

A Global Mining Corporation and Local Communities in the Lake Victoria Zone: The Case of Barrick Gold Multinational in Tanzania

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ABSTRACT. This case explores a Canadian mining corporation, Barrick Gold Corporation (Barrick), and the way it engages with the local communities that surround its mining activities in the Lake Victoria Zone, Tanzania. Following recent organized tensions within several local communities and heightened criticism from those communities [examples of recent discontent from local communities and workers at Barrick Gold Corp in Tanzania: <http://www.protestbarrick.net/article.php?id=214>; <http://www.protestbarrick.net/article.php?list=type&type=12>; <http://www.reuters.com/article/marketsNews/idUSN1247233520081212>; <http://www.corpwatch.org/article.php?id=15263>; http://www.miningwatch.ca/index.php/?Tanzania_en/What_Really_Happened (accessed February 25, 2009)], as well as from local media, social lobbyists, and local not-for-profit organizations (NFOs), the case examines the way Barrick has responded to this situation by implementing global corporate social responsibility (CSR) policies in an attempt to strike a balance between its international business capabilities and its localization strategies. In spite of these efforts, tension between Barrick and the local communities within the company's zone of operations has not abated. This issue has left Barrick's senior management wondering what more the company could reasonably do to resolve the situation.

KEY WORDS: mining, multinational corporations, corporate social responsibility, local stakeholders, not-for-profit organizations, Barrick, Tanzania

ABBREVIATIONS: NFO: Not-for-profit organizations; MNCs: Multinational corporations; HRM: Human resource management; NEPAD: New partnership for Africa's development; UNECA: The UN economic commission for Africa; FFU: Field force unit; FDI: Foreign direct investment; TIC: Tanzania investment centre; CRDB: Commercial rural development bank; NMB: National microfinance bank; TPSF: Tanzania private

sector foundation; AMP: Africa mining partnership; TAMICO: Tanzania mines and construction workers union; NMM: North Mara mines

Preamble

In this case, we investigate the ways that a multinational extractive mining corporation (MNCs), Barrick, implements its global CSR programs in the developing country of Tanzania. We also study the company's subsequent challenges and opportunities in managing relations with nearby communities, lobbyists (i.e., advocacy groups), and NFOs, as well as the impact of Barrick's mining activities in one of the poorest and most densely populated local communities in Tanzania and sub-Saharan Africa (see Figure 1). Next, we present Barrick's response to several social problems in dealing with the local challenges of poverty, unemployment, and environmental concerns when entering new markets in a developing country. Such markets are characterized by complex institutional conditions, corruption, weak legal and judicial systems, heterogeneous cultures, and a growing pressure for social stake-holding in local indigenous/communities (i.e., see DeSoto, 2000; Hart and Sharma, 2004). Finally, we examine the way that Barrick seeks to gain social license and the local legitimacy that is needed to operate in the local communities in the Lake Victoria Zone (Austin, 2000; Grant, 1996; Selsky and Parker, 2005) in Tanzania.

Other previous studies on mining MNCs' relationships with local communities in Africa (see Broad,



Figure 1. Map of Tanzania and Barrick's mining sites in the Lake Victoria Zone. Source: <http://www.barrick.com/GlobalOperations/Africa/default.aspx>. Accessed April 24th, 2009.

1997; Kapelus, 2002; Newenham-Kahindi, 2007) and in other developing nations (see Calvano, 2008; Kestler and Gifford, 2008) have already been conducted. The case provides a critical view of the fact that, in spite of its efforts to address the social and ecological issues, Barrick continues to face a complex and an ambiguous stakeholder problem from the host nation and from the local communities. We obtain our view of the situation through the use of several tools: a qualitative research approach (Yin, 1994) that uses in-depth interviews, i.e., semi-structured interviews with NFOs, Barrick's representatives (mining site managers), and local employees (both blue- and white-collar workers); secondary data obtained from Barrick's country head office (with the public relation officer) in Dar Es Salaam and Google web searches, archival data, and observations between May and August 2008 that took place at the mining sites in Lake Victoria Zone, Tanzania, and subsequent data follow-up until January, 2009 (Glaser, 1992).

Given the opportunities and challenges faced by Barrick and by the local communities in Lake Victoria, we suggest the importance of developing "social acts" that build competitive advantage for the mining company and the local communities; deep

understanding of and integration with the affected or involved stakeholders in Lake Victoria, as well as nurturing sustainable collaborative hybrid forms of social governance (win-win relationship) and bottom-up engagement initiatives (Newenham-Kahindi, 2009a). Above all, we suggest that the host nation, under the leadership of the government of Tanzania, should be actively engaged in facilitating such cross-sector collaborations as a way to create positive values that are context focused (i.e., social enterprise ventures, job creating investments, and ecological awareness) for its citizens and influence all involved stakeholders to address the problems and challenges in a responsible manner.

The role of a government's corporate regulatory system (DeSoto, 2000) is substantial in facilitating NFOs, various lobby groups, MNCs, and local communities to develop sustainable cross-sector partnership practices (Bowen et al., 2010; Waddock, 2008). At the same time, the host government should pursue proactive national institutional policies to enhance and safeguard the interests of all stakeholders engaged in the partnership process.

The lessons from this case study are important to other global MNCs in the mining sectors, and to

other extractive natural resource industries, that operate in developing countries (see Calvano, 2008; Kapelus, 2002). The main lessons clearly points to the need for MNCs to avoid engaging in global CSR policies and practices that are non-strategic to the organization and to the local social and cultural contexts. Instead, MNCs should integrate CSR activities into their core corporate activities in order to establish a win-win scenario with local communities and other involved stakeholders (see Table II). By doing so, MNCs can acquire reputational capital resulting from the non-distribution constraint and trust orientation with local stakeholders (Selsky and Parker, 2005). MNCs can also acquire knowledge about social issues at localized levels as well as expertise in stakeholder management, with which global business corporations are intimately unfamiliar (Austin, 2000). For MNCs engaging with local communities, such an approach offers the MNC an opportunity to gain legitimacy, manage social risk (i.e., terrorism), and even co-develop innovative solutions to social problems with community members. MNCs' initiatives within their subsidiaries can lead to increased innovation and new market opportunities for businesses as they are forced to adapt to hostile conditions, cultural differences, and tight resource constraints (Hart and Sharma, 2004). More importantly, MNCs can enhance local responsiveness through knowledge learning and sharing (Newenham-Kahindi, 2009a). The potential benefits to NFOs are likewise numerous, including gaining access to large amounts of capital (Oster, 1995), improved efficiencies and accountability (Selsky and Parker, 2005) and exploiting economies of scale and large distribution networks. For local communities (i.e., communities of place), MNCs could offer access to charitable dollars, employee volunteers, training, capacity building, and the ability to utilize untapped local knowledge and skills to create competent entrepreneurship business ventures that can, in turn, serve the local markets.

The mining industry, “communities of place” and the host nation

Unlike the manufacturing and service sectors, the mining sector is based on the extraction of natural resources from a particular environment or land

(Calvano, 2008; Kapelus, 2002). Often, this extraction of natural resources is conducted in or near local communities (i.e., communities of place) and might therefore have an impact on community resources such as water supplies, recreation, livestock grazing areas, and natural vegetation. Such geographic areas are also known as “fenceline communities” (Calvano, 2008). In this article, we use the term “communities of place” to imply those communities that lie within or close to the Barrick mining activities in the Lake Victoria Zone. By definition, the term *communities of place* refers to the community stakeholders who are directly or indirectly affected by foreign-owned business activities. These actors represent one of the new battlegrounds on which MNCs' activities are contested. For obvious reasons, this trend has enormous financial and reputational consequences for MNCs (i.e., see Bowen et al., 2010; Dunham and Freeman, 2006).

For several decades, developing countries that possess vast amounts of natural wealth have relied on these natural resources to promote economic growth and employment. However, mineral wealth is one area that has continued to disappoint the citizens of such countries. In some developing countries, economic dissatisfaction among the citizens has led to violent behavior and prolonged civil war between various factions within the local communities, NFOs, and lobbyists (Banerjee, 2000). As a result, the countries' natural resources have failed to diversify economic growth or make a contribution to the development interests of poor communities. The crux of the problem stems from a variety of social ills, such as institutional corruption among the ruling elites, weak governance, and poor judicial capabilities to enact or enforce the rules and laws that govern the operations (see DeSoto, 2000; Newenham-Kahindi, 2007), and a failure to effectively use mining-generated taxation revenues to improve the local communities.¹ In addition, several global mining MNCs have been known to practice certain disengagement behaviors in developing nations (Kamoche et al., 2004). Such practices have emphasized the transactional level of relationships with communities, relationships that lack any significant sense of local ownership and empowerment (see Table II), with the result that leading local communities lose interest in pursuing developmental projects.

Occasional interaction with local communities and other local stakeholders, and considerable autonomy by MNCs on the allocation and decision-making of various social projects in developing countries, has contributed to the failure of identifying committed partners and finding ways to engage them in authentic dialog so that both parties can learn from each other. Several MNC-led poverty-alleviation and environmental programs have degenerated into mere global charity rather than serving to build local and sustainable community development (Kamoche et al., 2004; Newenham-Kahindi, 2009b).

Barrick mining corporation (Tanzania)

Barrick has operated in Tanzania since 1999. In February 2010, the company was named as African Barrick Gold plc (see www.barrick.com/tanzania). The company claims to take the issue of social and ecological development seriously, as evidenced by its efforts to confront the traditionally poor ethical reputation among MNCs in developing countries. The company seeks to achieve this balance through establishing partnerships with local stakeholders and then using those partnerships to tackle various social problems (see www.barrick.com/CSR). As is the case in other global sectors, the mining sector is becoming increasingly integrated (e.g., in terms of strategy, marketing, joint ventures, etc.) and subjected to centralized control (Bartlett and Beamish, 2011). However, the sector's operations are inevitably becoming more localized as resources are extracted from specific sites, an activity that is an ongoing source of concern for local communities and indigenous groups living in and around those sites. Thus, the challenge for the sector, and for African Barrick in particular, is to translate global commitments into specific contexts within the local communities – i.e., “the art of being local worldwide,” a process whereby the “community” becomes an all-important focus of attention in verifying the firm's status as a good local corporate citizen (see Kestler and Gifford, 2008).

The company is aware of the ways that the influence of social actors, civil society institutions, human right groups, and other watchdogs' activists could have an impact on its business operations around the world, especially since such groups are

becoming more global and more highly organized (Bowen et al., 2010; Waddock, 2008). Also, the issue of indigenous communities and the right of land and stake-holding is also becoming an essential piece to the puzzle (Hart and Sharma, 2004; Kapelus, 2002). Barrick's business profitability will be questioned by these groups if it fails to contribute in a sustainable way to social welfare and ecological issues in local communities (see End note 1).

By March 2009, Canadian-owned Barrick had been operating in the Lake Victoria Zone in Tanzania for a decade. The company was widely considered to be one of the more “responsive” global corporations in the mining industry.² Its extensive mining activities in the region employed thousands of local people, and Barrick was engaged in development projects in various Tanzanian communities. The company operated four main gold mining sites (see Figure 1).

Barrick's integrated business operations were governed from its head office in Toronto, Canada. It had a country head office in Dar Es Salaam, which is the commercial city of Tanzania, and offices across its mining sites in the Lake Victoria Zone. Despite Barrick's efforts to support development project initiatives in the Lake Victoria Zone over the past decade, discontent and resistance from many local communities and lobbyists still remained. For Barrick's management, there were two key questions: why had the local tensions not stopped and was there much more the company could reasonably be expected to do to resolve the problem?

Background on Tanzania

Tanzania was a developing country located in East Africa, with total land size of 945,087 km² and one of the highest levels of unemployment and poverty in Sub-Saharan Africa (Beamish and Newenham-Kahindi, 2007). Its economy was heavily dependent on agriculture, which accounted for half the GDP, provided 85% of the country's exports and employed 90% of the workforce (Newenham-Kahindi, 2007). Topography and climate conditions, however, limited cultivated crops to only 4% of the land area. Industry was mainly limited to processing agricultural products and light consumer goods.

Like most developing nations, Tanzania had a very weak national institutional and legal system (Newenham-Kahindi, 2007, 2009a), with the result that it also had a very high rate of corruption (see www.transparency.org – on Tanzania). The country needed support from foreign direct investment (FDI) and multinational corporations (MNCs) to promote business, employment, innovation, and other opportunities for its citizens. Tanzania wanted its institutions to be more transparent and accountable and to regulate the activities of FDI and MNCs in addressing the country's social and ecological issues. Both local and international not-for-profit organizations (NFOs), however, continued to create a significant impact with respect to promoting responsive behavior in corporate governance practices and positively influencing all involved stakeholders and other social actors to address social issues.

Following its independence in 1961, Tanzania opted for a socialist command economic and institutional system, with socialist policies (“Ujamaa” in Swahili) being implemented in 1967. The emphasis of these policies was to promote co-operative institutions and collective villages with the aim of building an egalitarian society, eliminating ethnic and gender barriers, and establishing the common language of Swahili for all. Within the practice of Ujamaa, the country had managed to unite its ethnic groups under a common language, with the result that the central government had created strong post-colonial nationalistic ideologies, unity, ethnic harmony, and peace among its people (Beamish and Newenham-Kahindi, 2007; Newenham-Kahindi, 2007). Compared to many post-colonial Sub-Saharan African countries that went through civil and ethnic strife and conflicts after independence in the 1960s and 1970s, Ujamaa appeared to be a successful model.

Toward the end of the 1980s, however, Tanzania began to experience significant economic stagnation and social problems. To combat these issues, in the early 1990s, the government sought to privatize its economy and reform its institutions to attract foreign investment. The introduction of the famous post-Ujamaa Investment Act of 1997 was intended to encourage free market and trade liberalization in the country. Investment in various private sectors such as mining, tourism, fishing, banking, and agriculture under foreign-owned TNCs served to bolster the

country's reforms by creating employment opportunities for the local economy (Newenham-Kahindi, 2009b).

As the country continued to privatize and reform its national institutional and legal system, many foreign companies sought to invest in its economy. The Tanzania Investment Centre (TIC) was created in the early-2000s as a tool for identifying possible investment opportunities and aiding the potential investor in navigating any procedural barriers that might exist.³ The liberalization of the banking industry in 2002, for example, saw the former Ujamaa Cooperative and Rural Development Bank replaced by the Commercial Rural Development Bank (CRDB) and the National Microfinance Bank (NMB) that promoted community investments across the country (Newenham-Kahindi, 2007). In February 2009, the Tanzania Private Sector Foundation (TPSF) was created with the aim of strengthening the entrepreneurial culture among its citizens by providing communities and individuals with entrepreneurial business ideas and grants across the country. As a result of these initiatives, the Tanzanian economy had continued to grow and create job opportunities, providing training and innovative development prospects for its people. Earlier, the country had introduced new mining legislation, such as the Mining Act of 1998 and the Mining Regulation Act of 1999, in order to harmonize investment relations between FDI and local interests. The country possessed vast amounts of natural resources such as gold, diamonds, copper, platinum, natural gas, and zinc deposits, all of which remained underdeveloped. It was one of the more peaceful countries in Sub-Saharan Africa. In order to attract and protect the interests of FDI and MNCs and, of course, of its own people, Tanzania attempted to harmonize its investment practices and labor legislations.

For a number of reasons, Tanzania made a willing host nation for FDI. The country needed the input of MNCs to create employment and prosperity. In return, Tanzania could provide the MNCs with low-cost labor and a readily available labor force. Low labor costs represented an opportunity to support the host nation's development policy in attracting foreign direct investment and ultimately in creating a knowledge-based society in the midst of the globalization challenges that were faced by so

many developing countries (Jackson, 2004; Prahalad, 2006). Furthermore, Tanzania continued to create a local business environment in conjunction with various MNCs' global business interests in order to generate sustainable development policies and practices. It also engaged in market development initiatives that represented innovative learning opportunities and entrepreneurship ventures for its citizens (Newenham-Kahindi, 2009a).

The number of local Tanzanian NFOs increased in response to the economic and institutional transformation in the country.⁴ All NFOs were registered by the government, whose role was to unify the sector and create an enabling environment for the sector to engage stakeholders to promote justice, peace, gender equality and equity, good-governance, and human rights in the country. The government attempted to facilitate these goals through education, debate and dialog, and training of the local stakeholders. The government and NFOs were engaged in mobilizing local stakeholders to understand the benefits of having MNCs in Tanzania and to collaborate with the MNCs as a way to benefit the country (Beamish and Newenham-Kahindi, 2007; Newenham-Kahindi, 2009a).

Lake Victoria background

Tanzania's Lake Victoria was surrounded by the three East African countries of Kenya, Tanzania, and Uganda (see Figure 1). The lake itself was named after the former Queen of England, Queen Victoria, and it stood as the world's largest tropical lake and the second largest freshwater lake, after Lake Superior in North America. Covering a total of 69,000 km², the lake was as large as Ireland and lay in the Rift Valley of East Africa, a 3,500-mile system of deep cracks in the earth's crust, running from the Red Sea south to Mozambique. Lake Victoria is the source of the Nile River, which passes through the Sudan, Egypt and finally to the Mediterranean Sea.

Lake Victoria Zone in Tanzania

The Lake Victoria Zone consisted of the three regions of Mwanza, Mara (formerly called Musoma),

and Kagera (formerly called Bukoba) and was one of the most densely populated regions in Africa (see Figure 1). Population growth around Lake Victoria was significantly higher than the rest of Sub-Saharan Africa. During the last five decades, population growth within a 100-km buffer zone around the lake had outpaced the continental average, which had led to growing dependency and pressure on the lake's resources.

Prior to the mining extraction boom of the early-1990s, and following the collapse of Ujamaa, most people living in this region were engaged in rudimentary forms of fishing, agricultural farming, and cattle-raising, as well as other forms of co-operative activities that had been engineered by the country's then-Ujamaa policies. Irrigation was limited to a small scale and often used basic technologies to operate both individual and co-operative farming activities. Noted for its temperate climate, the area had a mean temperature of between 26 and 30°C in the hot season and 15 and 18°C in the cooler months. The area was rich with tropical vegetation and fruits such as bananas, mangoes, corn, pineapple, and many others. The lake was essential to more than 15 million people, providing potable water, hydroelectric power, and inland water transport, as well as support for tourism and wildlife.

The area remained one of the most fertile for farming activities and continued to attract immigrants from other regions of the country. It also served as a haven for its neighbors who had fled from the war-torn populations of Burundi, Rwanda, and the Democratic Republic of Congo. The presence of several of MNCs engaged in various activities in the area was the main draw for the immigrants, who arrived seeking employment and new sources of livelihood.

The resulting population increase in the Lake Victoria Zone created several problems with respect to the lake and the environment. According to a report by World Watch Institute in Washington, the once clear, life-filled lake had become murky, smelly, and choked with algae. It had been reported that:

The ecological health of Lake Victoria has been affected profoundly as a result of a rapidly growing population, clearance of natural vegetation along the shores, a booming fish-export industry, the

disappearance of several fish species native to the lake, prolific growth of algae, and dumping of untreated effluence by several industries. Much of the damage was vast and irreversible. Traditional lifestyles of lakeshore communities have been disrupted and are crumbling.⁵

As a result of the overuse of natural resources in the area, the traditional lifestyles of the lakeshore communities were significantly altered, a situation that prompted both social and ecological concerns for the area and its residents.

The fishing industry was badly affected in the region following the introduction of Nile Perch (*Lates Niloticus*) and Nile tilapia (*Oreochromis Niloticus*) into the lake. For example, in the 1980s, a survey of the lake revealed an abrupt and unexpected increase in numbers among the Nile perch, constituting 80% of all species in the lake. In spite of working harder, local fishermen caught fewer fish since the populations of smaller fish, which traditionally had been the fishermen's primary source of livelihood, became decimated. In addition, the big oily Nile perch, locally referred to as "Mbuta," swam too far out in the open waters for the little local fishing boats and was too large to be caught in the locals' unsophisticated nets.

In response to an increased international demand for the Nile perch, commercial fishing fleets owned by foreign MNCs displaced the local fishermen and took jobs away from the many women in lakeside communities who worked as fish processors. Processing of fish, traditionally performed by women, was gradually taken over by large filleting plants, and the local women resorted to processing fish waste. Many fishermen were forced to look for alternative sources of livelihood, mainly seeking employment as manual laborers in extractive mining corporations and other industries (Newenham-Kahindi, 2009b).

The water hyacinth posed another threat to the health of Lake Victoria. With the deceptive appearance of a lush, green carpet, the hyacinth was in fact a merciless, free-floating weed, reproducing rapidly and blanketing any uncovered territory. First noticed in 1989, the weed spread rapidly and covered large areas in all three surrounding countries. It formed a dense mat, blocking the sunlight from reaching the organisms below, depleting the already low concentrations of oxygen, and trapping fishing

boats and nets of all sizes. The hyacinth was also an ideal habitat for poisonous snakes and for disease-carrying snails that caused bilharzias. The government, in partnership with other international agencies and MNCs, had tried desperately to control the weed. Their most promising approach involved harvesting the hyacinth and using it either for compost or for bio-gas production.

The health implications associated with the declining state of the lake were extensive. Dumping untreated sewage in the lake and nearby rivers exposed people to waterborne diseases, such as typhoid, cholera and diarrhea, and chronic forms of malaria. The Lake Victoria Zone was known to have the most dangerous types of malaria in the world. As fish prices soared, malnutrition due to a lack of protein became a significant threat for communities living in the zone. Lack of regular income also meant that many people in the area could not afford to be treated for waterborne typhoid, yellow fever, and various forms of tropical worms such as tapeworms and hookworms.

Although the lake had been poorly managed and subsequently damaged over the years, sustainable management could potentially preserve it as an invaluable asset to the millions who depended on it for food, employment, irrigation, and recreation. Several MNCs in the fishing, farming, tourism, and mining sectors, for example, put their CSR (i.e., environmental and social) concerns for the lake and its zone as a priority in their sustainable development programs. MNCs also began to work with several NFOs, local communities, and regional governments to address the social problems of high unemployment, crime, tropical diseases, gender inequality, youth unemployment, education, indigenizing innovation, and entrepreneurships. Sustainable health development initiatives by MNCs, in particular, had been established to provide health-care services for their employees and for the local people and also to promote epidemiology awareness among local communities suffering from other diseases such as HIV/AIDS and sexually transmitted diseases (STDs). Concerted sectoral partnership efforts by the governments, NFOs, MNCs, and local communities in the area were desperately needed if these environmental and social initiatives were to remain sustainable in the long term.

Mining in Tanzania

Gold mining activities around the Lake Victoria Zone in Tanzania – Tanganyika at the time – started during the German colonial period in 1894. The First and Second World Wars accelerated the demand for gold production in the region and, following the introduction of Ujamaa in 1967, mining became a state-directed activity. By nationalizing the mining industry, the government hoped to capture more benefits through the creation of local employment, direct spending on social services for mining communities, and higher budget revenues from having a direct stake in the business. Despite these high hopes, the mining sector failed to stimulate the industrialization of the country's economy (Newenham-Kahindi, 2009a). During Ujamaa, the production of gold declined significantly due to limited government funding and limited technological know-how within the industry. Mining activities that were performed illegally by small-scale operators contributed to several environmental and social problems (see End note 3).

The collapse of Ujamaa in the 1990s, however, resulted in new opportunities for the country to attract mining companies from Canada, the United Kingdom, Australia, and South Africa, all of which were interested in gold exploration and development activities. Following the successful exploratory mining activities that began in 1995, Barrick invested in Tanzania in 1999 at the Lake Victoria Zone. It acquired gold reserves in: the Bulyanhulu mine, located in northwest Tanzania, East Africa, approximately 55 km south of Lake Victoria and approximately 150 km from the city of Mwanza; Buzwagi near Kahama District; Tulawaka in Biharamulo – Kagera Region; and, later, at the North Mara gold mine in the northwestern part of Tanzania in Tarime District of Mara Region, approximately 100 km east of Lake Victoria and 20 km south of the Kenyan border (see Figure 1).

According to the Tanzanian mineral authority and Tanzania Chamber of Minerals and Energy (TCME), since 2000, production of gold had been growing, making the Lake Victoria Zone one of the most attractive areas for employment opportunities as well as for business opportunities in other industries. Tanzania was Africa's third largest producer of gold, after Ghana and South Africa (see End note 4).

Tanzania was also richly endowed with other minerals, including cobalt, copper, nickel, platinum group metals, and silver, as well as diamonds and a variety of gemstones. The energy sector was dominated by natural gas. Commercial quantities of oil had yet to be discovered. In 2008, TCME reported that a total of US \$2 billion in the past decade had been injected into the Tanzanian economy by mining TNCs. Within the same period, in total, mining MNCs had paid the government just over US \$255.5 million in taxes.⁶

In 2002, Tanzania joined the African Union's development blueprint, an endeavor that was governed by the New Economic Partnership for African Development (NEPAD), to oversee an African Mining Partnership (AMP) with global mining corporations. The goal of this partnership was to promote sustainable development and best-practice guidelines for the African government as a way to ensure that their mining laws protected ecological and community welfare while also maximizing remittances from the mining MNCs to the government budgets in a transparent and accountable way (Horwitz, 2000; Kamoche et al., 2004).

The country developed competitive tax packages and incentives to encourage MNCs to invest in high-risk exploration areas such as the Lake Victoria Zone. The government did not, however, come up with a sustainable (i.e., based on win-win approach) long-term strategy to support the local communities that were situated around mining sites and who had lost their livelihood, homes, health, natural resources, and recreation, with little or no compensation.⁷ Also, the government did not come up with a concrete strategy to deal with the social issues of chronic sewage, crimes, poverty, unemployment, and environmental problems in the area.

Methodology

Prior to our fieldwork in 2008, we did not have a detailed research strategy to take to Tanzania (i.e., see Miles and Huberman, 1984). We had read the academic literature and numerous international business research papers on the nature of mining companies in various developing countries, as well as the UN Global Compact 2000 and its 10 principles, the internationalization and convergence of "best"

standard CSR policies, and the “curse” of natural resources in several developing nations published regularly from the “global mining watch” network (also see Broad, 1997; Frederick, 2006; Kapelus, 2002; Kestler and Gifford, 2008; Waddock, 2008). Following this preparation, we decided that we would conduct interviews in one of the largest foreign-owned mining companies in Tanzania, which employed tens of thousands of local employees across its mining sites in a densely populated region of sub-Saharan Africa in Lake Victoria. The interview process was expected to reveal how the MNC managed its global CSR “best policies and practices.”

While in Tanzania, we found that our study was broader and more complex than we had originally expected. For example, we realized that in order to gain an in-depth knowledge of the situation on the ground for data collection, we needed to study a broader group of involved stakeholders, i.e., those affected by Barrick’s business activities (see Eisenhardt, 1989; Yin, 1984). Consequently, we were interested in exploring: (a) how the mining company managed its relationship with local communities and NFOs to address the social issues of unemployment, poverty and environmental challenges in this densely populated region; (b) engagement strategies the company used across communities; and (c) the influence of the host nation, Tanzania, in facilitating its global “best” CSR implementation. The study of Barrick’s global CSR policies and practices in the developing nation of Tanzania was an interesting one, given the continuous tensions and heightened criticism from *communities of place* in the Lake Victoria Zone that were in existence at the time, i.e., 2008. Thus, during our 2008 fieldwork, we came to realize that the most appropriate methods of data collection would be slightly wider than our initial focus on interviewing and would include both locally available documentary sources and observation (Yin, 1984, 1994). Our primary research method remained the semi-structured interviews.

Sources of data

During our fieldwork in Tanzania between May and August 2008 (i.e., at the mining sites and the company’s country head office in Dar Es Salaam), a

qualitative method was adopted to collect data. The methodology included observation, documents, and semi-structured interviews with NFOs and local communities; Barrick’s representatives and local employees contributed to the research material (Miles and Huberman, 1984; Yin, 1984, 1994).

The data used in this case study came from an exploratory study (Glaser, 1992) into Barrick Mining Corporation and how it deployed its global CSR policies in Lake Victoria Zone. The case study uses secondary data (i.e., archival materials) obtained from Barrick’s public relations department in Dar Es Salaam and through Google web searches for updated information. Secondary data from the public relations department included the company’s annual reports and surveys providing information of relevance to the study. Google search information revealed some of the company’s CSR activities that were not discovered during our interview process. In addition, observation (Glaser, 1992) that took place at the mining sites in Lake Victoria Zone, Tanzania, between May and August 2008 was instrumental in gathering in-depth information on the company and communities that were close to the mining operations. In total, throughout 3 months of conducting research on a full-time basis, we interviewed 23 participants from among the four mining sites, using 30- to 60-min sessions per person.

This article derives some of its inspiration from the proposal of grounded theory approach (Glaser, 1992), in that the data are analyzed to construct a social reality – in this case, from the participants’ (interviewees’) perspective – and generate ideas for future management implications. As an exploratory research study, this article follows the interests, leads, and hunches that were uncovered during the data collection process (Eisenhardt, 1989) to determine the extent of Barrick’s engagement with local communities and other stakeholders during its implementation of CSR policies.

During the workday or at community meetings, simple *observation* was used to gain a real-life understanding of various social interrelationships (Glaser, 1992) (i.e., between mining employees and mining employers or with respect to the NFOs’ and local communities’ engagement with the mining company) and to gain various perceptions from interviewees. Observations included “impressions,” “hunches” about relationships, “anecdotes” and

“informal” observations from interviewees, all of which were recorded, usually immediately after we had left the premises of community leaders, NFOs and Barrick officials (including employees).

Semi-structured *interviews* were conducted in English, and those that were conducted in Swahili (a local language used in Tanzania) were translated into English. Details of the interviews were recorded, either on tape or in the form of notes, and, like the observation notes, could be further reviewed for analysis. This set-up provided many opportunities for informal observation of social interaction (Glaser, 1992) between Barrick and its stakeholders. Among Barrick officials and local white-collar employees, the lunch hour was considered to be a suitable time for interviews to take place in their offices. Because of the real-time, fact-to-face nature of the interview sessions, we had the opportunity to make adjustments to our information-gathering process (such as adding more questions or asking for elaboration on answers given), especially when we probed interviewees to allow specific themes and behaviors to emerge (Eisenhardt, 1989). However, at the same time, we were anxious not to engage in ‘power play’ with the interviewees and, in common with other researchers, we did encounter some difficulties with this type of research methodology.

One of the reasons for doing semi-structured interviews on qualitative data in the first place was to allow the respondents to tell their personal stories. As such, it was sometimes possible to understand the dynamics and obtain insights into certain underlying relationships, that is, the “why,” “how,” and “what” is happening so as to establish an accurate sense of their social reality across Barrick’s mining sites in the Lake Victoria Zone. This method of data-gathering also gave us some real-life examples of certain theories from the literature on international business management and sustainability (see Austin, 2000; Calvano, 2008; Selsky and Parker, 2005), which clarified those theories for us and helped us to identify the underlying theoretical reasons as to why and how certain relationships exist. We also valued the interviewees’ analysis of their own situations and of company policy as a way of checking our own analysis. However, we sometimes found that when we took on the role of the silent listening interviewers, we unnerved the interviewees

and thereby drew attention to the fact that this was an interview and not a conversation. Our presentation of self as the quiet, listening interviewer clearly did not put our subjects at ease, as they shifted in their seats and gave overly considered answers (Yin, 1994). At one point, an interviewee said to one of us “it’s like you are analyzing me.” In retrospect, we realized that silence on the part of the interviewer could be construed as an act that gave the interviewer power over the interviewee. At the time, we thought of ourselves as having to use certain means to encourage interviewees to talk; for example, we used invitations such as: “We just want to make sure we have this right; are you saying that...” “Tell us more about it...”; “This is quite interesting”; “Could you clarify it for us”; and “We never knew about that.” Sometimes, similar questions were asked in different ways to ensure the validity of the data that was being reported by the interviewees.

Notes were taken either during or after the interview had taken place. For example, body movements, facial expressions, opinions, feelings, and knowledge levels were closely observed and noted (Eisenhardt, 1989; Miles and Huberman, 1984). Body language, for instance, showed whether the interviewees felt comfortable or uncomfortable when asked certain questions. Sometimes, it was possible to deduce the interviewees’ level of comfort by observing their body language. Comfortable expressions were observed when interviewees – mainly local employees (i.e., who were fortunate to have employment) – were asked some of the following questions – How did you end up here? How is it to work here? What is the learning process like? What is the pay like? What do you think of the organization? Uncomfortable expressions were observed when the following were asked to Barrick officials:

Tell me more about the company’s long-term plan for employees, local community relations, social issues? How do you engage your company with local communities and NGOs? How does the government influence communities, NFOs, and the company itself? How do you respond to community violence? Who should stop this tension: the government or your company? What is your overall opinion of the company’s CSR practices? What is your long-term vision in Lake Victoria Zone?

Each time the interviews were completed, we followed the process of immediately listening and/or transcribing our notes or taped recordings (Yin, 1984).

Recording data were based on those materials that were representative of and pertinent to the respondents' daily activities, community engagements, CSR issues, and topics of concern. Transcribing interviews enabled us to identify and verify several key themes relevant to future theory and management development (Glaser, 1992; Yin, 1984), such as sustainable development initiatives; social enterprises and cross-sector partnerships; relationship-building; long-term locally based collaboration; strategic and integrated CSR; hybrid business ventures; pro-poor business ventures; value creation; and legitimacy. Certain aspects of the various theories identified were frequently used to make suggestions for Barrick, local communities, NFOs, and the host nation's future direction in the Lake Victoria Zone.

There were some limitations to this research strategy (Glaser, 1992). When we were not granted permission to observe workplace interactions across the mining sites whenever we wanted to do so, it was not possible to identify and interpret the actual events already reported in our interviews. For example, given the short time we were allowed to be on the company premises, it was not possible for us to spot patterns that would allow us to predict the past and future events in the workplace or speculate about the frequency of behaviors between employee and managers. We could not, therefore, discern what had actually transpired with respect to specific issues such as environmental concerns, the 2008 tension in North Mara or uncover the actual extent of Barrick's property damages caused by past tensions and violent behaviors from nearby communities. Also, it was difficult to tell why, from observation alone, some local interviewees (i.e., employees, NFOs, lobbyists, and community leaders) were displeased with CSR policies or any 'social acts' that Barrick had been implementing across the local communities, despite the large amount of money and infrastructure being investment (see Figure 2). Since our interview time was much more strictly monitored across all the mining sites, and we were given much less freedom to see the mining sites as a whole, we relied on information from our inter-

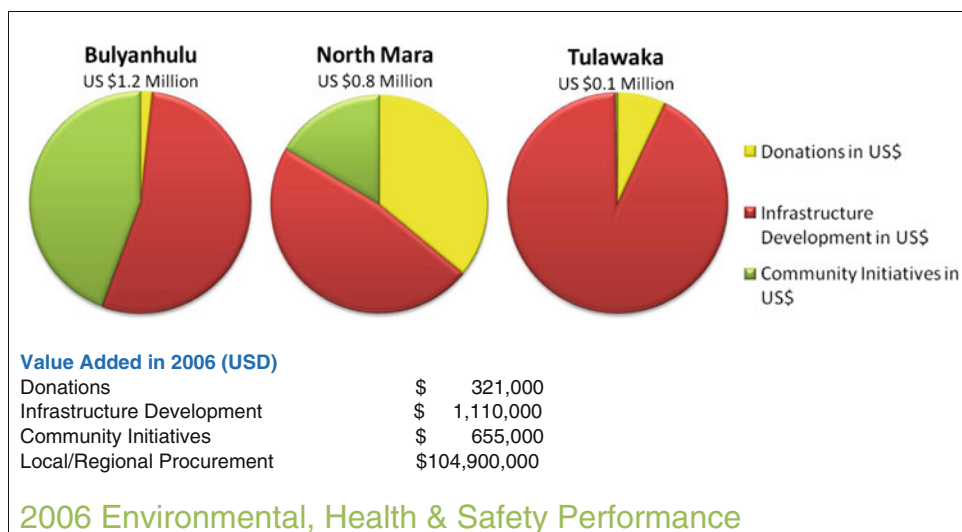
viewees to validate issues that went beyond an observable approach (Eisenhardt, 1989).

Relevant *documentary data* were accessed and analyzed in terms of how they applied to the research issues. Documentary data included each company's annual reports, corporate missions and statements, company website information on CSR issues, HRM policies, and government records that were found to be relevant for the research purposes. The data provided excerpts, quotations, and information about the company (i.e., see Eisenhardt, 1989; Yin, 1984). It also made us aware of the company's international business strategies as portrayed in the management and organizational literature (see Beamish and Newenham-Kahindi, 2007; Delio and Henisz, 2000; London and Hart, 2004), particularly how MNCs rely on proven global capabilities to adapt existing business models, such as a subsidiary strategy to control resources, extract knowledge and leverage economies of scale (Bartlett and Beamish, 2011). For a period of time after the fieldwork, contact was maintained with the interviewees to obtain further information and clarification, as appropriate, until January 2009.

The data were analyzed using inductive techniques in which the transcribed responses were coded according to interview number and type of questions, which facilitated the depiction of common CSR themes and insights (Eisenhardt, 1989; Miles and Huberman, 1984; Yin, 1984, 1994) from the mining company in the Lake Victoria Zone. Based on the key issue presented at the beginning of this study (i.e., how Barrick implements its global CSR policies; how it addresses social issues; and, how it attempts to build social licence and legitimacy in Lake Victoria Zone), data information collected from fieldwork is presented below.

Barrick Gold Corporation in Tanzania

As a gold producer on the world stage, Barrick (<http://www.tanzaniagold.com/barrick.html>) used advanced exploration technological systems for its mining development projects. The company owned one of the world's largest gold mineral reserves and a large land position across its subsidiary mining extraction activities, which were located across the five continents of North America, South America,



Total Amount of Money in US\$ spent on Health & Safety Training and Emergency Response Training in 2006 (all information accessed February 24, 2009).

Total Amount of Money Spent on Community Development Projects (2006)

COMMUNITY	2006	2005	2004	2003
Donations in US\$				
Bulyanhulu	20,193	14,000	410,000	485,000
North Mara	294,220	50,000	0	0
Tulawaka	6,778	7,662	5,894	n/a
Infrastructure Development in US\$				
Bulyanhulu	631,222	3,570,000	4,374,000	572,000
North Mara	389,384	360,000	350,000	100,000
Tulawaka	89,020	43,697	6,250	n/a
Community Initiatives in US\$				
Bulyanhulu	519,793	609,000	0	0
North Mara	135,015	0	not measured	
Tulawaka	304	0	0	n/a
Regional Purchases of Goods & Services in US\$				
Bulyanhulu	65,600,000		not measured	
North Mara	37,700,000		not measured	
Tulawaka	1,600,000		not measured	

Figure 2. Barrick's total amount spent on corporate social responsibility in Tanzania. Source: http://www.barrick.com/Theme/Barrick/files/docs_ehss/2007%20Africa%20Regional%20Rpt.pdf. Accessed April 30th, 2009.

Africa, Australia, and Asia. As one of Canada's largest mining companies, Barrick traded its shares on the Toronto and New York stock exchanges, as well as on global stock index centers in London, the Swiss Stock Exchanges, and the Euronext-Paris. Barrick invested in Tanzania in 1999, following the completion of exploration activities that had started in 1995. The company's initial mining activities were limited at Bulyanhulu in Kahama District until

2004, when it expanded to other areas surrounding the Lake Victoria Zone (see Figure 1). Unlike other global mining companies such as Pangea, Anglo American, Anglo Platinum, Rio Tinto, BHP Billiton, De Beer, and AngloGold Ashanti, Barrick was a relatively new transnational corporation within the industry. It entered the global gold mining business in 1983 (www.barrick.com), and its success was focused in three key areas:

- Consistent investment in exploration and development;
- A district development approach, aimed at optimizing reserves on highly prospective gold belts; and,
- Highly developed systems of disciplined acquisitions and mergers with other potential business companies.

Such key areas of emphasis enabled the company to position itself for sustainable and profitable growth within the extractive mining industry.⁸

Barrick appeared to be a highly formalized and integrated company. Its corporate policies on subsidiary investment decisions – such as financial budgets and allocations, research and development (R&D) activities and the recruitment of expatriates in Tanzania – were established in Toronto and were next passed on to its Africa regional office in Johannesburg, South Africa, and then on to Dar Es Salaam before being distributed to each mining site.

Socialization was part of the corporate culture used to manage human resources (HRM).⁹ Barrick recruited two types of core employees: a few university graduates who worked on administrative activities in corporate offices and thousands of manual laborers assigned to mining sites. Recruitment was conducted by local administrative workers who had worked with the corporation over a 3-year period. They were expected to follow Barrick's best HRM policies, which were designed at the Toronto head office. However, the responsibility of training employees remained under the expatriates' role. Manual workers (blue-collar employees) had either primary/secondary school background or were without formal education. Given the level of their education and the reality of high unemployment in the country, manual laborers had to compete for limited employment opportunities available. Such labor market conditions in Tanzania (Beamish and Newenham-Kahindi, 2007; Newenham-Kahindi, 2009a) enabled Barrick to select and maintain the most dedicated workers who would adhere to its corporate policies.

In regard to the daily management of employees, the corporation used the local administrative employees to communicate informally with its manual laborers. For example, whenever there were management problems, it was the local administrative employees, under the directorship of site managers

and expatriates, who communicated with the manual laborers, with the result that the relationship between these two groups was sometimes tense. According to our interview reports with some of the administrative employees, and those with the Tanzania Mines and Construction Workers Union (TAMICO) branch representatives and manual workers, there was sometimes a sense of mistrust and betrayal between these two groups, especially when it came to HRM and communication issues in the workplace.

Expatriates (i.e., managers, engineers, and technicians) were recruited and deployed from Barrick's head office. The major role of these expatriates was to transfer and instill Barrick's corporate culture through the training of local employees regarding various mining technology skills, and to run the company's daily practices in accordance to the dictates of the head office in Toronto. The "expats" worked in Tanzania, usually for a 6- to 12-month period, sometimes even shorter; few spoke the local language of Swahili. Site managers appointed by the head office facilitated the daily functions of mining activities, and expatriates and managers who wanted to implement new strategic ideas at the local grassroots level had to wait for approval from Toronto. Some expatriates and site managers openly acknowledged that the process was sometimes slow and approval was difficult to obtain.

As a global mining corporation, Barrick possessed strategic competencies, technological capabilities, and economies of scale that would allow it to align its interests with those of its subsidiary business operations in Tanzania (see Bartlett and Beamish, 2011; Waddock, 2008). It had continued to embrace the welfare of the Lake Victoria Zone communities in a way that went beyond just providing jobs and benefits that would offset the environment and social externalities of the company. Since 2006, Barrick had begun to provide expat health-care workers and environmental scientists from Canada and other developed countries to visit communities and make recommendations as to what actions Barrick could take to improve local health and environmental conditions (see Table 1; Figure 2). The expatriates and scientists used advanced technologies to conduct the so-called "impact assessment" to make their recommendations to Barrick. The purpose of such assessment strategies was to help Barrick forecast and

TABLE I
Barrick – financial highlights

	2008	2007	2006
Sales	\$7,913	\$6,332	\$5,630
Net income	785	1,119	1,506
Per share	0.90	1.29	1.79
Adjusted net income	1,661	1,036	1,230
Per share	1.90	1.19	1.46
Operating cash flow	2,206	1,732	2,122
Cash and equivalents	1,437	2,207	3,043
Dividends per share	0.40	0.30	0.22
Operating highlights			
Gold production (000s oz)	7,657	8,060	8,643
Average realized gold price per ounce	\$870	\$619	\$543
Total cash costs per ounce	\$443	\$345	\$280
Total gold cash costs per ounce – full credit basis for non-gold sales	\$337	\$228	\$201
Copper production (M lbs)	370	402	367
Average realized copper price per pound	\$3.39	\$3.22	\$3.06
Total case costs per pound	\$1.19	\$0.82	\$0.78

US GAAP basis.

In millions of US dollars, except per share data.

Source: http://www.barrick.com/Theme/Barrick/files/docs_annual/2008%20Financial%20Highlights.pdf. Accessed April 30th, 2009.

implement strategies that could minimize its environmental footprint and safeguard the environment and social issues at its mining sites.

Barrick's mission, vision, and values

Given the questionable reputation of some global mining corporations with respect to sustainable development projects in developing societies (Calvano, 2008; London and Hart, 2004; Newenham-Kahindi, 2009a), Barrick's core vision and values were to continue finding, acquiring, developing, and producing quality reserves in a safe, profitable and socially responsible manner. Barrick claimed to promote long-term benefits to the communities in which it operated and to foster a culture of excellence and collaboration with its employees, governments and local stakeholders.

The company also claimed to follow global "best" corporate social responsibility (CSR) strategies as part of its larger global business strategies, using the

vocabularies of business ethics, human rights, and development. Among these strategies, the company placed significant emphasis on its social relationships with local communities and on its right to operate in their land.

According to company representatives, there were several reasons that prompted Barrick to invest in Tanzania in 1999:

- Improved privatization and investment environment: Following the collapse of socialism, significant improvements to the trade liberalization and privatization processes took place in Tanzania in the 1990s.
- Availability of natural resources: Tanzania was Africa's third largest producer of gold after South Africa and Ghana.¹⁰ It was also a country with other profitable natural resources such as diamonds, gold, rubies, and Tanzanite. Tanzanite is a mineral resource found only in Tanzania.
- Political environment and improved national institutional systems: Compared to other

developing countries in Africa, Tanzania was a relatively stable nation with a democratically elected government in power.

- Globalization of mining industry: The company was motivated by competitive transnational enterprise strategies, aiming to tap into new, large, available gold resources, with the help of the country's available, cheap local labor force. As well, Barrick wanted to diversify its global knowledge and leverage economies of scale within the extractive mining industry. The company competed along with other global mining companies in Tanzania such as De Beer, AngloGold Ashanti, and Placer Dome for natural resources, labor, and social and legitimacy licenses to operate in the country.

Building social development initiatives

Barrick was committed to make a positive difference in the communities where it operated. The company focused on responsible corporate behavior, creating opportunities to generate greater value for its shareholders, while at the same time attempting to foster sustainable development on both the local and national levels (see Table 1; Figure 2).

As a global MNC, Barrick strove to earn the trust of its employees, of the communities where its subsidiary operations were based, of the host nations' governments, and of any other persons or parties with whom the company was engaged in the sustainable development of mineral resources.¹¹

Company representatives revealed several measures already undertaken that were aimed at engagement in various cross-sector partnerships with other relevant local stakeholders. These measures were put in place to address social and ecological issues in communities where Barrick operated. The four executives we interviewed were vehement about the need for corporate responsibility and co-operative partnerships:

Responding to social and environmental issues in the communities where our business is based is no longer an option ... we need a social framework that operates within the local communities. We follow the government investment policies. We have official legal documents as well that bind us with the government for the

right and legitimacy to operate here [referring to Bulyanhulu]. However, we have some challenges with some strategic mechanisms. For example, how and with whom should we engage seriously and in a committed manner in the communities, and for how long? There are so many opportunistic behaviors here among local individuals, or groups who claim to be committed partners, but our experience so far show that they are not!

Our ability to work within the sustainability framework will be key to getting support from local communities and local governments in the areas. It will also allow us to initiate good projects with other local stakeholders. This is the only way we can establish good relations with the community.

Our recent problems in North Mara, Bulyanhulu and Tulawaka with local communities clearly show the need to address our presence here responsibly. There is a lot of misunderstanding and, at times, local communities are getting confrontational, especially in our new site in North Mara. This situation is not good for our business and our global image ... indeed.¹²

Dealing with the social problems of poverty, environmental degradation and social injustices that face this area exceeds the scope of our company. We need a responsible partnership with the government and local communities. In many local communities, there are young people who need sustainable jobs, education and a livelihood. Communities need health service support and other community development projects to give them a sense of economic activities and ownerships. There is so much despair among people in these communities. Some have lost land. Our company and the government have poorly compensated them. These residents feel they have lost a valuable livelihood.¹³

In 2008, the corporation established a locally based mining institution in Moshi, Kilimanjaro Region. The aim of the institute was to provide training to local artisanal miners and to students coming fresh from colleges of engineering. The center would provide mining knowledge to artisanal miners, who had lost their way of life in the industry, and it would train high school graduates and ex-college students who wished to pursue mining studies and then gain employment with mining firms inside or outside of the country.¹⁴ Such an initiative demonstrated Barrick's sense of corporate responsibility toward these two groups of people by providing tangible benefits to their communities in the form of

employment opportunities and co-operative relationships.

Yet, as can be seen in the comments of the local Barrick employees, the community leaders and the leaders of NFOs, there was clear discontent among the members of the local communities.

The government has not addressed the role of foreign companies in our communities. Some communities have been compensated by the government to clear land for the mining company, but some did not receive any money. Most communities would tell you what was given to them by the government, which is very little. They cannot build a house and send children to school and so on. They feel their livelihood is gone forever.

The mining corporation does not compensate people nor does it explain why it is operating in our communities. Of course, these companies have official binding contracts and the right to operate in our communities from the government. Local communities are in despair ... the government is nowhere to be seen! The people are angry with the government and the mining company.

People are not happy with the government. They are aware of the extent of corruption among the government officials in the region and districts, but they cannot confront the government the way they are doing now on the mining company. They think that the company might be more sympathetic to them than the government would be with respect to offering them jobs and other opportunities.

The company has initiated several development projects in our communities [North Mara] in education, health and infrastructure. But we do not have jobs to access these better equipped services (education and health) nor do we have the means to build community enterprises where we could apply our local skills in many activities. Though the company is doing very good projects here, we are still unhappy with the company. Our problems are long-term; they need serious engagement with us.

The company discharges water to the land, which is causing lots of environmental problems on our farms, such as land erosion and polluting of the rivers. We have more mosquitoes, snakes and snails at the moment than any time in our lives because of stagnant water caused by the company's water discharge. The exploration and explosive activities conducted at night

on mining sites have caused shockwaves, panic and sleepless nights among neighborhood villages, making big cracks on community farms and land.

The other night we were all suddenly shaken by the mining blast tremor. Initially, we thought it was the so-called earthquake (Tetemeko la Ardhi – in Swahili). What is in all people's mind here in Bulyanhulu is 'when will all this end?'

We need a mutual partnership with foreign companies investing in our communities. There are so many potential benefits we can get from the company with respect to jobs and skill development; also the company can learn a lot from us when it comes to negotiation strategies with our communities. If the company responds positively to our concerns, we will strive to protect its business interests here and it will operate in harmony in our communities. But the government needs to sit with local communities and tell them why it has allowed the company to come to practice mining on our land and tell us what potential benefit it will bring in our communities. For the time being, the company is left to itself to address these issues with the local communities.

Amid this climate of discontent among the native Tanzanians, Barrick's mining operations were subject to some hostilities from local stakeholders. In response, the company put into place several CSR initiatives that were aimed at developing sustainable benefits within the communities and around its business operations in the core mining sites of Tulawaka, Bulyanhulu, and Buzigwa. Two NFO officials in Mwanza cut to the nature of the problem:

The company attempted to collaborate with local communities and the local government to address the social and ecological issues during its initial stage of entry into the country. But it was not easy to find serious stakeholders right away. Because of the nature of the local institutions, it was also not easy to have things done quickly due to the degree of bureaucracy and the culture of corruption.

The recent protests in North Mara from local communities can be resolved only if the government, the company and other social awareness groups sit together to address this situation. Shooting protestors, closing the mining site and sending employees home without pay won't solve the problem in the long run. And the company's legal insistence of its rights to operate in communities isn't enough to convince these angry communities.

The company is not wrong at all ... it has followed all legal procedures and rights to be here [in the Lake Victoria Zone], but for local communities, legal papers are NOTHING. The company finds the people here very unpredictable. The answer is so simple: it is all about deep understanding, integration, and building a trusting relationship.

Mining companies are granted too many tax contracts and subsidies in order to create jobs. During this process, it is possible for companies to avoid paying taxes that would actually benefit poor countries. There are often 'secret contracts' with corrupt government officials. The lack of institutional capacity is also a major problem; the people have not been made to see how these companies can benefit our poor societies. That's why there is still so much poverty, and that's why communities around the mining sites are angry and desperate.

The partnership with local stakeholders was characterized as being of a *transactional* nature, based on occasional "one-way communication" with local communities and other stakeholders (see Bowen et al., 2010; Doh and Teegen, 2002; Warner and Sullivan, 2004). Because of this, the company had considerable autonomy when it came to decision-making on various social projects that were directed at local communities in the three sites. This approach contributed to a failure to identify committed partners and engage them in authentic dialog, learning and sharing of knowledge, and two-way communication (see Table II).

In addition, there was a lack of institutional and legal capacity in Tanzania with respect to the

transparency of tax revenues and the local professionalism of auditing complicated accounts of various mining MNCs (see Beamish and Newenham-Kahindi, 2007; DeSoto, 2000). Local communities were in the dark about the tax revenues generated from Barrick and the way these monies were used to address social and ecological issues in the Zone.

In response to Barrick's perceived transactional engagement behavior, several local communities felt they were isolated when it came to certain related social issues (Bowen et al., 2010), such as land issues, compensation, employment, and how the presence of the company in their communities might benefit them. Few projects were initiated by the company within the various neighborhood communities, and the ones that were enacted showed a lack of any significant sense of local ownership and influence; they did not possess the diverse forms of institutional infrastructure that would foster accountability values in communities and in the management of the company itself (see, Hart and Sharma, 2004; Oster, 1995). As a consequence, local communities lost interest in pursuing most of the developmental projects that Barrick initiated.

Following community tensions with Barrick in 2007, 2008, and 2009, mainly in North Mara, the company representatives realized that a different strategy was urgently needed. Implementing a locally based interaction model that promoted mutual partnership with communities seemed like the best strategic legitimacy approach. Representatives from the company expressed their views on the change of approach.

TABLE II
Three types of engagement behaviors

Dimension	Transactional	Transitional	Transformational
Corporate stance	"Giving back" community investment	"Building bridges" community involvement	"Changing society" community integration
Communication	One-way	Two-way	Two-way
No. of community Partners	Many	Many	Few
Nature of trust	Limited	Evolutionary	Relational
Frequency of Interaction	Occasional	Repeated	Frequent
Learning	Transferred from Firm	Transferred to firm	Jointly generated
Control over Process	Firm	Firm	Shared
Benefit & outcomes	Distinct	Distinct	Joint

Source: Bowen et al. (2008).

If we are to answer responsibly to recent media publicity and the local community's hostilities, we need to engage local stakeholders; it is good for them as well as for our company ... we need to develop long-term sustainable partnerships ... we cannot ignore this new reality facing us. Also, we cannot wait for the government, which is bureaucratic and slow to respond to these issues.

We now need to use specific, local problem-solving techniques with a high degree of local community involvement to address corporate social responsibility (CSR) problems in the areas where we are operating.

We should not wait for the government and the local district. I think the NFOs and community leaders would be helpful in providing us with a partnership strategy and a language of local partnership. But it will not be easy; it will take time to know and trust each other.

We have experienced tension and violent behavior from our employees and some communities. It's become part and parcel of doing business in Tanzania, and it can be managed. You only negotiate on your way in or on the way out, and these guys are trying to get the most out of the foreigners – who can blame them?

One representative was asked how the corporation handled the tension and violent behavior.

There was a violent invasion to our site where local community leaders wanted to challenge the approval of our mining license. We contacted the district government and they immediately sent police to evacuate the protesters. As a result of this incident, and after a thorough and professional response from the police, our company focused on the efficiency of Tanzania's legal system in dealing with these matters.

There can be no doubt in the minds of Tanzania's small-scale miners over the legitimacy of our mining license or over the support and commitment we have lent to the formalization of this industry. The tensions and intruders to our sites have given us a good idea of how the court system works. The complaints against us have all been dismissed in their entirety, with no costs by the Tanzanian court system.

In early 2009, Barrick experienced continued discontent from the local communities, as well as from the local media, activists groups and lobby groups, who all felt that the company had not done

enough to promote sustainable and inclusive development in the communities where it operated. Barrick's new mining site at North Mara was featured several times in the media.¹⁵ Two local NFOs commented on the dispute.

The government needs to educate its people as to what benefits TNCs would bring to its citizens; the mining company is extracting our natural resources, causing environmental degradation and pollution, and displacing people, all with a lack of accountability and not doing enough for the host communities to create prosperities, jobs, local innovation and entrepreneurship initiatives.

The source of discontent is from local communities and small-scale miners who feel neglected by the government. We strongly feel that their livelihoods have been destroyed with little or no compensation. They also feel that the government and local authorities have been giving foreign investors much attention at the expense of local people. Corruption and lack of accountability on the government side, by some officials, is the source of all these problems. The company is caught in the middle.

Creating a responsive corporate agenda

Barrick developed a responsive initiative to deal with the company's challenges in its international business activities abroad, including Tanzania. In 2008, the company established a community department in all four mining areas to oversee development initiatives. It also adopted standardized global CSR strategies as part of its larger international and localization business strategies, stating that "as a global corporation, we endorse the definition of CSR as proposed by the World Bank – CSR is the commitment of business to contribute to sustainable economic development – working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for business and good for development." This new form of institutional infrastructure was intended to promote responsive behavior characterized by joint learning, knowledge acquisition, and building bridges with the aim of changing societies (see Waddock, 2008). The new approach was regarded as a "transformational" and "transitional" form of

engagement in addressing development projects (see Table II). Barrick aimed to positively influence all involved stakeholders and other social actors to address social and ecological issues in Tanzania. The company identified “communities” as people living within or around the mining sites, employees, and their families. Barrick was committed to protect the dignity, well-being, and rights of these people.¹⁶

Barrick’s responsive strategy had two basic components: a declaration of its values and the elaboration of policy guidelines for the implementation of these values. Both were set forth in policy documents that had been produced by the company and handled by its public relations and communication manager based at its country head office in Dar Es Salaam. These documents were intended to inform and support the company’s subsidiary operations in Tanzania concerning Barrick’s plans to promote programs aimed at socially responsible enterprise.¹⁷

By early 2009, in response to various communities around the Lake Victoria Zone, sustainable development initiatives had been enacted at considerable expense to the company. The CSR initiatives were based on Barrick’s core values and principles, including: (1) education, (2) community development, (3) health, and (4) environment and infrastructure.¹⁸

Education in partnership with local communities

Through its newly established Community Department, Barrick had made a concerted attempt to identify self-employment opportunities within the communities around the Bulyanhulu Gold Mine. In partnership with local governments, NFOs and communities, the company used local, educated individuals to promote a broad array of social entrepreneurship skills in a variety of areas such as finance, accounting, and marketing (Newenham-Kahindi, 2009b). The aim in doing so was to attempt to achieve the following goals among local stakeholders:

- (i) To improve business and financial management skills among local interested individuals, with the aim of improving their income and living standards and
- (ii) To broaden innovation and creativity for local entrepreneurs, and to subsequently

create jobs for other local members and other communities in the country.

In terms of education, the communities surrounding the mine needed a great deal of support to be able to exploit the area’s potential. Since 2008, Barrick committed to work closely with eight villages before expanding to include another eight villages along the Bulyanhulu-Kahama road in Bulyanhulu. Seven of the eight villages were in the Bugarama ward and one was in the Mwingilo ward; all were located in Bulyanhulu mining area.

In the North Mara mine, the corporation created a new policy that was aimed at empowering local community members and ensuring that local employees had the potential to become leaders. In doing so, the mine readdressed its succession plan, requiring open access to education for long-term benefits. As a result, a total of 12 students were supported in their studies at various learning institutions within the country. According to a corporate report, the program started in 2005 with support for 28 students. By early 2009, 16 students had graduated and five of these were employed by North Mara Mine in maintenance, accounts, warehousing, sustainability, and geology units within the company. A total of \$49,769 had been spent on the program since 2005.

Barrick also developed a new policy on education support through the use of royalties. This type of sponsorship was financed through a 1% royalty being given to five villages (i.e., a community trust fund) within the catchment area, as contained in the agreement between the North Mara Mine (NMM) and the five villages where Barrick was operating. The objective of this funding was to increase the level of education in the impact area, to fund the construction of classrooms and housing for teachers, and to provide school stationery and building materials to various schools in the area.

Community-based entrepreneurship

In collaboration with local community authorities, Barrick went on to assist several community groups that already possessed local skills, entrepreneurship initiatives, and local resources to generate business activities (see Newenham-Kahindi, 2009a). Other

community development projects had also been started and were engineered under the same procedure of governance. For example, the following cross-sector projects had been supported by the company:

- *The Heifer Project International with a branch in Mwanza:* The project's main purpose was to increase milk yield through cross-breeding local animals with exotic high yielders, thereby enabling families to gain sufficient nutrients for themselves and providing them with the ability to sell milk as a way to earn a regular income.
- *Eye Screening Program:* The company brought in local professional optometrists in response to several elderly community members who were suffering from vision problems. When it was noted that the area residents had numerous eye infections and visual impairments, optometry services were provided as a way to promote goodwill in the communities where the company operated.

Health

Barrick committed itself to upgrade Sungusungu Health Center into the now-called Nyamongo Hospital in Bulyanhulu area under the so-called Phase I. Organized by the Evangelical Lutheran Church in the area, several NFOs entered into agreement with the local District Office and the Village Councils to provide healthcare that was affordable to the many local residents to treat diseases such as malaria, waterborne infection, typhoid, yellow fever, and other epidemiology problems. The community trust committed \$30,000 toward beds, fittings, and for a general upgrade to the hospital. Barrick's overall objective was to make health services available to many disadvantaged communities, and to attempt to curb the number of deaths that occurred among pregnant women when they had to make the trek from the poorer, outlying communities to the district hospital.

Other improvements to the hospital building and grounds included the construction of four wards, a laundry, a kitchen, several walkways, and a perim-

eter chain-link fence. Phase II work included the construction of a Grade A, single-family doctor's house, remodeling of a minor theatre, construction of a Grade D house, a generator house, an outside kitchen, a Maternal/Child Health (MCH) clinic, an isolation ward, a guard's house, a main gate and a junior doctor's house at the Nyamongo Hospital in the Tulawaka area.

AMREF HIV/AIDS and malaria program

This form of a cross-sector project evolved out of the partnership between the Africa Medical Research Foundation (AMREF) and the corporation's health service initiative. The project was started in March 2006, with a focus on a healthy community and healthy mine employees. The Voluntary Counseling and Testing Centre (VCT) was established in Nyamongo for the purpose of testing for HIV and other sexually transmitted infections, as well as providing counseling for the company's employees and their families and for other individuals living around the Lake Victoria Zone. The objectives were:

- To promote healthy behaviors with respect to HIV, sexually transmitted infections and malaria among mine workforces;
- To positively influence the area communities through awareness workshops;
- To facilitate community participation in the prevention of HIV, STI, TB and malaria transmission;
- To implement focused interventions targeting high-risk women (women working in bars, guest houses near the mining sites and employees resident houses) by promoting safer sexual behavior and condom use; and
- To establish a sustainable a voluntary counseling and HIV testing center for the mine workforce and the surrounding communities.

Environment

The Lake Victoria Zone was one of the most densely populated areas in Sub-Saharan Africa, but it was

also one of the most polluted and environmentally affected places in the world. Barrick, in cooperation with local government authorities, had been working to provide opportunities to the residents of the mining areas to orient themselves with the mine's operations. The company was attempting to promote environmental awareness to create local 'ambassadors' who could then go out and speak positively about the mining sites to other communities. The issues of water toxins on the rivers/lake and land degradation represented major challenges for Barrick to address in a sustainable way.

Overall

Protests from so-called "secondary stakeholders" – including local communities, artisanal miners, peasant farmers and their families, and local not-for-profit organizations (NFOs), mainly in North Mara area in 2008 – occurred to address specific social, environmental, land heritage, and resettlement issues affecting these parties (on a win-win relations) within the region (see [Freeman, 1994](#)). These stakeholders had widely varying claims, interests, and rights (Bowen et al., [2010](#); Delio and Henisz, [2000](#)). In addition, subgroups and individuals with multiple and changing roles and interests also entered the mix. These included mine laborers who felt they had been unfairly dismissed from their jobs, with little or no compensation, and unjustly treated by Barrick or by the Tanzanian labor court system. Local communities also continued to express anger at the level of noise caused by heavy machines during night-time mining explorations and the extent of the mine's impact on land and water in their neighborhood. There were also several individuals – mainly unemployed youths – who engaged in various criminal behaviors against Barrick, such as trespassing, vandalism and theft on the mining sites.

Barrick's global CSR activities and resources have not been successfully integrated into its core business operations in the surrounding communities. There has been a distinct failure by Barrick to transform its CSR activities and resources into new, competitive win-win scenarios for the various communities in the Lake Victoria Zone (see [Figure 2](#)). The company's global CSR policies and practices are homogeneous across all communities, and while

these services (i.e., building education and health centers) are very important within the Tanzanian context, Barrick has not instilled development capacities and self-reliance within these services for each independent local community. Such poor communities cannot afford to manage most of these services on a long-term sustainable basis. For example, while it is important to improve roads and bridges, the majority of people in fenceline communities do not possess vehicles. Hence, rather than benefiting the community as a whole, such enhancements have instead served to boost Barrick's own interests, in this case, for example, making it easier for the company to reach its remotest rural mining sites. Barrick has shown a lack of sustainable ability to translate its huge available capital into meaningful innovations and cooperative solutions to resolve the current conflicts in the communities where it operates.

Local communities do not speak with one voice in their opposition to or support of Barrick's mining activities (i.e., due to stakeholder ambiguity behaviors). There is no systematic conflict report in this case from communities on the western part of Lake Victoria Zone, for example, at Tulawaka, Buzigwa, and Bulyanhulu in Kahama District. The persistent conflicts are on the eastern part of the Lake Victoria Zone, North Mara (i.e., Musoma and Tarime Districts). The communities in North Mara and the near-by mining sites are traditionally and largely agrarian pastoralist communities that depend on large spaces of land for their livestock to graze, while the other communities in mining sites are mainly farmers and fishermen. For instance, most pastoralists in North Mara often are being adversely affected by drought (i.e., common and unpredictable weather conditions in a Savannah climate), leading to livestock catastrophes.

The mining activities in fenceline communities have further exacerbated the situation where areas for livestock grazing have been taken away from the locals in favor of Barrick's extractive mining activities. The government's promises to compensate such communities have been too little or too late to allow a sustainable livelihood for the affected parties. The main issues facing the pastoralists' way of life in North Mara include prolonged drought, lack of a water supply, lack of affordable veterinary care for livestock, eviction from local lands, unemployment,

and poverty. The result: Local communities feel deprived of certain basic expectations, such as the ability to exercise their rights to survival, security, and empowerment. Thus, some community groups or individuals are left with anger and others resort to unjustifiable behaviors (i.e., criminal activities).

A weak Tanzanian institutional environment (i.e., see DeSoto, 2000) has also contributed to the communities' lack of opportunities to engage in meaningful cross-sector social partnership activities. Within these conditions, Barrick business activities – and its global CSR practices in particular – have not incorporated or transformed its organizational capabilities to break the connection between poverty and violent behavior (directed at Barrick properties) within the local communities.

Barrick had relied on the Tanzanian anti-riot police force, known as “Field Force Unit” (FFU), to quell criminal behavior and demonstrations in the mining sites. Also, Barrick had relied on the Tanzanian legal system and government, and other foreign private security companies (mainly from South Africa) to protect its business activities in the region. The company used its own administrative employees to communicate with its laborers on HRM issues such as grievances, compensation and job termination issues (also see Beamish and Newenham-Kahindi, 2007). For example, when HRM grievances were brought to the labor court by manual laborers, local administrative workers were selected to represent the corporation on the hearing process because of their familiarity with knowledge of the local court system and culture and with the Swahili language. However, the behavior of the FFU, the weak government institutional system, and the inability of the administrative workers to protect the interests of its citizens and workers had increased anger, frustrations, and resentment among communities, small-scale artisan miners and NFOs. The FFU had been regarded by local communities as brutal and uncompromising during confrontations. Responses by the FFU had led to at least one death,¹⁹ long-term imprisonment of community campaign leaders, intimidation, and harassment.²⁰ The government had been viewed as lacking vision and leadership with respect to reaping the benefits of the mining activities in the region and for failing to protect the interests of its citizens.

Conclusion

This case has attempted to present how a variety of global “best” CSR initiatives were established, based on Barrick’s commitment to building a sustainable relationship with local communities in Tanzania. The overall aim was to ensure that the company would build mutual respect, active partnerships, and a long-term commitment and legitimacy to operate in the Lake Victoria Zone alongside its secondary stakeholders, who tended to have had disparate/ambiguous goals, demands and opinions. Mutual respect, it was argued, was important if such relationships were to become lasting, beneficial, and interactive. In addition, the company used its financial budgets (see Table I; Figure 2) in each of the mining sites to develop practical guidelines to facilitate the implementation of its organizational values and missions, including building long-term relationships of mutual benefit between the operations and their host communities, and to avoid costly disputes and hostilities with local stakeholders.²¹ The case also revealed the fact that Barrick still faced serious problems and increased pressure to manage conflicts and to reconcile stakeholders’ demands in the Lake Victoria Zone. Despite Barrick’s willingness to utilize its available (financial and logistical) resources, the rates of unemployment among local communities of place, the questions of land issue, crime, tropical diseases, and the ecological concerns surrounding Lake Victoria have not changed substantially. In fact, many fishermen have completely lost their livelihood due to ecological issues that arose.

The realities of Barrick’s situation in Tanzania show that there are substantial gaps in the way multinational corporations deal with social and ecological issues in poor communities (Beamish and Newenham-Kahindi, 2007; Bowen et al., 2010; Horwitz, 2000; Kamoche et al., 2004; Newenham-Kahindi, 2009a). This scenario is now creating pressure for Barrick to seriously engage governments and other local social actors to design and implement alternative strategies for dealing with the social and ecological challenges of the Lake Victoria Zone. Tensions that occurred in 2008 in the North Mara mining areas, for example, illustrate that poverty and violent conflicts are endogenous and complex (Bartlett and Beamish, 2011). Only a sustainable win-win relationship that is based on deep

understanding of the local context is necessary (see Table II for further discussion).

Communities of place in Lake Victoria represent a new battle ground between for-profit organizations (like Barrick) and the social circumstances in the communities. Violent conflict, such as those in North Mara, can destabilize public institutions, destroy infrastructures, and create mistrust, fear, and dissolution within communities. At micro level, local citizens whose ability to earn a living has become severely limited may resort to ad hoc theft/criminal behavior and even violence in a desperate attempt to support themselves. This kind of poverty can also cause macro-level conflict, such as inter-community wars where community leaders use poverty as a tool to motivate youth combatants and to sustain their participation in the struggle. For poor communities, poverty can even be seen as a grievance that legitimizes their struggle; once the conflict has endured and has provided both sustenance and power to community combatants, fighting becomes a viable alternative to living in poverty.

Given the tension and violent behavior by local communities in North Mara in 2008, in particular, it has become crucial for Barrick to engage local stakeholders as its primary “customers” (i.e., peace through commerce) in a way that appeals to their social needs. Barrick’s social actions must recognize the reciprocal connection between poverty and violent conflict, and must adopt a “pro-community” or “pro-social” platform to illustrate that its business activities can contribute to sustainable peace through their support of economic development that breaks the cycles of violent conflict (Bowen et al., 2010). Instead of focusing on a standardized and homogeneous Western-style business practices (i.e., based on logical and rational choice paradigms), Barrick must develop dynamic capabilities and a learning environment with local communities and the host nation as a way to utilize those local community-centered values that are predominant among the local people in Tanzania. Examples of such corporate behaviors would include promoting relational dialog across a wider sphere of stakeholders; providing conflict resolution tools that offer an alternative to violence as a way for community members to expand their livelihood; and developing a shared understanding of culturally appropriate forms of community business engagement with nearby businesses to create job

opportunities and other social entrepreneurial business venture (i.e., micro-financing/banking). This goal can also be achieved through identifying the most influential individuals or groups in local communities, such as elders, community-minded NFOs, local civil society groups and progressive religious groups before entering into long-term social partnerships. Often, such groups are less corrupt, more socially oriented and more responsive to the needs of the local communities.

We therefore suggest that, through substantive dialog based on a win-win relationship, Barrick should engage local stakeholders in a way that appeals to the local and social context along the continuum of engagement model, i.e., either at transactional, transitional or transformational (see Table II). As a global MNC, Barrick should:

- *At a subsidiary level:* create a pro-active social development department across its mining sites with committed staff who will explore the local conditions for business growth. This department should be independent from the influences of the head office (in Toronto) and some expatriates who do not have deeper understanding of the local context, and should be integrated into the overall corporate business agenda in order to reflect local conditions.
- *Treat local communities as potential “customers” and adopt new and diverse forms of dialog:* based on relationship building, negotiation skills and conflict resolution that would make sense to the local communities, rather than following the rigid and rational Western approaches. For example, the company should avoid too much dependence on short-term security measures, such as the use of local Field Force Unit (FFU), legal capacity, and government institutions to work in social partnership with local communities. In a weak institutional governance system, this policy of business involvement with political affairs will serve to prolong the tension and conflict with the local communities in the Lake Victoria Zone. These communities have already experienced severe ecological degradation of their traditional lands in the form of a loss of fisheries, farmland and

tropical vegetations; a loss of the pastoralist way of life; polluted water; loud extractive mining explosions; displaced populations; all with little or no compensation from the Tanzanian government or from Barrick. It is perverse to expect that, on top of suffering all these losses, such communities can be forced into a “peaceful relationship” by the brutality of the FFU.

- *Emphasize long-term relationship*: based on enhanced firm legitimacy with local communities rather than focusing on a firm’s immediate cost-benefit improvements and on security such as the FFU team. For example, rather than relying on outside security forces, Barrick should employ locals to ensure the security of the mining sites. By doing so, resentment, tension, and local criminal behaviors could be reduced.

Embracing such values along cross-cultural and holistic (hybrid) lines could potentially transform mere collaboration into a substantive community engagement process (see Bowen et al., 2010). Barrick’s role in this endeavor is to work as an agent of change by working in partnership with local communities to resolve certain cultural institutional norms.

Local stakeholders and NFOs should engage Barrick (and other MNCs in the region) to enter into a process of mutual learning and adaptation to effect change, self-confidence and leadership in their subsidiary business operations. Such an approach should inevitably serve as a way to capitalize on local resources and on cultural and social assets to improve the living conditions of local communities. In this way, an umbrella for sustainable local development would be formed to oversee and protect the provision of a variety of necessary strategic services, such as education, healthcare, support centers for orphans, and fishing opportunities.

In addition, through role-modeling, local communities could create opportunities for social and economic knowledge spillover to their neighbors in the surrounding regions, thereby bringing about broader social change. Through transitional and transformational engagement initiatives that are rooted in hybrid traditions (see Bartlett and Beamish, 2011; Bowen et al., 2008), Barrick and the area’s

local stakeholders could leverage resources and capabilities in order to drive the social changes that would accelerate sustainable community entrepreneurial ventures. In doing so, both parties would be helping to deal with a variety of current and future social problems in the Lake Victoria Zone, with their practices serving as a model for other developing nations.

MNC managers are often ill-prepared to deal with the idiosyncratic and context-specific nature of stakeholder demands. If they expect to acquire social license and legitimacy in their business operations, Barrick and other global MNCs should continue to revisit and, if necessary, reformulate their cross-sector social partnership strategies with subsidiary stakeholders. Thus, the social acts of CSR designed and developed from Barrick’s head office in Toronto to address stakeholders’ issues, seem inappropriate for the firm in a Tanzanian context. The parent company is just too far removed from the local communities to draw the connection between building public services and addressing the lifestyles of the area’s inhabitants. Overall, Barrick might need to reconsider either by decentralizing its CSR while empowering its subsidiary representatives or by creating evolving transformational engagement policies that are embedded in a culture of win-win relations with stakeholders. Similarly, it is not the government’s job to play the role of ever-present peacekeeper between Barrick and the affected communities. While the company is capable of being an instrument of economic development among the deprived communities of place in the area, as of early 2010, its operations in Lake Victoria have officially reached “survival mode.” This situation may eventually force Barrick to leave its operations in the area due to increased violence and criminal behavior from these communities.

Future implications

In order to address the challenges faced by extractive global mining MNCs (i.e., Barrick) across developing nations, community needs and resources must be fully integrated with the MNC’s core strategic decision-making processes. As noted in Table II, MNCs can potentially utilize the benefits, both socially and from a business standpoint, if they

ethically and intentionally engage all relevant local stakeholders in sustainable collaboration rather than relying on a single organization or on outside individuals to address these social and ecological problems. At a transitional level, MNCs can develop a social, embedded, engagement strategy based on two-way communication, consultation, and collaboration with the affected communities. More importantly, MNCs need to develop transformational engagement practices that move beyond symbolic engagement activities and that rely on sustainable dialog and critical reflectivity with communities. For example, they could strive to resolve conflict through peace initiatives with communities and host nations in order to break the vicious cycle of violence and poverty.

Transformational engagement will require the competency to engage participants through listening and gaining an understanding of their culture (including those of the sub-cultures as well), perception and context. A shared organizational language must be identified so that the engagement makes sense to the actors on both sides, thereby allowing the formation of a strong connection and movement that goes beyond talk into action. Frequent interaction with a small number of committed community partners would lead to the development of trust based on personal relationships and mutual understanding (Newenham-Kahindi, 2010). For example, by behaving ethically and transparently and by developing organizational cultures that act as mediating institutions for promoting sustainable ethical behavior, MNCs can work as vehicles for two-track diplomacy. By linking business strategy and sustainable development initiatives at a transformational level, MNCs will be able to resolve some of the cyclical traps that link poverty, violence, and conflict. In addition, by developing dynamic capabilities and strategies that focus on social issues (i.e., creation of pro-community business initiatives among communities of place), MNCs may subsequently find themselves functioning within a more peaceful environment, which should in turn improve their business performance.

In sum, as a way to balance their global and local interests, global mining MNCs need to develop competitive advantages based on a deep understanding of and integration with local communities. Doing so will serve to accommodate key issues that legitimize and license their business activities in

tandem with those of other stakeholders in the area. Further, gaining an understanding of the society in which they are operating will help the MNCs to determine whether they can adopt certain business practices to meet stakeholder demands or whether they should instead exit business operations that are deemed too risky and non-strategic for them and their shareholders.

Notes

¹ According to the company's vision, the corporation strives to identify sustainable development opportunities in the communities where we operate <http://www.barrick.com/CorporateResponsibility/Community/SocialImpactAssessments/default.aspx> (accessed February 24, 2009).

² <http://www.barrick.com/CorporateResponsibility/BeyondBorders/default.aspx> (accessed March 24, 2009).

³ <http://www.douglaslakeminerals.com/mining.html> (Mining conditions in Tanzania – accessed February 26, 2009).

⁴ <http://www.mineweb.co.za/mineweb/view/mineweb/en/page67?oid=39782&sn=Detail> – gold mining in Africa (accessed May 1, 2009).

⁵ http://www.cichlid-forum.com/articles/lake_victoria_sick.php (accessed April 1, 2009).

⁶ <http://www.mineweb.co.za/mineweb/view/mineweb/en/page67?oid=39782&sn=Detail> – quoted from the Tanzanian Chamber of Minerals and Energy (accessed May 1, 2009).

⁷ Source: The Challenge of Mineral Wealth in Tanzania: using resource endowments to foster sustainable development, International Council of Mining and Metals – ICMM, 2006.

⁸ Barrick Gold Mining Profile across the Globe – <http://www.barrick.com/Company/History/default.aspx> (accessed February 12, 2009).

⁹ <http://www.barrick.com/CorporateResponsibility/Employees/AttractingRetaining/default.aspx> (accessed April 24, 2009).

¹⁰ <http://www.tanzaniagold.com/index.html> – Development of Gold Industry in Tanzania after Socialism in 1995 (accessed February 13, 2009).

¹¹ <http://www.barrick.com/CorporateResponsibility/default.aspx> (accessed March 25, 2009).

¹² Information about further recent tension and protests is available at <http://www.protestbarrick.net/article.php?list=type&type=12> (accessed February 12, 2009).

¹³ Examples of how the corporation has taken responsive measure to engage in various sustainable development commitment in the country – <http://www.ippmedia.com/ipp/guardian/2008/12/06/127671.html> (accessed February 12, 2009).

¹⁴ <http://www.ippmedia.com/ipp/guardian/2008/04/11/112164.html> (accessed February 13, 2009).

¹⁵ Several protests against Barrick Mining Activities in Tanzania have been reported between local communities and the company (see <http://www.protestbarrick.net/article.php?list=type&type=12> – accessed February 17 2009).

¹⁶ Barrick Gold Corp in Community Engagement (<http://www.barrick.com/CorporateResponsibility/Community/default.aspx> – accessed February 17, 2009).

¹⁷ Barrick Corp Mining in Tanzania – <http://www.barrick.com/GlobalOperations/Africa/default.aspx> (accessed February 17, 2009).

¹⁸ CSR initiative extracts are based on some of the company's new development programs within the various communities where it operates.

¹⁹ A recent incident at Barrick Mining site in Mara region led the Tanzanian FFU to kill an intruder (for further information see <http://www.protestbarrick.net/article.php?list=type&type=12>; accessed April 17th, 2009).

²⁰ See the behavior of Tanzanian's FFU in quelling demonstrators – <http://www.protestbarrick.net/article.php?id=369> (accessed April 17th, 2009).

²¹ Further CSR programs are available at (<http://www.barrick.com/CorporateResponsibility/default.aspx> – accessed February 24, 2009).

Teaching appendix A: suggested questions

For global business ethics and leadership, and strategy course

1. What are the challenges faced by extractive mining corporations in their attempt to establish subsidiary operations in developing nations?

Globalization forces, technology effects, liberalization of national institutional and business regulations, and improvement of the investment climate in developing nations have provided a raft of incentives for MNCs, such as mining corporations, to increase their commercial mining activities in poor nations. MNCs have been quick to capitalize on improved infrastructure, free market conditions, democratic governance systems, and a large availability of low-cost of labor across the host nations in developing

societies. As these new opportunities arise, mining MNCs have embarked on proactive initiatives and identification of potential resources to advance new ways to do business with developing nations' institutions. In east and southern Africa, where there is an abundance of mining activity, for example, these efforts have further generated increased investment and have seen a diversification away from the traditional primary extraction of natural resources to more advanced mining systems.

As mining MNCs have become increasingly globalized, opposition to them has likewise become increasingly globalized. Joint collaborations among social movements and lobbyists from developed nations and those in developing countries have shown a strong propensity to engage, not only among themselves, but with organizations and local communities (or indigenous communities) who are frequently among the groups most directly and adversely affected by mining activities. Indigenous communities, for example, have often challenged mining MNCs on a wide range of issues, such as profit flows, tax revenues, royalties, MNCs' rights to extract minerals, rights to compensation measures, rights to be engaged in community involvement, dialog and the long-term impact on their land, as well as social issues, such as jobs, the environment and farming livelihood.

In adopting sustainable development programs and responding to concerns about sustainable development, mining MNCs have acknowledged that they are responding to social pressure and that such a response is no longer optional. Increasingly, mining MNCs have publicly proclaimed their values through their corporate mission statements, code of ethics, code of conduct, adapting to international sustainable standards, and through the ways they engage with local stakeholders on social and ecological issues, all of them embracing the language of "sustainable development." MNCs are realizing that there are potential benefits, to social and to economic interests, if all relevant local stakeholders are engaged in an authentic manner rather than relying on a single organization or on outside individuals to address these social and ecological problems.

2. Discuss the ways that tax revenues, rents and subsidies can effectively be utilized by Tanzania (and other developing nations with mineral wealth) to generate prosperity in the densely populated area of

the Lake Victoria Zone as a way to break the so-called “resource curse” that occurs in many poor nations.

For courses in global ethics and leadership

Mineral extraction is an “enclave” economic activity. In Tanzania (as well as in other African mineral-rich countries), MNCs like Barrick import most of their mining equipment as well as the technical, financial and managerial services needed to run the mines. At present, very few African firms, mostly based in South Africa, can provide such equipment and services. Once extracted, the raw ore is exported for further refinement or processing elsewhere. Mining MNCs create few forward or backward linkages into the local or national economy that would stimulate more private sector development and job creation. Furthermore, given the capital-intensive nature of the industry, mining MNCs create mostly manual-labor jobs and few skilled jobs. The limited skilled jobs are often created for administrative roles. Hence, it is difficult to see how mining MNCs can transfer significant skills, technology and capital toward transforming the Tanzanian society into, for example, a knowledge-based society. Thus, it becomes essential to generate public revenue through a transparent tax and budget system to build an economy that would bring about social development.

Generally, tax revenue has the following main functions in a society:

- It allows a government to collect revenue through the budget to spend on agreed-upon national and local development plans;
- It allows a government to redistribute its revenue through its budget to achieve more equitable development;
- It allows a government to re-price goods and services to achieve social and environmental goals or influence the behavior of companies and individuals; and,
- Over the long term, it is associated with stronger channels of political and democratic representation, since it encourages tax-paying citizens to demand more accountability from their government.

Linking Barrick’s mining activities to the local community in the Lake Victoria Zone and to the wider economic development within the country, the revenue collected could become a key instrument that would allow the government to use the mining industry as a tool for development in the area.

More transparent tax structures would help Tanzania to build “state-citizen” accountability. Some have argued that, at present, the main beneficiaries are a handful of corrupt politicians, a few loyal local employees working in white-collar jobs, some corrupt community leaders, various shareholders of the mining company, the foreign engineers, and construction and management consulting firms that serve the corporation on its business ventures.

Mining subsidies, rents, and tax revenues can be utilized to create demand for small, local enterprises that serve the mining communities. Local fishermen who have lost their regular source of employment can be supported through alternative projects such as fish ponds, carpentry, and gardening or by opening other micro-business ventures through micro-financing systems to reduce poverty and other forms of crimes that occur in the region.

Communities have been affected by mining in a variety of ways: loss of local farmland, soil and water contamination, air and sound pollution, deforestation, forced removals, physical damage to dwellings, and an unsafe living environment around the Lake Victoria Zone. Mining tax regimes could be used to improve social conditions and encourage and support local governments to create awareness about preserving the natural vegetation and protecting the land from erosion and desertification.

Tanzania’s political leadership, under the strength of its institutional laws and enforcement and its readiness to engage affected stakeholders, could transform the industry to effectively bring about social and ecological benefits to the area.

As a country that claims to be democratic and politically representative of its citizens, Tanzania should create an open system for local citizens and other affected stakeholders to monitor the collection of Barrick’s revenues and have a say in their allocation and expenditure.

Barrick Gold Corporation operates its mining activities in the remote and economically depressed

areas around Lake Victoria, an area that the government has neglected for many years. Instead of forcing local communities to rely on Barrick as a newly arrived “patron” that could provide them with basic services, the government should strive to build a pro-active cross-sector social partnerships strategy between the company and the communities in order to generate much-needed, locally based social and ecological development opportunities. For example, the government can encourage a pro-active cross-sector social partnership strategy that includes:

- Creating cooperative organizations in farming, cattle-raising, and fishing that would eventually open new employment opportunities for local communities;
- Equipping social services (education and health) by using local talent and resources to generate much-needed support and access to such services;
- Promoting social and environmental awareness through “workshops,” “simulations,” and other means that enable local communities to feel fully engaged in the whole process of partnership;
- Creating groups of committed entrepreneurs with local skills who are willing to utilize local resources to create employment opportunities in various sectors in order to meet and save local markets; and
- Initiating and developing “bottom-up” local partnership approaches through dialog, mutual respect and engagement. This can be done through workshops wherein local community members are invited to debate and discuss issues that affect them, and to then discuss how to resolve them collectively.

Despite Barrick’s extensive gold production activities in the Lake Victoria Zone, Tanzania should strive to avoid excessive tax concessions and mining contracts between corrupt government officials. Tanzania’s constitution stipulates that the state owns the mineral deposits, and royalties must therefore be paid to the state treasury; however, given the effects on the locals’ livelihood in the area, the government should ensure that royalties, licenses and payroll taxes are paid to benefit those communities who

have been removed from their land and whose environment has been affected by the mining activities. If that is the case, therefore, it remains the responsibility of the government to ensure that citizens receive sufficient educational awareness, healthcare, water, sanitation and other basic needs. Barrick cannot be expected to provide all these essential services efficiently and equitably, nor is there any accountability mechanism between the company and the communities. Hence, Barrick’s tax payments to the government budget are more important than the direct services the corporation provides to communities, given that these are entirely voluntary, that they will vary from year to year, that they are not distributed equitably, and that they make up a very small share of the company’s overall profits. Leadership failures by some Tanzanian government officials will continue to fuel tension and violent behavior by local communities toward the Barrick Gold Mining Corporation.

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Selected websites for further reading

<http://www.thefoundation-tz.org/> (on the role of a civil society, a local Tanzanian NFO).

<http://www.mwanzacommunity.org/ngos.html> (a Tanzanian NFOs based in Mwanza that serves several Lake Victoria Zone Community interests).

<http://www.transparency.org> (on legal corruption index in Tanzania).

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