

Investing in Community: Canadian Junior Mining Companies,  
Corporate Social Responsibility, and the Communication Gap

by

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### Abstract

Drawing on experience as a communications consultant to the junior mining industry, this research emerged from my observations that anti-mining, non-governmental organization (NGO) campaigns are currently winning the public relations war against the mining industry. Increasing global awareness and anti-mining sentiment may be due in part to a lack of communication on behalf of mining companies with respect to corporate social responsibility (CSR) and specifically community investment activities in developing countries. I sought to investigate what community investment initiatives a sample of Canadian junior exploration companies are conducting and the root causes for a possible CSR communication gap or “reporting silence” in this regard, which, if remedied, could potentially help balance this negative publicity. Results from interviews with mining company executives, industry CSR practitioners, and investment fund managers identified a number of factors contributing to a community investment communication gap, and reflect upon the multiplicity of stakeholder audiences with complex and divergent information needs. My thesis concludes with recommendations as to how junior exploration companies and industry CSR practitioners might consider community investment in developing countries through a complexity science lens to explore collaborative solutions in addressing these communication gaps.

Key phrases – *industry communication gaps, Canadian junior mining companies, corporate social responsibility, developing countries, community investment, stakeholder mapping, complexity science*

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“Really great people make you feel that you, too, can become great.”

Mark Twain

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## Dedication

“We are tied, indeed, in a single fabric of destiny on plant earth.”

Miedo Nishimizu, World Bank

I dedicate this work to my father, Gerry, who has recently allowed his mind to open to the possibilities of change alongside me in my academic and personal development journey, and who decisively contributed to my formative sense of hard work, commitment, and a continual quest for answers.

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## Chapter 1 – Introduction

### *The Problem and its Significance*

The growing emphasis for mining companies to prioritize and be visibly engaged in corporate social responsibility (CSR) or community investment initiatives and the communication of these activities in a more transparent manner has become an increasingly important consideration and an integral component of social license to operate, suitability to the financial community, and acceptability to the wider public arena (Azer, 2001; Hamann, 2003; Hassanein, Lundholm, Willis, & Young, 2006; Kapelus, 2002; Kriegman, 2006; Lucas, 2008; Peck & Sinding 2003; Porter & Kramer, 2006; Prospectors and Developers Association, 2007; Scherer & Palazzo, 2007). Indeed, society has rising expectations about how companies operate in countries in which they exploit (Lucas, 2008) and the demand for transparency and accountability in reporting practices in the global business community is gradually moving from a marginal to a mainstream activity (Boutilier, 2008; Economist Intelligence Unit, 2005; Scherer & Palazzo, 2007). This social conscience is reflected in many ways including the increase in both effort and resources being expended on corporate social responsibility, community investment, and ideals about social change (Kapelus, 2002; Kreigman, 2006; Westley, Zimmerman, & Patton, 2007).

While there is no consistent definition of CSR, it is generally understood as a concept of more ethical corporate behaviour; an approach to operations which recognizes and protects the social, environmental, and economic concerns of its stakeholders including shareholders, customers, employees, governments, and communities (Industry Canada, 2006; Prospectors and Developers Association, 2009). Regardless of the precise language, the overarching notion in an extractive context is to minimize any (perceived or real) negative social and environmental

impacts of mining activities (Hamann, 2003). More specifically, the term community investment refers to the “process of increasing the strength and effectiveness of communities, improving people’s quality of life, and enabling people to participate in decision making to achieve greater long-term control of their lives” (ICMM Community Development Toolkit, 2005, p. 7).

Community investment is but one component of the vast CSR umbrella and is increasingly relevant in developing countries, where more and more junior exploration companies are compelled to conduct their business due to the depletion of known resources in more developed countries with low political risk and high levels (or many layers) of governance.

Most senior mining companies have incorporated CSR and community investment activities into contemporary business models and have implemented certain standardized reporting methods to communicate these initiatives to their stakeholders. While academic studies exist relating to CSR activities conducted on behalf of senior mining companies (Dashwood, 2007; Jenkins & Yakovleva, 2006; Kapelus, 2002), there appears to be a critical shortage of research available with respect to how Canadian junior mineral exploration companies are addressing and communicating corporate citizenry and social challenges in developing countries (Hassanein et al., 2006).

The complications of CSR and community investment reporting are twofold. Firstly there is no legal requirement to adhere to any particular reporting system: engaging in socially responsible activities is voluntary and non-binding, and codes of conduct and CSR reporting is not mandated or regulated (Azer, 2001; Business for Social Responsibility, 2007). The second complication resides in ambiguity. While there are a number of available toolkits and guidelines, there is no one internationally or consistently accepted CSR standard in which a company in the extractive industry can benchmark its efforts (Azer, 2001; Economist Intelligence Unit, 2005;

Hassanein et al., 2006; Prospectors and Developers Association of Canada, 2007). In addition to a wide range of tools, there are also wide ranges in reporting practices (Peck & Sinding, 2003).

The examination of community investment as it applies to junior mining companies, their communications or reporting strategies, and a potential communication gap in this regard was therefore the focus of this research. The findings address a multiplicity of audiences with divergent information needs, and conclude with recommendations as to how junior exploration companies and industry CSR practitioners might consider community investment through a *complexity science* lens to enhance collaborative solutions in addressing these communication gaps. My research will not engage in the argument for or against CSR per se. There is a growing body of literature regarding business ethics, the various responsibilities of managers, and rationale for corporations engaging in CSR, as well as vast contentious dialogue regarding the tension that may arise between the objectives of shareholder primacy versus any moral obligation to stakeholders other than shareholders (Friedman, 1970; Hamann, 2003; Scherer & Palazzo, 2007). This research does, however, explore the crux of this paradox and its possible ramification on the communication patterns of junior mining companies.

### *Research Question*

In terms of sheer numbers, more junior exploration companies interact at the community level in developing countries than senior mining companies; some of which go beyond community consultation and engagement with local populations by contributing to the community; its infrastructure, agriculture, and people. They are, however, less sophisticated at communicating their efforts and accomplishments to their shareholders and the investment community. Based upon my experience in communications consulting to the junior mining

industry, I conducted this research under the assumption that there is often indeed a community investment communication gap, and sought to explore the root causes for this gap.

**Research Question:** What are the on-the-ground CSR and community investment experiences of junior exploration companies and what are the root causes of a potential communication gap in this regard?

**Related Sub-question:** What can mining industry professionals do to address a communications gap between what a junior company is actually doing versus what they are communicating in news releases, annual reports, corporate presentations, website disclosure, and any other formal or informal reporting they might do?

### *Objective*

The objective of this qualitative research was to explore the attitudes, beliefs, and on-the-ground experiences of junior resource companies and CSR thought leaders regarding corporate social responsibility and community investment. It also assesses the level of both engagement and communication of community investment to their stakeholders or why there may be a disjoint between performance and reporting. It is my hope that this data (as well as the process of collecting data) leads to increased consideration and capacity of CSR and community investment (or awareness of the CSR resources available to the mining industry), and possibly encourage greater corporate transparency and accountability at the junior company level through better prioritization of these initiatives and increased communication of achievements to stakeholders.

The potentially more socially encompassing objective of this research is largely heuristic; to stimulate interest or to encourage the examination of complex situations through a different lens, encouraging a better understanding of unpredictable, non-linear relationships and designing innovative and appropriate solutions for these complex problems.

*Organization of the Paper*

My research is organized into seven chapters. Chapter 1 introduces my topic and research question and why I believe it to be of significance. Chapter 2 delves further into the background of my research, providing more detail surrounding the research context, and synthesizing academic and practitioner literature throughout. Chapter 3 details my research approach and methodology. Chapter 4 discusses my research findings which are followed by conclusions in Chapter 5 and recommendations in Chapter 6. The thesis concludes with brief reflections about my research process in Chapter 7.

## Chapter 2 – Context and Background

### *Junior Mineral Exploration Companies Operating in Developing Countries*

To the uninitiated, the sheer number of Canadian mining companies in existence can be truly astounding. At December 31, 2008 there were 1,071 mining companies listed on the TSX Venture Exchange, and 356 on the Toronto Stock Exchange for a total of 1,427 publicly-traded Canadian mining companies, representing in excess of \$214B in market capitalization (TSX Money.com). Canadian mining companies play a significant role in the extractive sector accounting for approximately 43% of mineral exploration expenditures worldwide in 2008 with approximately 75% of the globe's exploration companies headquartered in Canada (Foreign Affairs & International Trade Canada, 2009).

While this research defines a *junior* resource company as one with a market capitalization under \$500 million, a large percentage of juniors are in fact considered micro-cap in size, ranging from a shell company (a public entity with very little cash and no project as yet), to one with less than \$50 million in market capitalization. Junior resource companies have, by nature of being junior, limited internal resources and capacity: they are typically very short-staffed, hosting only a small executive and board of directors plus a few key technical and administrative personnel to maintain the administrative and listing requirements of the company, raise working capital, and explore for and discover mineral deposits of potential economic value. The primary aim of the junior exploration company is to build value for their shareholders through an increase in share price.

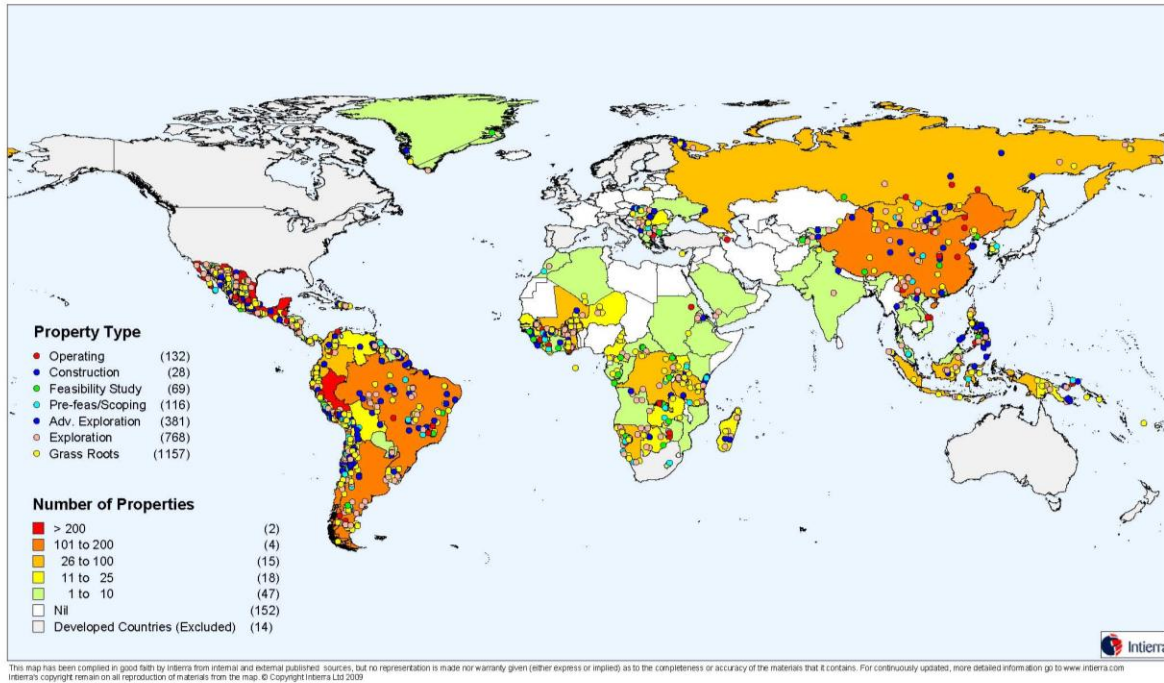
The majority of the corporate offices of junior resource companies are located in Vancouver, British Columbia, however, a great number of these companies have subsidiary offices in resource-rich, developing countries where there are fewer laws, and where government

regulations are lacking or very different than in developed countries (Kapelus, 2002; Prospectors and Developers Association, 2007). Due to the depletion of natural resources in more developed regions junior exploration companies need to “go where the metal is” in pursuit of potential success (Foreign Affairs & International Trade Canada, 2009; Kapelus, 2002; Thomson & MacDonald, 2001). Figure 1 represents the current number of Canadian junior mining companies operating in developing countries.

Figure 1. Junior Exploration Companies Exploring or Operating in Developing Countries

**Mining and Exploration Projects in Developing Countries  
Operated By Canadian Junior Mining Companies**

Companies Listed on TSX and TSXV / Market Cap of Under CDN \$500M



Source: Intierra Ltd., 2009



Junior exploration companies endure a cyclical existence of raising and spending money until they have discovered and delineated a mineral deposit of technical (and hopefully economic) significance. Their own sustainability is, therefore, predicated upon the ability to raise continuous capital to explore for and expand resources until they can sell or joint venture these discoveries to more senior companies with the budgets and technical experience to develop them further. Thus, for a junior exploration company, creating early value for shareholders does not come from earnings – it comes in the form of hope in management: in their networking and fundraising capacity combined with their perceived ability to orchestrate technical exploration success and potential disposition of the project at much higher valuations. It is for this reason that the bulk of communication, marketing, and reporting efforts on behalf of juniors are directed specifically at shareholders and potential investors in the investment community (Thomson & MacDonald, 2001).

Mineral discovery is a technically difficult, expensive, and highly speculative business. The harsh reality is that most junior exploration companies enjoy limited success and consequently tend to have relatively brief tenancies (Hassenein et al., 2006) in the developing countries in which they operate. Furthermore, the juxtaposition of weak governance, corruption, or open conflict in many developing countries and limited capacity on behalf of junior resource companies creates a unique set of challenges, including the incorporation or prioritization of corporate social responsibility and community investment activities into a small enterprise business plan.

### *CSR and Investing in Community*

“Enlightened corporations have long been aware that it may be in their best interests to address issues of concern to the local communities in which they operate”

Kapelus (2002)

As discussed briefly in the introduction, corporate social responsibility (over and above local business, environmental and human rights laws) and any reporting or disclosure of these activities are completely voluntary. Therefore, for the junior exploration company, the heart of the CSR debate is at a moral theoretical level: the struggle between shareholder primacy and any obligations to other stakeholder groups or the stakeholder theory (Kapelus, 2002). Shareholder theory comprises the commonly-held belief that business has an obligation to maximize shareholder value (Kapelus, 2002) versus the opposite concept which contemplates whether or not “corporations have a moral obligation to people and the planet which supersedes the singular pursuit of profit” (Azer, 2001). Nobel peace prize winning economist Milton Friedman (1970) was one of the first to argue that management’s foremost responsibility to shareholders and shareholder value is indeed the most important responsibility of a corporation. Friedman’s views do not take sustainable development or ethics into account, and in a more contemporary framework, Hamann (2003) argues that Friedman’s position is inapplicable in regions with widespread poverty, illiteracy, and human rights violations: where weak or corrupt governments with inadequate controls do not tend to their own public interest and community development. The corporation becomes the de-facto government in these communities and, in a mining context, the junior exploration company is usually the first corporate presence on the ground in local communities (Hassanein et al., 2006).

The Prospectors and Developers Association (PDAC) is the largest and most prominent organization representing the interests of the Canadian mineral exploration industry, the stewards of which are often considered thought leaders by mining company executives with respect to corporate social responsibility as it relates to the extraction of mineral resources. The association understands and appreciates that historically more attention has been paid to communities in

developed countries over developing countries, and with advances in technology and increases in global watch groups, an increased society is collaborating and raising awareness of these issues (Kapelus, 2002). Their publication *E3 Plus: A Framework for Responsible Exploration* (2009) contains the following key principles for responsible exploration. Points four and five of the principles relate specifically to one critical component of CSR: engaging with, and investing in, local communities:

1 Adopt responsible governance and management

Objective: To base the operation of exploration on sound management systems, professional excellence, the application of good practices, constructive interaction with stakeholders, and the principles of sustainable development.

2 Apply ethical business practices

Objective: To have management procedures in place that promote honesty, integrity, transparency, and accountability.

3 Respect human rights

Objective: To promote the principles of the United Nations Universal Declaration of Human Rights by incorporating them into policies and operational procedures for exploration.

4 Commit to project due diligence and risk assessment

Objective: To conduct an evaluation of risks, opportunities, and challenges for exploration, and prepare strategies and operational plans to address them before going into the field.

5 Engage host communities and other affected and interested parties

Objective: To interact with communities, indigenous people, organizations, groups and individuals on the basis of respect, inclusion, and meaningful participation.

6 Contribute to community development and social well-being

Objective: To have measures in place which support the social and economic advancement and capacity building of communities whose lives are affected by exploration while respecting the communities' own vision of development.

7 Protect the environment

Objective: To conduct exploration activities in ways that create minimal disturbance to the environment and people.

8 Safeguard the health and safety of workers and the local population

Objective: To be proactive in implementing good practices for health and safety performance in all exploration activities and seek continual improvement.

These sector-specific policies and ideals notwithstanding, according to Hassenein et al. (2006), a number of junior companies continue to operate without a CSR policy in place and that the motivation for the creation of a CSR policy tend to lie somewhere between the decisions of management and external pressures. The business case is the most common rationale for CSR in the mining industry; the position that social and environmental risks translate into financial risks, and thus for the junior mining company these risks must be mitigated as a matter of “good business practice” in order to protect the value of the project for shareholders and potential investors by avoiding disruptions and safeguarding social license to operate, facilitating access to capital, contributing to corporate reputation, enhancing stakeholder engagement and increasing employee morale (Business for Social Responsibility, 2007; Hassenein et al., 2006).

Assuming that junior mineral exploration companies must prioritize shareholder primacy and build value for shareholders in order to continue to exist, CSR for these companies is about how to achieve good corporate citizenship over and above their regular approach to their business (Lundholm, 2007). There are also those who distinguish between responsive and *strategic* CSR – which comes into play when a company reinforces its own strategy while benefitting society. For example, Porter and Kramer (2006) believe that strategic CSR goes “beyond best practices and involves inside-out as well as outside-in dimensions working in tandem where true shared value lies” (p. 10).

Regardless of motivation, rationale, or moral certitude, “CSR has emerged as an inescapable priority for business leaders in every country” (Porter & Kramer, 2006, p. 1) and requires continual focus, engagement, refinement, interaction, and investment in order to create and maintain credibility in local populations. Given limited size and capacity combined with the need to mind shareholder primacy, the implementation of CSR policies and community investment initiatives is a key challenge for Canadian junior exploration companies.

*The Reporting and Corporate Communication Conundrum*

Public reporting is a key tool for companies to demonstrate good corporate governance efforts and to address increasing demands for accountability and transparency (Hamann, 2003; Prospectors and Developers Association, 2009). Additionally, the perception of good corporate governance is becoming essential to maintaining confidence in publicly-traded companies and capital markets as a whole (Canadian Investor Relations Institute, 2009). Governance pressures combined with CSR's increasing prominence have resulted in an abundance of literature in an effort to assist managers, "though what practical guidance it offers corporate leaders is often unclear" (Porter & Kramer, 2006, p. 2). This is certainly the case in the mining industry, where a proliferation of policy-level CSR guidance, financial benchmarks, and sustainability rating and reporting systems has recently developed.

At present there are numerous mining sector CSR frameworks, principles, guidelines and community investment toolkits available such as the *Global Reporting Initiative (GRI)*, the International Council on Mining & Metals' *Community Development Toolkit*, Mining Association of Canada's *Towards Sustainable Mining*, the PDAC's recently unveiled *E3 Plus: A Framework for Responsible Exploration*, and the Extractive Industries' *Transparency Initiative*. Financial reporting standards and benchmarks for sustainable or ethical investments include (but are not limited to), the World Bank/International Finance Corporation's *Performance Standards on Social and Environmental Sustainability*, the commercial bank and project financing institution's *Equator Principles*, the *Goldman Sachs Sustainability Index*, and the *Dow Jones Sustainability Index*.

This plethora of resources is indicative of the efforts expended by CSR thought leaders and make for a good starting point, however it is cumbersome for a small enterprise which

requires a much more refined list of specific reporting guidelines (Porter & Kramer, 2006).

Furthermore, there is not one internationally recognized CSR standard for mining companies to report or benchmark their efforts (Azer, 2001; Economist Intelligence Unit, 2005; Hassanein et al., 2006; Prospectors and Developers Association of Canada, 2008), nor is there a simple and relevant reporting tool in existence for junior mineral exploration companies (Thomson & MacDonald, 2001).

Unfortunately, this bulk of voluntary and non-binding literature may only add to the confusion at the junior company level. Although voluntary at this time, CSR guidelines are but one consideration in a complicated mix of increasing regulatory reporting requirements for publicly-traded companies (Thomson & MacDonald, 2001), including various stock exchange and securities commission administrative and maintenance requirements, material change disclosure (certain mandated transactions plus any occurrence which could conceivably either positively or negatively affect the price of the companies underlying securities), National Instrument 43-101 Technical Reports (intended to provide material scientific and technical information regarding exploration, development and production activities on a mineral property and must be compiled by a Qualified Person), and weighty amendments to generally accepted accounting principles.

Because different sized mining companies have different roles, it should follow that the amount of information they have and the way they communicate could be expected to be different, and in fact some researchers have confirmed a connection between company size and profitability, and reporting (Peck & Sinding, 2003). Communication and disclosure patterns of junior mining companies are generally positioned to gain awareness, and attract interest and investment capital (Thomson & MacDonald, 2001) whereas critical mass (size and financial resources of companies), make larger companies more likely to have additional formal policies

and procedures in place (Hall et al., 2007). Moreover, the larger and more visible the company, the more stakeholders there are to demand more transparent and accountable communications, which demonstrate the more enlightened alignment of corporate goals with social values (Kriegman, 2006).

Increasing numbers of mining companies are indeed generating CSR and sustainability reports, however, there exists an extremely uneven performance landscape and widely variable disclosure patterns (Peck & Sinding, 2003). For example, senior Canadian mining companies such as TeckCominco Ltd., GoldCorp Inc., and Barrick Gold Corporation have incorporated one or more recognized reporting standards into their practices, and have publicly accessible CSR and community engagement disclosure as well as sustainability reports. By comparison, many junior companies create their own sets of CSR principles or policies using a compilation of available tools and resources available to them (Hassanein et al., 2006), and once compiled, may even be unsure as to the exact genesis of the components of the final documents (Pubco Executive 13, 2009). Most senior and mid-cap mining companies have social responsibility and community sections on their corporate websites and other investor relations marketing collateral. An increasing amount of junior companies do as well; although comparatively speaking, their disclosure is less formalized, significantly shorter, and typically quite vague. This disclosure may also be “boiler plate” description as opposed to what actually occurs at the site level.

Industry organizations such as the Prospectors and Developers Association empathize with the key CSR communication challenge for Canadian mining companies today. They appreciate that the proliferation of guidelines and best practice management systems for applying CSR are not yet well understood, nor are they swiftly implemented (A. Andrews, personal communication, January 2008). However, the more complex communication conundrum for a junior resource company lies between capacity and a paucity of relevant reporting tools,

complicated by the perception that a reporting silence is presumed to be associated with inactivity. There is no panacea contained within the myriad of CSR and community investment guidance, and in an era of globalization, a more engaged citizenry, and heightened social awareness (Kreigman, 2006), a CSR communication gap can affect how a company, or perhaps how the entire mining industry, is perceived.

### *Complexity Science and Complex Adaptive Systems*

The multiplicity of factors that contribute to a junior mineral exploration company's capacity to engage in and communicate community investment activities are indeed complicated and unpredictable. Using grounded theory as a data analysis approach, I began to consider these factors throughout the research process as perhaps more than merely complicated, but rather *complex*.

Contrary to the Newtonian (traditional) worldview of a mechanical system with linear cause-and-effect relationships, complexity theory views organizations as living, organic, *complex adaptive systems*; diverse systems with the capacity for change and focus on relationships - their connections and interconnections (Anderson, Crabtree, Steele, & McDaniel, 2005; Lacayo, Obregon, & Singhal, 2008; Singhal, 2008; Westley, Zimmerman, & Patton, 2007; Zimmerman, Lindberg, & Plesk, 1998). Kriegman (2006) succinctly supports the consideration of a complexity viewpoint when stating "the world is perhaps best understood as a complex system in which nature, technology, and humanity all influence, and are influenced by, each other" (p. 1). Complex adaptive systems are pervasive, dynamic, non-linear systems with emergent properties, examples of which include nature's delicate ecosystems, the human body, the stock market or communities in developing countries. In complexity science, the whole is not examined through the metaphor of "the machine" (by reduction to component parts with simple, predictable, or



measurable outcomes), but rather by prioritizing the human dynamic, taking into account the intricate relationships that form the system components and affect interaction and potential outcomes (Anderson et al., 2005; Westley et al., 2007; Zimmerman et al., 1998).

According to complexity science complicated solutions are finite and specific with clear action items for follow-up, whereas complex problems do not have predictable outcomes or easily measurable results and therefore require complex solutions (Westley et al., 2007; Zimmerman et al., 1998). There is no cookie-cutter or template approach to complex problems due to “unique actors, political situations, and random events that interfere with implementation or replication” (Anderson et al., 2005, p. 3).

The advocacy of broad flexibility and urging for acceptance of possibilities allows space for ongoing observation, which generally leads to more questions, and time for solutions to these complex problems to emerge from the interactions in the system (Westley et al., 2007; Zimmerman et al., 1998). Because its underlying assumptions differ from classical science, complexity science reframes the way we think and proposes a new realm of possibilities, approaches, models, and techniques (Anderson et al., 2005; Zimmerman et al., 1998). Complexity science, therefore, calls for open-mindedness, and a focus on ongoing relationships as opposed to definitive cause-effect outcomes. Additionally, complex systems are paradoxical in many ways including the way in which “small changes can sometimes lead to big results and big changes can sometimes lead to small or no effects” (Singhal, 2007, p.7).

Complexity science and the reductionist approach are not, however, completely mutually exclusive. Dent (1999) noted that certainly there are “aspects of the physiosphere do indeed act in a deterministic and a mechanistic-like fashion, however this traditional method of examination and addressing problems does not translate well to complex systems that rely on interdependencies and mutual causality” (p.9). Dent posits that although the traditional

worldview has allowed advancements in many fields, it is no longer assumed accurate in all settings as serving as a reliable guide of behaviour, and complexity science allows for a greater sense of “connectedness, equality, synergy, creativity, cohesion, and care for the whole” (1999, p. 11). Dent distinguishes between characteristics of an emerging worldview versus a traditional worldview in Table 1.

Table 1

*Emerging vs. Traditional Worldview Descriptors*

<u>Emerging Worldview</u>	<u>Traditional Worldview</u>
Holism	Reductionism
Mutual causality	Linear causality
Observer in the observation	Observer outside the observation
Adaptive self-organization	“Survival of the fittest”
Focus on relationship between entities	Focus on discrete entities
Nonlinear relationships	Linear relationships
Focus on feedback	Focus on directives
Quantum physics perspectives	Newtonian physics perspectives
Postmodern	Modern
Understanding, sensitivity analysis, explanation	Prediction
Equality	Patriarchy
Paradox	Logic
Focus on variation	Focus on averages
Local control	Global control
Behavior emerges from bottom-up	Behavior specified from top down
Focus on ongoing behavior	Focus on results or outcomes

Source: Dent, 1999, p. 8

A key difference between traditional and emerging worldviews is that Newtonian science is ahistorical, whereas the behaviour of complex adaptive systems is linked to their history: they are influenced and moulded by the interdependency between present and past (Anderson et al., 2005; Zimmerman et al., 1998). This interdependency is a critical point relating to community relationships, which reflect both cultural context and history, and over which a mining company has little or no control (Foley Hoag, 2009).

It could be argued that there is a multitude of complex adaptive systems inherent within the process of conducting CSR in developing countries. Each stakeholder, from the junior exploration company, to government, the church, and local communities, NGOs, and any number of influential individual human agents can be considered a complex adaptive system within a much larger system. Junior mining executives and CSR practitioners may not always know what will work, however they do know that what might work in one situation, cannot be assumed to work in others. Complexity science seems an extremely appropriate lens and a highly relevant way in which to examine and reframe how to view these interactions that are emergent, unpredictable, and beyond any one agent's auspices.

### Chapter 3 - Research Methodology

#### *Approach and Design*

My research project was an inductive examination of junior exploration companies engaged in community investment activities in developing countries, their specific communications or reporting practices in this regard, and an exploration of the root causes for a potential lack of disclosure. The primary source of data collection in this applied, qualitative research was through semi-structured, open-ended, one-on-one individual interviews.

*Narrative inquiry* refers to a qualitative research design in which stories are used to describe human thoughts, feelings, experience, and action (Clandinin & Connelly, 2000; Hatch & Wisniewski, 1995) and represented my personal choice as a uniquely appropriate strategy to describe the way participants see the world (Clandinin & Connelly, 2000), in a manner that would encourage robust disclosure regarding personal experiences, opinions, and attitudes. I used interviews to explore human beliefs and meanings while also gathering detailed factual data regarding community investment practices and corresponding communication efforts from a junior company perspective (Arskey & Knight, 1999). Interviews, unlike surveys, allow for the clarification or elaboration of certain responses and thus provide a venue for greater effectiveness with complex issues and space for more thoughtful responses (Holstein & Gubrium, 2003).

I conducted interviews with fifteen CEOs (or the most appropriate and knowledgeable contact) of junior mining companies with exploration, development, or operating projects in developing countries, eight CSR thought leaders or policy practitioners within the mining industry, and two Canadian fund managers that invest in resource companies (see Table 2 – Interview Participants).

### *Data Collection*

I selected interview participants through a combination of purposive sampling and snowball sampling. I chose initial interview participants based on my existing industry knowledge and network of companies that would meet the selection criteria: that the company was publicly traded on the Toronto Stock Exchange (TSX) or TSX Venture Exchange, had Canadian corporate headquarters, and was considered a junior mining company (with a market capitalization of under \$500 million) conducting, or has conducted, a mining exploration or development project, or is operating a project in a developing country.

Subsequent interview participants were identified or introduced to me through snowball sampling. Referrals emerged from dialogue with industry peers or other research participants recommending other company executives or industry practitioners in the area of CSR and community investment. Fund managers were purposively selected from recognizable investment firms that include resource companies in their investment portfolios for an outside-looking-in perspective on how reporting may influence the flow of investment capital. A summary of interview participants is provided in Table 2.

Table 2

*Interview Participants*

<u>Participant Category</u>	<u>Number</u>	<u>Description</u>
Public Company Executives	15	Presidents, CEOs, or the most appropriate company contact of publicly-traded (predominantly junior but some mid-tier) Canadian mining companies exploring or operating in developing countries.
CSR Practitioners	8	Industry CSR practitioners or thought leaders including associations, academics, government and non-government organizations, and independent CSR consultants.
Fund or Investment Managers	2	Canadian fund managers responsible for the selection criteria or inclusion of mining companies in portfolio investments

I designed interview questions related to my research question that would elicit rich narrative about experiences, beliefs, and meanings regarding CSR and community investment initiatives in developing countries, and the communication patterns or practices of these activities, and probed further with respect to my sub-question and potential solutions.

**Research Question:** What are the on-the-ground CSR and community investment experiences of junior exploration companies and what are the root causes of a potential communication gap in this regard?

**Related Sub-question:** What can mining industry professionals do to address a communications gap between what a junior company is actually doing versus what they are communicating in news releases, annual reports, corporate presentations, website disclosure, and any other formal or informal reporting they might do?

I sought and received feedback regarding the structure and content of the interview questions from representatives from the Prospectors & Developers Association and Natural Resources Canada to ensure clarity and comprehensiveness. Natural Resources Canada requested that I enquire specifically as to the Global Reporting Initiative, and whether junior companies were utilizing this reporting tool. As this suggestion was complementary to my research question, it was added to my Interview Guide.

Potential interview participants were recruited by email, telephone, or in-person requests. I obtained signed, written (free and informed) consent from all participants prior to conducting interviews (see Ethical Considerations for a more detailed explanation). Interestingly, more than one industry CSR practitioner in the design stage of my research cautioned me that aspirations of interviewing junior company executives may not be realistic; that they were known to be an elusive or uncooperative group. This assumption itself is of significance and may be a contributing factor to the lack of research done to date that incorporates junior exploration



company feedback. Having tenure and connections in the mining industry I did not see this as (nor was it ultimately), a participant roadblock.

I conducted face-to-face interviews in locations most convenient to the research participants; most often in their corporate offices and predominantly in Vancouver. I conducted one interview at a conference in Toronto, and where in-person interviews were impractical due to geographic distance, I conducted telephone (and in two instances Skype) interviews. All in-person interviews were one-on-one, with the exception of two, where the original company executive participant invited their community development or environmental sustainability representatives to join the interview.

Prior to the commencement of each interview, I verbally advised interviewees that their participation was voluntary, of their right to withdraw at any time, and I briefly reviewed confidentiality and anonymity assurances as detailed in the Research Consent Form . I also advised participants that data collected will be primarily used towards my thesis, however data, interpretation or recommendations could potentially be used in subsequent publications, or be incorporated into industry CSR or community investment focus group discussions or presentations.

With verbal consent, I digitally recorded interviews and in some instances supplemented the recordings with hand-written notes. I had originally planned to have the interviews professionally transcribed, however, subsequently decided that in order to remain familiar with the data and potential patterns (and in preparation for data analysis), that I would personally transcribe the interviews. In some instances, I fully transcribed interviews, and in others, when interview participants veered off-topic, I transcribed data employing *selective transcription* (Halcomb & Davidson, 2006), where only meaningful informational content and passages were transcribed. Interview transcriptions were numerically coded to ensure anonymity and

confidentiality. Data collection and storage followed traditional safeguarding of privacy of information.

In addition to conducting interviews, I examined established communications collateral relating to CSR guidelines, toolkits, and “best practices” developed for the mining industry for a thorough understanding of the currently available tools and guidance. I also reviewed corporate communications collateral of the mining companies represented in my sample and others (news releases, annual reports, website content, corporate presentations, and where possible, internal and practitioner documents and press coverage) to review and assess if and how companies are communicating community investment activities or corporately responsible activities in developing countries.

### *Data Analysis*

*Grounded theory* is a qualitative or quantitative approach to data analysis in which a researcher commences with no particular theory, but rather seeks patterns in the data that leads to the development of theory (Glaser & Strauss, 1967). Essentially, by using this inductive method, theory is developed from the emergence of patterns in the data through a constant comparison between data and theory (Charmaz, 2006; Huberman & Miles, 2002). Grounded theory involves collecting data, and then *coding* that data; or identifying and labelling concepts which become conceptual categories (Glaser & Strauss, 1967). During this process certain patterns emerge through repetition and recurrence, and when they do, the existing literature and newly acquired data are reviewed through the lens of this developing theory (Huberman & Miles, 2002).

I did not consciously choose grounded theory, however ultimately it was the most accurate depiction of the process that naturally unfolded. Interestingly, my method of data analysis not only led me to complexity science, but was serendipitously chosen through a

complexity lens. Grounded theory is, by its nature, performed using a more emerging world view as opposed to the more traditional or scientific model of verifying or elaborating on pre-existing theories. My data analysis was methodical, yet as complexity theory posits, was dynamic, and fluid with open-minded flexibility (Dent, 1999), as new themes emerged or certain categories were discarded as they decreased in relevance regarding the research question.

I became quite familiar with my interview data, first by conducting the interviews, and also through transcribing them. While transcribing, I would simultaneously begin to discover common categories or themes as well as extrapolating certain patterns and interrelationships between categories. Glaser & Strauss (1967) refer to this ability to perceive variables and relationships as *theoretical sensitivity*.

#### *Limitations and Strategies for Limiting Bias*

Limitations of this research include the fact that no “bad actors” were interviewed. All interview participants ultimately supported the basic concept of CSR and participated in community investment activities. While this might be viewed as a potentially skewed sample, the heart of the research question was in respect to the specific communications and reporting of community investment activities by junior mining companies. Whether these companies did an admirable job engaging with communities in developing countries was not considered key to my research question and therefore somewhat neutralizes this limitation. Secondly, while my standpoint and perspective is sympathetic towards the challenges of junior exploration companies, I believe any potential bias in interpretation of results was mitigated by my same degree of experience and insightfulness while I conducted interviews and interpreted data.

I advised interview participants (both in the Research Consent Form and verbally) that should specific content from their interview be used in the paper, they would be given the

opportunity to review a draft of their data in context to confirm its accuracy prior to final inclusion. Verification was therefore achieved by providing each interview participant the opportunity to review, elaborate on, or correct any errors of fact in their interview excerpt without changing my basic observations.

### *Ethical Considerations*

Because my research design involved interviews and interaction with human subjects, I applied for and received ethical approval for this project from the School of Communication and Culture on August 20, 2008. I disclosed two potential conflicts of interest to the Research Ethics Board. Due to my tenure in the junior mining industry, there could have been participants involved in the research who were known to me, who have a current cordial relationship with me, or have previously had (or currently have) a consulting arrangement with my communications consulting company. I made conscious attempts to avoid the latter in my sampling, however one mining company executive, with whom I had a previous part-time consulting arrangement, was keen to participate and was ultimately included.

I provided all research participants with a Research Consent Form and Interview Guide and obtained written, informed consent by all interview participants prior to telephone or in-person interviews via in-person signature, fax, or scan and return email. The Research Consent Form addressed the right of interview participants to withdraw at any time, matters of confidentiality, anonymity, and also referenced potential conflicts of interest as noted above.

## Chapter 4 - Research Findings and Discussion

### *Community Investment – A Communication Gap or a Performance Gap?*

“Overall, I think we do more good than bad for sure.”

Pubco Executive 14

Finding: Albeit informal and admittedly reactive, junior exploration companies are consistently engaged in socially responsible thinking, and consistently engage in some level of community investment programs in the developing countries in which they operate.

Although one of the objectives of my research question was to identify the root causes of a potential communication gap regarding community investment activities of Canadian junior exploration companies in developing countries, part of an external perception problem is that many individuals and organizations outside the mining sector assume the absence of glossy sustainability reports or robust community web pages equates to inactivity, incompetence, or - even worse if they follow oft-distorted anti-mining messaging - a blatant disregard for socially responsible practices. Prior to exploring whether there is indeed a communication gap and its potential root causes, it is important to get a sense of the types and frequency of community investment activities that are initiated on behalf of junior companies.

Firstly, there was consistency in the belief that while money as the end result is the priority of many local communities, *giving* money is not a preferred practice. Many executives articulated the difference between a hand-up and a hand-out (Azer, 2000).

We try to avoid cash payments - which can be seen as a bribe. We basically agree upon an investment amount and the community leaders supervise the implementation (Pubco Executive 11).

We won't just give them money – it's not sustainable. One time a community asked for money to build a school. We said we would not give them the money, but we would provide cement, desks, supplies, and paid labour for them to build it themselves. In this case they said no, so you still have to be careful: other requests can be a front for key people wanting money (Pubco Executive 9).

We took a long time thinking about what we could do that would have a long-term impact and was a step in the right direction instead of just throwing money at it. You can't just write cheques because cheques never go to what they are supposed to, so you have to identify needs and use your resources to install programs (Pubco Executive 6).

You can't just go in and start throwing money around (Pubco Executive 12).

Many junior companies felt, given their small size and limited capacity, that providing jobs, investing capital, purchasing local goods, and purveying local services has a significant impact and positive influence on communities and contributes to the local economy (Porter & Kramer, 2006). Because it is complementary to the normal course of business, local hiring and supply procurement was indeed found to be a priority, was quite easily implemented, and was referenced often by interview participants.

We certainly do all our hiring from all four of the local villages. In some instances we contract out more specialized work to local trade's people – using local welders for example (Pubco Executive 1).

We give people jobs. Realistically, a junior may only get as far as offering jobs and spreading them around (Pubco Executive 12).

We have no expats – we have all locals working for the company (Pubco Executive 9).

We use almost 100 percent local labour. When the company needs manpower, it is our policy to recruit using concentric circles: the immediate community first and then wider, sometimes 20 to 25 kilometres from the site depending on skills availability (Pubco Executive 3).

We do as much local procurement as we can, so we have local suppliers that we buy from – it's an exploration camp so we are not spending tens of millions, but relatively speaking we do end up spending quite a bit (Pubco Executive 7).

Beyond providing employment opportunities and procuring local supplies and services, other respondents described small, “best efforts” community investment activities.

Exploration companies can only do so much. We do small stuff that can still make a difference. For example it is super cheap to drill a few wells while you are drilling anyways, or to support a soccer team (Pubco Executive 9).

What we do is two things. One is we'll get submissions – we'll get people coming in asking for our help and we'll assess that one on one a one project at a time basis whether we want to do something or not, and secondly we initiate projects on our own. Buying a few paint brushes and paint for a school or supplying kids with backpacks for every boy or girl in a school doesn't cost a lot but goes a long way (Pubco Executive 1).

We support community events and schools and we have a local guy on the ground there that assesses cases and is responsible for all of our community engagement (Pubco Executive 7).

We did what was “intuitively obvious” in terms of community investment, starting with the poor and children (Pubco Executive 12).

We are on a limited budget during the pre-production phase, but a certain amount is set aside for CSR activities. We do not yet have a formal CSR policy, but address needs on an ad-hoc basis as they arise. We do things like employ teachers to supplement the local primary schools when needed, provide famine relief supplies, address sponsorship requests (like national youth week, world environment day or provide prizes for school essay writing competitions), we sometimes assist the local Red Cross, or community groups in microfinance concepts, and so on (Pubco Executive 3).

Many interview participants noted that truly sustainable initiatives are lofty goals for the tight budgets and transient nature of oft-unsuccessful junior exploration companies.

Sustainability, in other words, is essentially outside the purview of most junior exploration companies; however, the concept of sustainability was still considered to some extent, as was the more abstract responsibility of managing expectations as reported by these participants.

From the hills of Bolivia to the sands of the Sahara – people have one thing in common – they will ask what you are going to leave when you go. If you are going to set something up to be sustainable – set it up to be sustainable. What we ended up doing was refurbishing a water pipeline that would be available for the next 30 years (installed by previous operator but had been run down). We also started a greenhouse pilot

project for fruits and vegetables so that the locals could have more nutritional variety than goat and couscous (Pubco Executive 12).

A soccer field will always be there – and when they are not playing soccer, they can dry beans and corn or whatever on it too. The soccer field we built was ultimately more sustainable than the jobs (Pubco Executive 2).

We try our best to manage expectations. We never promise, we are doing our best. In exploration, next year depends on what we find this year (Pubco Executive 10).

I don't want to make any overarching promises or commitments until we really understand where we are at. We do not want to set up unrealistic expectations (Pubco Executive 7).

There was recognition on the part of junior company executives that community investment ideas are not best initiated in a top-down manner, but are more meaningful when emerging from community engagement and dialogue to determine needs, wants, and priorities.

Our philosophy is not to throw beads and trinkets over the fence, its to really go back to the community and work with them in authoring their own vision... what are their priorities in education, health, security, etc.? (Pubco Executive 13).

When we signed our agreement, the local community was adamant that they did not want any community investment – it would have been a deal breaker. This took awhile for us to get our heads around, and did not mean we did not *do* community investment, just that they insisted during our interactions and negotiations that it not form part of the agreement, so if we could not deliver it did not in any way void the agreement which was *their* primary concern (Pubco Executive 10).

What many practitioners, policy makers, or senior mining companies may not realize is the personal effect and emotional weight the responsibilities of engaging with community can have on junior exploration company representatives. One participant noted:

This really affects me greatly. I felt a moral obligation from the minute we were there. This has changed their lives. Most of these families couldn't send their children to school before and now they can. It weighs on me personally that we are operating in an area where the government is



ineffective in supporting its people and we are 100% responsible for these families (Pubco Executive 10).

Of the junior exploration company executives interviewed, none suggested that corporate social responsibility was not somehow important or a part of their business plan, and all described, in one way or another, socially responsible thinking and the community investment activities that had been initiated or participated in. An inceptive look shows that there is indeed a communication gap and not necessarily a performance gap with respect to CSR conducted on behalf of junior exploration companies operating in developing countries.

*External Stakeholders: Mapping and Analysis*

“Learn from the people, plan with the people.  
Begin with what they have, build on what they know...”

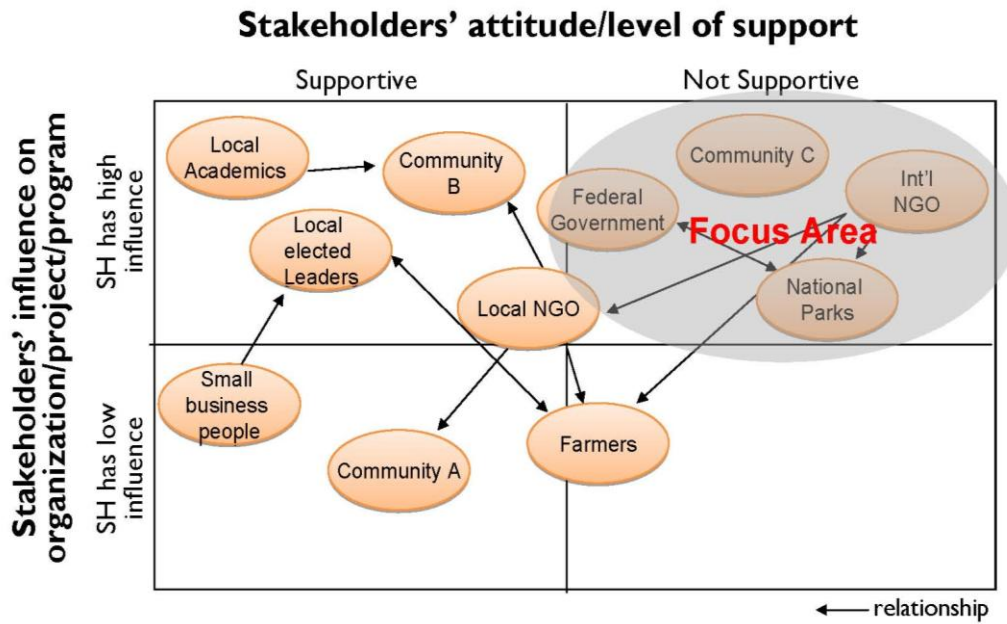
Lau-tsu

**Finding:** In many instances junior mining companies are not communicating to the fullest extent externally with their community stakeholders, or perhaps not with the “right” stakeholders.

“The first implication of firms adopting a pragmatic approach to CSR relates to how they are likely to understand the structure of the community” (Kapelus, 2002, p. 281). Understanding local communities and initiating dialogue with key external stakeholders may seem very commonsensical, however, many junior mining companies do not have a methodological, proactive stakeholder identification process. More commonly, they start with the most obvious stakeholders such as local government or regulatory contacts in relation to logistical concerns of permitting and licensing. Often these contacts will advise as to “who they should talk to next”, however, in countries where governments may be corrupt or where laws to protect local populations are not as stringent as in developed countries, these suggestions are at times self-serving or perhaps even purposefully exclusionary, and these exclusions and subsequent or ignorance of social dynamics can lead to problems for junior companies.

Indeed, the character of a community is complex: it is rarely homogenous or unified (Emmett, 2000). How would a junior mining company identify key stakeholders and ascertain the “community voice” (Hamann, 2003)? A stakeholder network map is a multi-dimensional, conceptual tool to identify and interpret who has an interest or “stake” in a project, the quality of relationships between stakeholders, and the strength of their influence (Boutilier, 2008; Canadian Business for Social Responsibility, 2009; Svendsen & Laberge, 2007a). Establishing these links early is of critical importance as they provide an understanding of the entire stakeholder system and its potential influence nuances that could affect the success of a project. The figure below depicts a basic stakeholder map.

Figure 2. Stakeholder Mapping – Resource & Engagement Priorities



Source: Canadian Business for Social Responsibility,

Each stakeholder map is unique, and in this format its non-linear and dynamic nature becomes extremely apparent. An awareness of a full and integrated stakeholder landscape is important for both long-term risk mitigation and relationship building; however, the top right quadrant represents the priority focus for junior resource companies due to limited capacity and business success being partially contingent upon the pragmatics of social license to operate.

Despite the encouragement for stakeholder engagement in the *Principles for Responsible Exploration* (PDAC, 2009), many junior mining companies do not conduct stakeholder mapping exercises. In fact, early experiences related to gaining an understanding of local populations in developing countries by juniors were noted to be ad-hoc and unsystematic. Lack of knowledge about key stakeholders and influential relationships sometimes led to complications as noted by some executives.

No, we did not do a stakeholder analysis. Relationships here are so confusing, for someone from the outside it would have been so much more confusing. Because of the history, war, and the dividing lines... for someone to go in and start asking questions it could get even more sensitive (Pubco Executive 10).

We had our government permits, and we had gone to the mayor of the small town and said we were going to be doing some work and he said “Oh ya, sure, do whatever you want to do up there.” Meanwhile there is this little pueblo around the back side and they are the actual local community – and they are standing there with machetes saying “the mayor can say whatever he wants but this is our mountain, and you are not doing any work here.” We were very much just trying to go low profile but it eventually catches up with you, so maybe you just have to do it right from the beginning (Pubco Executive 2).

Our biggest mistake was a fault at the Canadian corporate end. They failed to recognize the need to employ key people with local knowledge and to spend more time up front to gain the trust of the community and understand and manage local situations. It is important that the community understands that the venture is a partnership. If not, you can forget about support and cooperation, you’ll just have resistance and hostility. Community stakeholders need to have a clear understanding of how they will benefit from your presence in their midst (Pubco Executive 3).

Most junior companies that have problems come unglued because they didn't see it coming and most don't see it coming because they didn't do their homework – they talk to the obvious people and don't do enough research. There might be a network of informants in the community who influence credibility in the community or have the ability to mobilize an opposition. You need to know who is who and tap into these networks as early as possible. If you are not talking to the people, the typical reaction is to conclude that you are not socially legitimate and the better option is to oppose (CSR Practitioner 1).

Interview participants from somewhat more advanced (development or operating stage) companies however, were more familiar with stakeholder mapping; supporting the process and its benefits.

Social and issues mapping is what we did. We could not have done this by ourselves – we needed help – there are some very good practitioners out there. Resource companies spend a lot of money on a lot of things and this is one of the things that probably deserves more resources and more attention. Companies need to spend some time and figure the place out prior to commencing work (Pubco Executive 7).

You can do a very simple stakeholder map internally. Who has the power? What is their orientation? What has happened in the community? Are there any sites of cultural significance or are there any deal breakers where we can say early on (before we invest significant resources), we can go in and kick the dirt with the community and get a sense of where their head is at. The earlier you involve them, the better (Pubco Executive 13).

Recognizing the complexity of community and the interconnectedness of relationships are at the heart of stakeholder mapping (Boutilier, 2008; Canadian Business for Social Responsibility, 2009; Hamann, 2003; Svendsen & Laberge, 2007b). Identifying and engaging key community stakeholders enables people to participate in decision making and builds trust, and encourages an empowering ground-up participatory role in authoring decisions whereby community can feel they are achieving greater long-term control of their lives. Pascale & Sternin (2005) believe that “the best design is one that allows a community to learn from its own wisdom” (p. 79). The process of stakeholder and social issues mapping may facilitate the

convergence of multiple actors earlier, and bypass more traditional approaches used by companies to “manage” their relationships with stakeholders – which have typically sufficed for short-term transactional relationships - but reflect a linear, mechanistic world view that is proving insufficient to deal with the complexities of communities in developing countries.

Community engagement is unpredictable, and the process can be complicated by expectations of community participation that are “romantic notions rather than serious analysis of community, and its complex characteristics and dynamics” (Emmett, p. 502). Consistent communication between junior exploration companies and local centres of influence as identified through a stakeholder mapping process, as well as practicing expectation management is therefore critical to prevent community symptoms such as waning enthusiasm for a project or its management, the introduction of direct or indirect pressure for compensation, or in a worst case scenario, the eruption of conflict (Emmett, 2000).

### *Company Communication, Reporting, and Disclosure*

Finding 1: Canadian junior exploration company executives are overwhelmed (or underwhelmed) by the plethora of CSR guidelines and irrelevance of current CSR reporting tools specific to junior mining companies.

While CSR guidelines, frameworks and reporting tools are more abundant and available, the adoption curve of these voluntary policies by the junior mining sector appears to be low (Hassanein et al., 2006). Why is this? Interview participants were asked if they were aware of or utilized any of the CSR or community investment tools available through the PDAC, ICMM, Natural Resources Canada, the IMF/World bank or other industry associations.

Are we aware of PDAC and ICMM guidelines and toolkits? Sure, but probably not to the fullest extent. With limited personnel and funds, who is going to look at the stuff? (Pubco Executive 9).

I’m not completely unaware, but I have never been tremendously impressed by any of them (Pubco Executive 6).

I'm vaguely aware the PDAC has something and I may have even looked at it, but I didn't really pay a lot of attention (Pubco Executive 2).

PDAC – I read the whole thing but it's not like it tells you exactly what to do. It's really broad information (Pubco Executive 10).

We are not even remotely cognizant of the [CSR] rules or reporting guidelines (Fund Manager 1).

Even when there is a general familiarity of some of the available resources, there are those who posit the various “approaches to CSR are so fragmented and disconnected from business and strategy as to obscure many of the greatest opportunities for companies to benefit society” (Porter & Kramer, 2006, p. 1). Interview participants tended to feel the tools were certainly a good representation of common sense “good citizen” principles, but did not provide enough specific, practical advice to be truly helpful on location. This obscurity or disconnectedness was communicated by some interview respondents.

Part of the problem is there is a proliferation now of standards and reporting and it's difficult to disentangle them – I have certainly been exposed to and read the ones you refer to (PDAC, ICMM) but I have not yet found a set that we would use rigidly across every jurisdiction (Pubco Executive 13).

The problem with all the norms is they are written at a global level – country specific and site specific is a major effort. Really what companies should do is engagement with other organizations to get at least to a country level of knowledge (Pubco Executive 4).

The GRI is simply not relevant to junior companies although there was reason attempt to make it more accessible and relevant. The PDAC has announced plans to develop a template expressly for junior companies, but the missing gap is still an appropriate reporting structure (CSR Practitioner 1).

**Finding 2: Communication efforts of junior exploration companies regarding CSR and community investment activities are limited.**

How are CSR policies and procedures documented, communicated, or reported by junior exploration companies to the investment community? In Thomson & MacDonald's (2001)

research, they noted the increase of regulatory reporting requirements, which already constrain the time and money resources of small enterprises with limited capacity. Furthermore, given the expectation of the size and richness of data involved in some of the existing CSR reporting structures, attempts to conform to even the relevant portions of senior levels of external CSR reporting on behalf of junior resource companies could entail “very substantial expenditure and considerable diversion of personal resources from other tasks” (Peck & Sinding, 2003, p. 135). There are, however, various communication venues if junior companies so choose. Interview participants discussed their current communication patterns regarding CSR policies or community investment activities.

We have stuff on our website, but we probably don’t do enough of it (Pubco Executive 1).

We don’t have a manual so much as a series of principals and statements that we try to follow and adhere to. The information on our site is drawn from a lot of places as well as input from other board members and companies they had been involved in. We took the best from each and applied to ourselves (Pubco Executive 7).

All the companies I have worked for have very clear environmental and community policies. These have been developed by a combination of legal “boiler plates” as well as governing country laws and policies and they are generally (but not always) on at least a website (Pubco Executive 9).

I don’t think we have a whole lot on the website. Well, maybe the usual kind of stuff saying we tread lightly and with respect... motherhood and apple pie stuff (Pubco Executive 2).

We are somewhat unique in that we have three outlets for CSR communications, although the highest priority is on the communications in the domestic audience in their language; some of which is quite informal, leaflets etc. Messages have to make sense and serve interests of both audiences and sometimes that is totally impossible. Local communities do not understand the capital markets and foreign audiences not aware of the semantics of local politics and culture (Pubco Executive 8).

Not much of this has been communicated externally. In fact, none of the stuff on the CSR page of our website actually occurs – it just looks like a



page from a textbook supported by a few photographs. No CSR policy is communicated from headquarters and no attention is paid to it – there is no connection between locations. Everything that’s done is purely the initiative of the local office which sees it as a necessary investment in creating mutual trust and support for the project to succeed; whereas head office sees it as a waste of money (quote from the CFO) (Pubco Executive 3).

No, we don’t communicate our CSR activities, not yet (Pubco Executive 7).

Many junior Canadian mining companies are beginning to communicate their accomplishments and vision with respect to CSR and community investment activities in corporate websites, specific CSR reports, dialogue in their financial statements, or framed messages in news releases (CSR Roundtable, 2007), however, my findings support other research that many still do not, or they use nebulous, textbook type language or at times even “parrot” the disclosure of other companies (Thomson & Macdonald, 2001).

**Finding 3 – Junior mining executives’ top reason for not communicating CSR or community investment activities is so they do not attract the attention of anti-mining Non-Governmental Organizations.**

There has been a noticeable increase in globally active anti-mining non-governmental organizations in recent years (Kriegman, 2006). While the mining industry has indeed been the subject of deserved criticism in regard to unfortunate examples of negligent environmental controls or human rights infractions, there is a high level of concern amongst mining executives with respect to extremist positions: the distortion in anti-mining messaging and NGO campaigns intended to completely stop development in impoverished areas. “Rogue NGOs have emerged almost simultaneously with good NGOs, trying to stop any activity in developing countries under the guise of protecting the environment, human rights and indigenous peoples” (Romualdez, 2008, p. 2). Escalating numbers of anti-mining NGOs are travelling to developing countries and using exaggeration campaigns to derail legitimate mineral exploration and development

properties using the rationale that they are protecting local communities (McAleer & McElhinney, 2006).

Many junior exploration companies simply have not had good experiences with NGOs, finding them to be increasingly sophisticated (Business for Social Responsibility, 2007), opportunistic, and potentially not operating in the true best interests of the communities they purport to protect. Of those interviewed, most junior mining company executives preferred to avoid exposure or contact with NGOs in developing countries at all costs. Critics argue this evasiveness interferes with the fully informed participation of affected groups, however this “reluctance factor” was also found in Thomson and MacDonald’s (2001) work which supported the notion that (especially in early exploration) in order to develop community relationships in “relative calm” (p. 29), junior mining companies require space with these communities without harassment or outside interference.

NGOs are successfully smearing negative information; conducting bad campaigns and destroying opportunities. If there were such thing as reasonable NGOs in these regions we would partner with them. In our experience they have no vested interest in the community or the project. We actually don’t report our activities because it “opens you up” – NGOs surf corporate websites and are watching for activity and something to protest against in developing countries (Pubco Executive 9).

NGOs have a different agenda – they’ll find you and they tend to not be there to help the locals – its more for their own cause and in a lot of cases the NGOs are not welcome by the locals (Pubco Executive 1)

The fact that we had no NGO presence at our project was likely only because of the logistics of our location - we were just too inconvenient to get to and too uncomfortable to camp out at (CSR Practitioner 6).

NGOs are a luxury that take centre stage in a booming economy when they can secure funding. When things get tough, they don’t give a shit (Pubco Executive 6).

Participant responses differed somewhat when moving beyond the exploration stage to a development or operations stage perspective, where certain interviewees described a more neutral stance regarding NGOs, citing compromise and more cooperative interaction.

There are a couple of levels of NGO interaction. There are good, honest ones with a lot of integrity and there are those that are created to create disruption as opposed to having good discussions. Over time I have grown to appreciate there are some people you can work with and others you can't. Some will always be anti-resource development and there is not much you can do to change their mind (Pubco Executive 7).

The situation where you used to meet an NGO and point a water pistol at them is old news. NGOs now recognize that there are win-win partnerships even in the context of mining. I think NGOs have realized that their expertise is actually a nice adjunct and in a way our goals are aligned and there can be an overall community outcome that everyone can live with (Pubco Executive 13).

Possible cooperation or partnership opportunities notwithstanding, there was concern expressed during interviews that while NGOs are campaigning for more transparency in mining company disclosure and reporting, that they themselves are not subject to any accountability or reporting requirements. NGOs say whatever they want, unregulated- on their websites, in their leaflets, in well-funded media campaigns, and in door to door conversations with local resident populations (McAleer & McElhinney, 2006). Of equal concern was where NGO funding might originate and where agendas might lie.

NGO publications and propaganda can be really bad – all about how mining poisons the earth and actually directly suppresses women's rights and abuses children and you're reading this stuff and thinking... who are you? It's brilliantly worded and absolutely compelling and if you didn't know anything about mining you'd think "Oh my God this is terrible". It's really subversive, but also really focused and polished (Pubco Executive 2).

NGOs vary widely as to how forthcoming they are. There is an asymmetry... an inherent unfairness. A mining company that meets its statutory obligations is being "deceptive", whereas if an NGO just meets requirements it is "complying with the law". If NGOs are interested in a

level playing field, anything they ask of companies they should be willing to do themselves (Pubco Executive 15).

NGOs tend to become politicized very quickly but are not subject to any audit or external verification and examination of their business (Pubco Executive 13).

The lack of accountability of NGOs is a big problem. They have no accountability, no regulations. We are highly regulated on the other hand – the mining industry is one of the highest regulated. When it comes to NGOs, you do not know who you are dealing with and what their hidden agendas might be. There is always at least one hidden agenda at any table (Pubco Executive 5).

I start with a belief that people are good generally, and if you can understand their motivations and funding (in some cases it comes with strings attached that they must resolutely oppose mining). I don't have a lot of patience for complete propaganda that is not based on fact (Pubco Executive 7).

While some exasperated executives use more harsh language to describe their experiences and observations, a more emotionally-neutral description of the persuasive style of some NGOs could be depicted by the use of *truthiness* or “the quality of preferring concepts or facts one wishes to be true, rather than concepts or facts known to be true” (American Dialect Society, 2006). Essentially, truthiness is something that sounds like it could be true - but is not - and is a strategy used by many NGOs. Socially responsible business practices within the extractive industries are justifiably under heightened public scrutiny (Hassenein et al., 2006), however as in all industries, not all companies can be painted with the same brush. Extreme message distortion campaigns can, and have, caused irreparable damage to both the image and reputation of the mining industry (Romualdez, 2008) and can act as a significant obstacle to the success of the junior exploration company.

**Finding 4:** Junior resource companies do not necessarily report CSR or community investment activities because they do not want to be seen as attempting to use this communication for image enhancement.

Respondents noted that they should “probably do more” in terms of communication, however they felt that given time constraints, the doing was more important than the reporting.

CSR is not something we are doing for publicity its something we do just to be right and a good citizen. I wouldn't want to be seen as capitalizing on, or just tooting your own horn that you are a great corporate citizen (Pubco Executive 1).

CSR pages are basically PR and we are not here to promote that. I think it should be visible but it is not the objective – the objective is not to put up a social responsibility webpage with all sorts of mom and apple pie statements and not do anything. You have to do something first (Pubco Executive 6).

I would actually caution against too much communication, otherwise people become suspicious of your motivation for investing in the community. It's about striking the right balance, like demonstrating you are qualified in a job interview without sounding arrogant. You want some recognition for your efforts, but recognition is not the sole objective (CSR Practitioner 3).

Many junior exploration companies noted communicating activities ranked as less important than just “doing the right thing”. While this is admirable, from a reputation and resulting relationships standpoint, it is also crucial to be seen to be doing the right thing. Companies should have the reputation they deserve – it is not very strategic to do the right thing and hope stakeholders notice. This is where a corporate social responsibility reporting system or communication vehicle could be highly valuable.

**Finding 5:** Junior mining company executives did not find the reporting of CSR or community investment activities had any impact on their ability to attract investors or investment capital.

In their 2006 report *Return on Corporate Reputation*, Hill & Knowlton revealed that “when analysts look at governance, they are most interested in what companies say and do rather than the structure of governance” (p. 7). This is both interesting and relevant if it is applicable at the junior company level. Do investors really care if a company is a good corporate citizen, or

are junior company executives justified in the prioritization of shareholder primacy? Interview participants shared their experience on this topic.

“How are you going to make me money?” That is the only question [shareholders] want answered. They can ask it in different ways but at the end of the day they want the stock to go up. Some investors will not buy a company that is, say, only involved in Burma. But no one is going to buy a stock based purely on CSR. If someone tells you differently they are probably bullshitting you (Pubco Executive 14).

I have never once had a request from a customer for responsible investments (Fund Manager 1).

Thought leaders, policy makers and companies at the senior level often cite CSR and associated reporting in the business case as essential for maintaining an ability to attract investment capital (Business for Social Responsibility, 2007; Hamann, 2003). Two investment fund managers (one socially responsible and the other making no specific claims in this regard) provided their input on what specific reports or company communication collateral they reviewed when making resource company investment decisions.

We often use company information that is publicly available such as annual reports, proxy circulars, annual information forms, sustainability reports, company websites, etc. If companies do not have formalized disclosure we will contact them directly to flush out indicators through dialogue. So, provided we can access the information by talking to management or IR, it is not a problem – they can still be included as an eligible investment (Fund Manager 2).

Fuck the reports. We can look at reports all day and they don't mean shit. We do not review any reporting tools - we talk to management teams and look for common sense. It is simply good business to act in a responsible way and that is what honest business people do. We just don't back people that don't do things right. As long as we share the same values, then we don't worry about reporting (Fund Manager 1).

At the moment, our evaluation process establishes an eligibility list for the portfolio managers. When evaluating company, their involvement in particularly controversial projects or practices may mean that they are not eligible. In other words, the *only* real deal breakers are anything completely egregious or complicit in human rights violations (Fund Manager 2).

As a result of the findings from the research interviews, it appears plausible that there are in fact good reasons to be very discerning about internal or external reporting venues and the amount of information disclosed with respect to CSR and community investment activities in developing countries, most notably the desire to stay “under the radar screen” of anti-mining NGOs. Also of interest, and likely an area worthy of follow-up research, is the finding that the lack of reporting with respect to CSR policies and initiatives does not necessarily impact the ability for the junior exploration company to access investment capital.

### *The Link to Leadership*

**Finding:** Personal values and leadership qualities emerged as a key connection to embracing CSR and a commitment to community investment activities.

Due to its voluntary nature, the inclusion of corporate social responsibility in a company’s business plan is grounded in values as opposed to rules (Kapelus, 2002). Azer (2001) and Haman (2003) found that acceptance of CSR initiatives and policies within an organization only truly occur with the support and modeling of top management. How do the values and ethics of management permeate into corporate culture? One could argue that those executives who understand the “centrality of their own values in their own lives and work” (Dale, 2001, p. xii), are more likely to pro-actively articulate their values into the company vision and mission, embrace CSR initiatives, and are indeed *leaders* as opposed to simply good managers. The view that the successful prioritization of CSR ultimately resides within the personal values and leadership qualities of mining company executives emerged in some interviews.

As a business leader, you simply have to have a social conscience (Pubco Executive 1).

There is a clear relationship between leadership and embracing CSR. Communicating CSR internally supports values at all levels of enterprise and is much more likely to be successful. In this manner, the values

message is conveyed to the operational level, not the “minimum they can get away with” (CSR Practitioner 6).

The personal qualities of management make a big difference. The role of leadership – having a sense of social responsibility and sense of social contract are key (CSR Practitioner 2).

CSR comes down to the person running the company and their own ethics (Pubco Executive 10).

Our CSR policy expresses our values – an articulation of the ethical norms that are implicit in the mindsets of the company management (Pubco Executive 4).

While values seem to play an integral role in leadership, is an individual’s worldview also a significant determinant in their success? Perhaps leaders are also pragmatically distinguished from managers as those who have adjusted their mental models to ones that are more amenable to accomplishing complex goals (Dent, 1999), as noted by one respondent.

An effective leader is someone who acknowledges the obvious. CSR has gone from being a nice soft concept on the periphery to something that is mission critical. If you don’t “get it” you are not going to operate. If your roads are blocked, you’re not mining. The good leader is one that recognizes that it’s no longer optional (Pubco Executive 15).

It is apparent from my research that leaders in the mineral exploration industry understand that engaging key stakeholders and having an awareness of social issues play an important role in the complex components that can lead to value creation for a public company. Leaders understand that in order to be good corporate citizens, they need to bring all of themselves to work and not just the profit part. Insincere or hollow CSR messages can be viewed as a marketing strategy to enhance corporate image, however a specific type of leadership which maintains the dialogue necessary to develop and communicate shared vision and perspective (Kriegman, 2006) could enhance communications to include the consistent expression of an emerging world view, and socially responsible values and actions.



## Chapter 5 – Conclusions

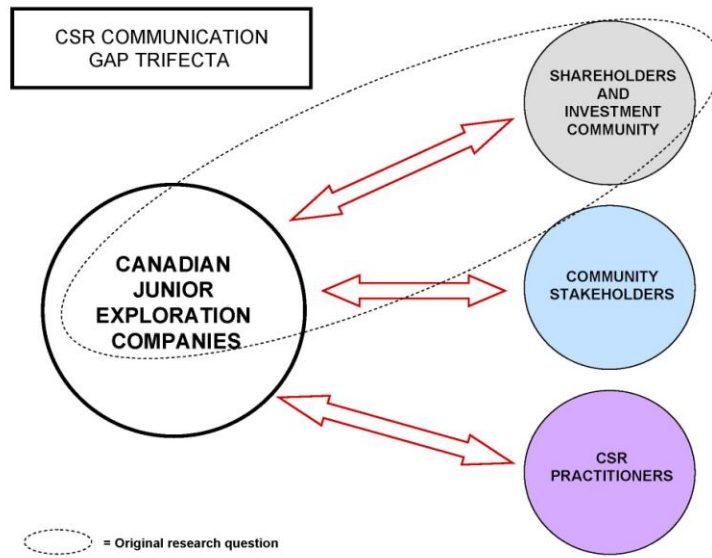
*The Communication Gap Trifecta*

This research project was designed to explore a potential communication gap between junior Canadian exploration companies and their shareholder or investment audience with respect to their CSR and community investment activities in developing countries, and to determine the root causes for a lack of reporting. Paradoxically, it is actually positive that there is indeed a communication gap (as opposed to a performance gap) between what many junior exploration companies do at the community level versus what they report. Junior resource companies may not be communicating community investment at all, or they may have a rather diluted policy-like version of corporate social responsibility and community engagement on their websites and in their marketing materials, as opposed to full and transparent disclosure about both the positive and negative key community stakeholder and social issues surrounding their projects. Given increasing CSR prominence and disclosure expectations, it appears as though junior companies may be doing themselves a rather large disservice by not reporting or communicating these positive aspects more comprehensively to the investment community and other external stakeholders, although the root causes for a reporting silence are different than is often assumed.

During the course of this research it also became apparent that there was in fact more than one communication gap. Two additional spaces emerged as being integral: the gap between companies and its community stakeholders (or the propensity to communicate with only a select few) and the communication gap between industry CSR practitioners and one of their key audiences - junior exploration companies. I chose to name these three key gaps the *trifecta* of communication gaps both in reference to its more literal triple connotation (Merriam & Webster Dictionary, n.d.), and also to reinforce the complex nature of its interconnected constituents. A

trifecta is perhaps most commonly known as a type of bet in horseracing, where a combination of three numerical choices (when interconnected or “boxed”) yields the potential for nine winning combinations. I found this to be an apropos metaphor in the sense that when applied to junior exploration companies, corporate social responsibility and communication of activities, if there is a greater awareness of the complex components of the systems we are examining and a willingness to combine certain relationships in new and different ways, there may also be a number of unique ways to “win”. Figure 3 depicts my original, linear relationship research question surrounded by an updated framework of interrelated component actors and communication possibilities as discovered through the research process.

Figure 3. The Junior Resource Company CSR Communication Gap Trifecta



Source: Author, 2009

Using a dynamic complexity lens, there are a greater number of possible outcomes through a combination of simple connections and exploration of new possibilities of interactions (Zimmerman et al., 1998). Furthermore, Westley et al. (2007) advocate attentiveness to the entire system as “certain kinds of interactions are more likely to result in transformation than others” (p.19). It is conceivable that actors in the Canadian mining industry require a greater, more participatory, and interconnected exchange of information in order for the current reporting system of socially responsible, stakeholder and community engagement activities to change and evolve. Through recognition of this wholeness and interconnectedness of the relationships in this complex adaptive system, more innovative and flexible approaches to communicating CSR and community investment could potentially be designed.

### *Reframing Perspectives*

“Changing the way we view our environment and our place in it,  
as well as our sense of relatedness is a crucial first step to changing our impact(s)  
in our individual communities, as nations, and globally.”

Dale, 2001, p. 23

Corporate communicators in the mining sector face formidable challenges; most notably a multiplicity of stakeholder audiences with divergent information needs. Because the implementation and reporting of both CSR and community investment activities in developing countries are complex problems, a beneficial strategy may be to use complexity science as a lens through which small enterprises can reframe perspectives to view potential solution options and facilitate change. Complexity science is paradoxical and, in this context, suggests both mining companies and NGOs embrace a tolerance for multiple perspectives; and a focus on “both/and” rather than “either/or” in order to change our assumptions regarding relationships and interconnections (Dale, 2001; Singhal, 2007; Westley et al., 2007; Zimmerman et al., 1998). Continued focus on revisiting complex demands and creating manageable steps that junior

exploration companies can take to slowly transform communications practices to include the expectations of a system of stakeholder perspectives and an increasingly global audience is required, however perceiving social responsibility as building shared value rather than risk mitigation or reputation management will require “dramatically different thinking” (Porter & Kramer, 2006, p. 13). For any true change to occur, Canadian mining executives will need to reframe their perspectives; adjust their view of the world and their interactions with it and move beyond a largely reactive stance of mitigating risk, to one of building relationships with all stakeholders in a well thought-out and pro-active way.

My research contributes to the body of existing knowledge regarding CSR and community investment in the extractive industry from a junior company perspective. My objective was to provide insight into the practices as well as the communication challenges that junior mineral exploration companies may face while operating in developing countries. After interviewing industry CEOs, CSR practitioners, policy-makers and fund managers, I am aware that many of my findings are not altogether new, however my hope is the specific compilation of this data might serve as a resource or act as a catalyst for further research or perhaps the consideration of one of the recommendations contained within for those committed to affecting change. Additional research or funding initiatives could lead to the development of tangible tools (perhaps mandated) for junior resource companies to use in their reporting and communication systems. Other research could specifically explore venture philanthropy – partnering to fund innovative programs in support of people, the relationship between socially responsible activities and the ability to attract investment capital, or to explore how enhanced community investment initiatives and related reporting or communication might draw more positive public attention and awareness to mineral exploration and mining operations.

## Chapter 6 – Recommendations

Industry executives, CSR practitioners and policy-makers alike can become overwhelmed by the size and scope of complex problems such as conducting and communicating corporate social responsibility in developing countries, yet we can extrapolate from complexity science that sometimes small efforts or initiatives can have big effects (Anderson et al., 2005; Singhal, 2008; Zimmerman et al., 1998). Some ideas for solutions require funding, the allocation of which (from a traditional, linear standpoint) has typically required clear vision, outcomes of certitude, and built-in measurements of success (Westley et al., 2007). Alternatively, an emerging world view appreciates complex problems - where certainty and measurability are inappropriate in early stages. These problems require *innovative funding* and a shift in perspective as Westley et al. (2007) suggest “perhaps funders should be looking to support people, not projects, as a way to support genuine social innovation and good corporate citizenship” ( p. 47). There are indeed those in a position to provide investment capital to the junior mining industry, and who place their support and financial backing in people, as noted by one fund manager.

Investigation of the calibre of management is simply the most important thing we look for. We are here to make money, and we make money by dealing with good people, and really, really good people understand that to be successful you have to be a good corporate citizen (Fund Manager 1).

Further acceptance of an emerging world view and the support of people may indeed yield more innovative funding in the future. Below are some recommendations for consideration by junior mining companies, industry CSR stewards and practitioners to improve communication between and amongst stakeholder; some of which may require innovative funding, and some that could be attainable with small corporate treasuries or no funding, by examining circumstances differently, reframing, and reprioritizing.

Recommendations for improving communications between junior exploration companies and shareholders and the investment community

*Add community, social and cultural aspects, and stakeholder engagement to the NI 43-101 Technical Report.* While the communication of CSR activities is currently voluntary, there are certain regulated reporting requirements for publicly-traded junior exploration companies. One of these regulatory reports is the aforementioned National Instrument 43-101 Technical Report, a mandated technical report designed to offer certain protections to investors through the disclosure of scientific and technical information regarding a mineral property. At present social and environmental issues are sometimes “squeezed into” Item 7 (Accessibility, Climate, Local Resources, and Infrastructure) or Item 20 (Other Relevant Data and Information) of the report, however most often these narratives regarding community are absent altogether. A specifically mandated heading and corresponding requirement to communicate the important aspects of community, social issues, and stakeholder engagement would encourage accountability and greater prominence in standard and required reporting.

It would be extremely helpful if there was better disclosure at an early stage. It’s no longer just a case of questionable assays – it’s about adequate disclosure of social conflict (CSR Practitioner 1).

This additional disclosure would provide investors with information regarding engagement with community stakeholders and potential social issues, and in some instances, could prevent the non-disclosure of key social issues that could negatively impact the ultimate success of projects in developing countries. Currently Environmental Impact Assessments (EIAs) do require disclosure regarding external, participatory stakeholder involvement, and have a section relating specifically to community and social issues, however this report is a requirement at the *development stage*, generally much beyond the early contact of exploration companies with local communities.

*Create a relevant reporting standard for micro-cap mining companies.* While the PDAC announced in March of 2009 that their E3 Plus Framework would be expanded to include performance indicators, reporting criteria, and verification processes, this has not occurred as yet and there remains no relevant CSR reporting standard for junior exploration companies. As recommended by the National Roundtables on CSR & the Canadian Extractive Industry in Developing Countries in 2007, the GRI has created a Mining and Metal Sector Supplement which is currently in circulation for comment. The draft, while an improvement, continues to be lengthy, cumbersome, and predominantly irrelevant to junior companies. Of promising potential use however, might be the Stakeholder Engagement sections (sections 4.14 – 4.17) of the supplement which recommend disclosure pertaining to examples of stakeholder groups (the basis of identification, approaches, frequency), key topics of community concerns (including company responses to these concerns) as well as disclosure regarding funds to support community infrastructure, culture, and education. Overall, a more specific and size-appropriate reporting tool still needs to be developed for junior exploration companies, especially since the CSR Roundtable has put forth a recommendation that GRI reporting become a listing requirement.

*Consider community, the stakeholder engagement process, and social issues in developing countries as critical information to be included in corporate communications materials including annual reports, website, and presentation materials.* Encourage junior resource company executives and communications professionals to explore the suite of industry CSR tools at their disposal and assume a leadership role by encouraging socially responsible thinking and processes throughout the organization. Also encourage junior resource companies to create and consistently frame CSR policies and procedures and community and stakeholder engagement description in publicly-available corporate disclosure, as well as representing company values through prominent key messaging in investor communications. The impetus for



this could potentially be accomplished through the reinforcement of a business case or the value proposition of CSR (Hamann, 2003) as noted by many participants.

Reducing costs on the ground *does* add real value to shareholder – and that value has to be recognized. That value can be translated to shareholders almost immediately (Pubco Executive 6).

The business rationale is clear; CSR enhances corporate reputation, the absence of social problems appeals to investors, and facilitates the development of new projects. There is a value-add to a project that does not come with a bunch of social problems. If not convinced of an upside, juniors should at least be aware of diminishing value in this regard (Pubco Executive 4).

CSR when practiced effectively is aligned with reinforcing the commercial bottom line and I think that is what people really have to get their heads wrapped around. They don't need to be working at cross purposes (Pubco Executive 13).

Sometimes CSR *can* mean acting in your own best interests and adds value to the company. For example, at a project in Zimbabwe 30-40% of the working population had HIV. Helping the area deal with this crisis and putting in place programs to help the community with the problem ultimately benefitted the community and the company in meeting its workforce objectives (Fund Manager 1).

Recommendations for improving communication between junior exploration companies and community stakeholders

*Communicate early and often with communities.* Incorporate the process of stakeholder analysis and social issue mapping into the company CSR procedures (either internally or by external consultants) and first contact processes. The community investment practices of many Canadian Junior mining companies tend to be more reactive than proactive, and by changing the corporate mindset and strategy to one of planning, pro-activity, and community engagement prior to commencing work, junior exploration companies will be more effective in their communications with local communities and in gaining social license to operate.

*Allocate resources to the training of key personnel.* Acknowledge the complexity of community engagement and initiating CSR activities in developing countries while recognizing its importance to the ultimate success of a project. Commit to community engagement training for key personnel – especially those making first contact with local communities.

Quite often the Geo is the multi-tasking project manager on the site. We should (as juniors) invest in some level of awareness training in this regard (Pubco Executive 12).

Recommendations for improving communication between mining industry stewards and CSR practitioners with the mining industry

*Encourage CSR practitioners and industry policy makers to recognize and address the communication gap between their organizations and junior mining companies.* At present mining sector CSR workshops, roundtables, or community investment forums are somewhat insular in the sense that they are populated predominantly by policy makers and more senior mining companies as opposed to sourcing and educating new and more junior participants – the ones most likely to be developing initial relationships with local communities. It is recommended that industry associations and CSR practitioners increase both frequency and delivery methods of communication of CSR tools and services to junior exploration companies. This could be accomplished by advertizing in trade magazines, having a presence as a participant at industry retail trade shows and conferences, building a database larger than current memberships (i.e. CSR communications should go to any interested parties and not just members), by permitting unrestricted attendance (subject to room capacity) at information sessions, ensuring existing guidelines and frameworks are easily accessible (and not viewed through a series of web log-ins and passwords). CSR and community investment education and information sessions should be hosted at dates and times more conducive to the schedules of

junior exploration company executives (i.e. not during *their* conferences). Specifically target, invite, and encourage a junior perspective and voice at CSR roundtables and focus groups.

*Create a community investment depository of ideas.* Create a publicly-accessible, online depository of ideas and practical instructions for on-the-ground community investment initiatives in various budget categories.

We could really use a Popular Mechanics for community investment projects – case study specifics and tools in one place. Like, how would you set up a nursery to plant little trees and what kind of costs would be involved? If you are working at 12,000 feet in the Andes – this won't work, but this will... or how to build a well. We have the equipment, but how do you build something that is safe? There are probably NGO handbooks on how to make a “something or other”... but an out of the box kind of plan – ideas that have actually been used and implemented in various countries with a range of budgets. It would be excellent to show up in a community, tell them “we can do X” and actually know how to do it - in the context of what they need and want (Pubco Executive 2).

*Create a CSR “buddy system”.* Similar to the depository of ideas, create a publicly accessible database of contacts where junior company executives, geologists, or operational level managers could locate, and communicate with, an appropriate contact with specific experience in a specific region for ongoing peer perspective and advice on CSR, community investment, and stakeholder engagement.

*Provide or facilitate funding for an industry CSR mentorship program.* At present, mining industry associations such as PDAC and ICMM admit to having a “generation gap” in available practitioners that are looking towards retirement with not many protégés to continue the commitment to CSR in the mining industry. Funding for such mentorship and training (as opposed to unpaid internships) could be provided in concert with private practitioners or income generating, publicly-traded mining companies to groom new professionals for this demographic transition.

Transformation, large or small (and regardless of how it is inspired), is necessary if mining industry participants and practitioners wish to encourage collaboration with other industry stakeholders to enhance their ability to manage social and environmental risks when operating abroad. Transformation is also necessary in order to continue to develop targeted communication solutions that will benefit both junior exploration companies and potentially, advance the reputation of the care and competency of its members, and the mining sector as a whole.

## Chapter 7 - Reflections

“Mindsets play strange tricks on us.  
We see things the way our minds have instructed our eyes to see.”

Muhammad Yanus, Grameen Bank

Complexity science encourages a change in how we see and perceive the world. The formulation of my original research question was directly linked to my professional experience and personal observations throughout my tenure as a corporate communications consultant to the junior mining industry. My perspective, while more an emerging worldview than a traditional one (Dent, 1999), still determined much of what I saw and how I interpreted my environment. I chose to focus on specific communication (or lack thereof) between junior resource companies and shareholders and the investment community, and had I remained restricted to this narrow focus, I would not have explored the gap between companies and community stakeholders (which led to the significance of the stakeholder mapping and social issues analysis process), nor would I have become aware of a “reverse gap” in communication between CSR stewards and practitioners and one of their key audiences – junior exploration companies. While researching the on-the-ground CSR experiences of juniors in developing countries and the crux of the reasons why many junior mining companies do not communicate their community investment contributions, I came to realize that my own perspective, at its inception, was linear and lacking an awareness of layers of a more complex and bi-directional matrix of CSR communication gaps.

During the process of my research, the generosity of participants and industry CSR leaders was truly inspiring. I had the very good fortune of discovering extraordinarily capable innovators and authentically driven practitioners and professionals nestled within my own sector. Not only do I have a new level of awareness and interaction with these practitioners, but I also now enjoy a sense of “industry rejuvenation” with respect to the efforts within the mining sector

that are focussed on community relationships and socially responsible behaviors by those who have led CSR from the margins to the mainstream. These change agents are “bridging the gap between what is happening and what is possible” (Pascale & Sternin, 2005, p. 73). This niche of professionals truly cares and truly wants to make a difference. They understand the importance of the continued discovery and extraction of earth’s resources for life’s necessities and comforts, and are simultaneously committed to changing social perceptions and transforming procedures as they pertain to respecting the environmental, cultural, and social aspects in developing countries.

My research was also a journey of personal realization; that in order to affect change, we must reframe our own perspectives and participate in the change. We are inextricably linked to the complex system we are trying to change - we are part of the system. As we change it does, and vice-versa. The possibility of risk resides with any change; however, agents of change see beyond these risks and seek improvement or see opportunities where others perhaps do not. These are people who feel compelled to step forward and “are not people who create more doors, or even people who are surrounded by more doors than others... they are simply people who see more doors” (Westley et al., 2007, p. 221).

CSR is no longer considered a buzzword or a flavour-of-the-month concept; it is here to stay and represents a space for professionals in the mining company to align and communicate their personal values with professional contributions to society. Although corporate existence is complex, one of its most intriguing paradoxes is an unpredictable nature combined with a unique ability to adapt. Perhaps the first step is for those interested in adaptation and transformation is to truly believe in the doors.

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