. This has led to direct competition and rivalry for mineral resources between mining multinational enterprises (MNEs) and artisanal miners (Hirons, 2014). Mining MNEs experience a unique dilemma when faced with

concessions, legally acquired from the state, that are occupied by communities of artisanal miners. When attempting to remove artisanal miners by force, it increases operational and reputational risks for mining MNEs (Veiga et al., 2014). This study focuses on the role of mining MNEs in the shift from confrontation to cooperation with artisanal miners and the consequences for sustainability. It argues that the role of the mining MNEs in the governance of mineral resources and relations with informal rivals has not been adequately conceptualized in international business and corporate sustainability literature.

Literature on MNEs, corporate social responsibility (CSR), and sustainability does not focus on the rivalry between MNEs and illegal users of resources, who are treated as fringe stakeholders without salience. When it comes to the control of assets and protection of property rights in host countries, international business research often focuses on MNE relations with host governments, using political risk theory and political strategy (Boddewyn, 2016; Ramamurti, 2004; Stevens, Xie, & Peng, 2016; Zheng, Zhao, & Ge, 2016). A political strategy to defend property rights relies on strengthening the links with the state to improve the security of the tenure (e.g., using forced evictions and formalization policies), but fails to consider implications for sustainable development, especially poverty and inequality (Luo & Zhao, 2013). Therefore, we need to look beyond the international business and CSR literature to find the appropriate conceptual means to explore sustainable and inclusive strategies for MNEs operating in complex institutional environments in emerging markets (Doh & Teegeen, 2002; Peng, Wang, & Jiang, 2008).

To address this gap, this study proposes a new framework to analyze the interactions between MNEs and informal resource use competitors:

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the Salience and Institutional Analysis and Design (SIAD) framework, built on the elements of stakeholder theory and Institutional Analysis and Design (IAD), and developed outside the international business literature. The IAD framework, originally from the field of economics (Ostrom, 1990, 2010; Paavola, 2007, 2016), examines conflict, rivalry, and competition over natural resource use, where actors draw on formal and informal rules. IAD studies the interactions between human activities in their biophysical and cultural contexts across three inter-linked governance levels: operational (i.e., day to day interactions), collective-choice (i.e., organizational and field level rules), and constitutional (i.e., formal and informal institutions). As a framework, rather than a theory, IAD organizes academic research and can be complemented by other theories to fit a given research objective (Koontz, 2006). In order to contribute to the growing discussion about the role of mining MNEs in sustainable development, we integrate IAD (Ostrom, 2010; Paavola, 2016) with the stakeholder salience perspective that explains how companies act to satisfy stakeholder claims around natural resource use (Dahan, Doh, & Raelin, 2015; Erdiaw-Kwasie, Alam, & Shahiduzzaman, 2017; Mitchell, Agle, & Wood, 1997).

The emerging SIAD framework is applied to examine the stakeholder management strategy of mining MNEs focusing on cooperation with informal artisanal miners as an alternative to a political strategy relying on a state policy of exclusion of unauthorized users. The study analyzes how and why mining MNEs changed their approach to informal miners from confrontation to cooperation and how the assessment of the informal miners shifted from fringe to core stakeholders. Empirical evidence is based on the qualitative analysis of 26 semi-structured interviews conducted with a range of stakeholders in the Ghanaian gold mining sector in 2005 and 2008.

This paper makes several contributions to the literature on mining MNEs. First, we suggest that the strategic choice of cooperation with informal rivals for resources emerges at the operational level in recognition of the growing stakeholder salience of the informal miners. This occurs when political strategy is unable to deliver the effective exclusion of unauthorized users, which results in failures of the state and MNEs to expel or dissuade them. Second, we contend that a cooperative strategy implemented across governance levels can not only reduce MNE conflicts with informal users, thus assuring sustained access to resources, but can also contribute to poverty alleviation and reduced inequality. We find that MNE cooperation with informal miners increases the legitimacy and salience of these miners in the eyes of the government and other stakeholders, in a process of “legitimization through engagement.” Cooperation can also achieve goals of environmental protection by reducing negative environmental impacts arising from the poor resource use practices of the informal miners (e.g., the use of mercury in artisanal mining and uncontrolled land disturbance). Third, we argue that a cooperative strategy works at the collective-choice level of governance when it bridges competing formal and informal institutions that affect the operations of the MNEs in the context of weak national institutions in emerging markets. Finally, we argue that MNE strategies need to be supported by a dynamic stakeholder salience assessment because stakeholders can gain and lose salience and move from fringe to core and vice versa across different governance levels over time.

The next sections review CSR and international business literature on strategies used by mining MNEs to deal with resource use rivals, then outline IAD and stakeholder salience frameworks. These sections are followed by discussions of the Ghanaian ASM context, research methods, findings, implications for theory and management practice, and the conclusion.

2. Management of conflicts over natural resources

2.1. CSR and international business

The occupation of mining concessions by informal artisanal miners in Ghana presents an urgent challenge for MNEs. International business

research has examined the relationship between mining MNEs and local communities in host countries from the perspectives of CSR (Frynas, 2010; Kapelus, 2002; Zheng, Luo, & Maksimov, 2015), sustainable development (Kolk, 2016; Kolk, Kourula, & Pisani, 2017; Svensson, Wood, & Callaghan, 2010), stakeholder theory (Crilly, 2011; Doh & Teegen, 2002; Fassin, 2010; Friedman & Miles, 2002), and bottom of the pyramid sourcing and market entry (Prahalad, 2006). The literature provides insights into the roles of local communities in developing countries as suppliers, customers, engaged recipients of MNEs’ CSR projects, as well as challengers of unsustainable MNE practices, and providers of societal legitimacy and human capital resources to MNEs (Gifford, Kestler, & Anand, 2010).

However, these perspectives are not useful for dealing with fringe stakeholders that are seen by the state as illegitimate trespassers (Tschakert & Singha, 2007). To date, the literature has paid limited attention to antagonistic relationships between MNEs and fringe stakeholders who lack legal legitimacy but compete with MNEs for access to natural resources. Antagonistic relations within MNEs and communities have been studied in social movements and anti-globalization literature (Bebbington, 2012; Kraemer, Whiteman, & Banerjee, 2013). Social movement literature investigates collective efforts to change society, comprised of people united by a common set of beliefs about a preferred state of the world (Den Hond & De Bakker, 2007). However, poor communities competing with MNEs for the use of mineral resources on their concessions do not disrupt business operations as a means of anti-globalization protest or part of social movements. Unregulated ASM is not a result of coordinated efforts to change society; rather, it is an ingrained activity of subsistence and livelihood. Rivalry with MNEs is the outcome of a lack of structural alternative means for subsistence. Thus, artisanal miners do not fit into any of the roles allocated to communities in the literature on CSR and sustainability in international business.

When faced with competing claims, a natural strategy for an MNE is to stay within the bounds of regulation and side with legitimate stakeholders such as the state. To reduce political risks, such as insecure tenure, MNEs often choose a political strategy by developing closer relations with the state to achieve beneficial outcomes from public policies (Hillman & Hitt, 1999; Khanna & Palepu, 2010; Luo & Zhao, 2013; Zheng et al., 2016). With political strategies, MNEs rely on state intervention to protect property rights and solve conflicts with unauthorized parties (Boddewyn, 2016; Dunning, 1988, 1998; Holmes, Miller, Hitt, & Salmador, 2013; Ramamurti, 2004; Stevens et al., 2016). If political strategies fail, the options are to exit or wait (Khanna & Palepu, 2010). However, neither of these strategies presents a sustainable solution. Forceful eviction of artisanal miners increases inequality and their marginalization, while exit or wait strategies deprive the host country of investment and fail to address the negative environmental impacts of unregulated ASM on sustainability. We now explore the IAD as an alternative framework to find sustainable solutions to the resource rivalry between MNEs and artisanal miners.

2.2. Institutional approach to natural resource governance

The IAD framework (Ostrom, Gardner, & Walker, 1994; Ostrom, 1990, 2010) analyzes the outcomes of human activities focusing on interactions between institutions, individual decision-making, and aspects of the physical world and community culture. Ostrom proposed IAD as a foundation to explore the underlying complexity of inter-related social and ecological sustainability challenges “to build a solid field of sustainability science” (Ostrom, 2007). IAD examines conflict and competition over natural resources and argues that self-regulation and community cooperation offer a sustainable governance solution to management of natural resources as an alternative to private property and external authority.

In emerging markets, where informal institutions often hinder implementation and enforcement of formal regulation (Peng et al., 2008),

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