

OCCASIONAL PAPER SERIES – Practitioner Perspective

From Mining to the New Economy¹: Design Principles for Social Performance

Sharon Flynn – CSR Industry Fellow & Principal, Artara Consulting

Abstract:

This Occasional Paper provides a personal perspective on five key principles that form the foundation of social performance work that can work for any organization in any sector.

About the Author:

Sharon Flynn is a senior leader skilled in embedding social and environmental performance into business. With global experience in the extractives, construction, manufacturing, forestry and non-profit sectors, Sharon has led teams in community, government and stakeholder engagement, land acquisition, integrated social and environmental management, and business development. She is experienced in social investment, public-private partnerships, local workforce and enterprise development, and social auditing. Sharon has worked with Rio Tinto, Newmont Mining, Bechtel, GrupoNueva, Conservation International and The Nature Conservancy, among others. Sharon is the Principal of Artara Consulting in San Francisco, California.

About the Occasional Paper Series:

The CSR Occasional Paper Series provides timely information by scholars and practitioners on a range of topics related to minerals and sustainability. Authors retain copyright and can publish the material subsequently in journals. The series provides an opportunity for research to be disseminated online rapidly after a review by staff at CSR. Contributors are invited to submit ideas for papers to the series editor Dr. Saleem H. Ali via email: s.ali3@uq.edu.au

About the Centre:

The Centre for Social Responsibility in Mining (CSR) is a part of the Sustainable Minerals Institute (SMI) at the University of Queensland, one of Australia's premier universities. SMI has a long track record of working to understand and apply the principles of sustainable development within the global resources industry.

At CSR, our focus is on the social, economic and political challenges that occur when change is brought about by resource extraction and development. We work with companies, communities and governments in mining regions all over the world to improve social performance and deliver better outcomes for companies and communities.

¹ "New Economy" – new industries characterized by use of technology and high growth (e.g. Internet based and biotech companies).

Introduction

I work in mining and live in San Francisco, California. The dichotomy of that statement made in the present day should inspire a chuckle among some readers. I recently returned to this former gold-mining town turned tech titan after four years living and working in Peru with a mining company exploring for copper. My Peruvian team and I were responsible for the social and political aspects of the business and I spent my time thinking about how to build transparent, equitable relationships with Andean small-scale farmers amid the drama of Peruvian politics. Returning to San Francisco has meant adapting to a different context of urban socio-economic organization, in a city with progressive politics that, despite its mining history, is now far removed from the origin of its minerals consumption.

If I meet people familiar with the mining industry, I tell them that I work in social performance. Usually here in San Francisco, when someone asks me about my job, I say that I work in community relations or external affairs. Sometimes I say that I work in mining, sometimes not, depending on how much time I have to explain. I tailor my words to the audience and assume they have never met anyone from the mining industry. There are typically three responses.

The first response, and the most common, is a blank stare followed by a long pause. I don't look like San Francisco's image of a miner – no pickaxe, no mule, no gold nuggets hanging from my Timbuk2 bag.² (An American immigration officer in Dallas once asked me if I used my hands to dig in the dirt.) The second response, and close to the first in frequency, is the smirk or wry comment about how somebody has to do the “PR” to cover up the environmental evils of mining. This is usually muttered by folks carrying a cell phone made with a circuit board (copper and other minerals), stainless steel backing (iron and coking coal), and who wax poetic about the social justice of market disruption. The third response, which is the least common and the one I always hope for, is a spark of recognition, followed by a murmur of surprise, and then some questions: how is the work done, does it change anything, do mining companies really care?

For those who are interested, I try to explain why and how mining companies work with communities and governments by using examples that will make sense to American urban dwellers who have never seen a mine. It helps that I can share stories from my work not just in mining, but also in the forestry, manufacturing, construction, and non-profit sectors. These conversations over the last months have helped to clarify and refresh the fundamental principles of social performance that I believe apply as much in 21st century San Francisco as they do in communities and countries affected by mining projects. Five principles are the foundation of my practice of social performance and can work for any organization in any sector.

PRINCIPLE 1: PROACTIVELY MANAGE IMPACTS AND CHANGE

Think about the idea of an organization's social performance just like you would think about an organization's financial or environmental performance. Social performance is how an organization behaves in the communities and societies where it operates and how its operational performance aligns with the aspirations, values, and culture of those communities. The work of social performance happens at the nexus, the place where organizational behavior and societal expectations meet. By organizations, I mean a structured group of individuals acting to achieve a shared objective that can be mission-based or profit-based.

Change in communities and societies happens all the time driven by people's aspirations, values, cultural norms, politics, the availability of economic and livelihood opportunities, and the challenges of a threatened planet. The behavior and operations of organizations bring about impacts on people and the environment.

² Timbuk2 is a San Francisco-based maker of cool, hipster messenger bags.

Impacts can be positive or negative, or somewhere in between, but impacts usually create change. Sometimes organizations bring new change, sometimes they accelerate change already happening, and sometimes the change is local and sometimes global. Usually, the greater the change, the more controversy there will be for the organization.

How organizations understand and deal with the change they create is the first fundamental principle of social performance. Most groups barrel ahead thinking that their purpose or business is their only concern; some groups take the time to consider how their purpose might collide with the world outside and create challenges to their objectives and plans. Social performance is about how an organization anticipates and chooses to manage its impacts and the associated change that may affect people and the environment.

Here is an example of change and an organization's responsibility when operating at the nexus. In the 1990s, in the rainforests of northern Guatemala, I worked for a biodiversity conservation non-profit helping to manage a newly formed protected area. Our group collaborated with local communities to set up community-owned businesses for timber, tourism, and other forest products. Some of these communities were nestled deep in the forest and had been harvesting and selling forest products for decades. Harvesters spent days living in remote camps in the rainforest collecting ferns and tree resin that would end up in floral bouquets in Miami or in Japanese chewing gum. The illegal logging of tropical mahogany and cedar was common, along with the periodic ransacking of ancient Mayan tombs. These activities and the forest product trade created power relationships that underpinned the social and political structures in these remote villages. As in any community, rivalries, jealousies, competition, and dislikes existed.

One of the local leaders, Carlos Catalan, had spent his life working and living in the forest. He was not an elected leader, but a spiritual visionary who promoted forest conservation with social benefits. Charismatic and wiry with chunks of both ears missing from bot fly infections, Carlos had spent his life living and working in the forest. He kept a stack of National Geographic magazines with stories of his jungle treks with biologists, foresters, and archaeologists to share his love and passion for the trees, the animals, the birds, and the history of the Maya. Carlos was a key counterpart for our group in developing the community's new sustainable forestry business.

After much work, the forestry business was ready for its first timber harvest and accepted a buyer from Guatemala City who traveled to the community to review his purchase. During the inspection process, Carlos was killed. The assailant was another community member who shot Carlos through a knothole in the wall of the warehouse while he and other members of the community were checking the stacks of logs with the buyer.

The process of integrating their small village into the newly formed protected area and adaptation to a new economic life brought significant and sometimes painful change to the community. Change creates worry, fear, hopes and expectations, and not everyone shares the same perspective. Some people feel they are losing out, whereas others see new opportunities. A rift emerged in the community between those in favor of the forestry concession and those against. Words were exchanged, accusations made, alcohol consumed, and someone decided that violence was the solution.

Carlos's death rocked the whole community and our non-profit group. Families and leaders who had been at odds for years began talking again. For everyone - community members, leaders, and the staff of our organization - Carlos's death was a tragic loss and an unacceptable response to how the community wanted to manage the change they were living. If we all had listened better and had anticipated what could happen when change, family rivalries, and behavior clashed, it is likely his death could have been prevented. Unanticipated and unmanaged change at the nexus can result in unanticipated and unacceptable consequences.

At this point, my San Francisco audience would be saying, “Yes, but we’re different here! We aren’t poor, we don’t live in a rainforest, and we’re more developed, more modern.” Perhaps, I say, and then I point out that significant impacts and rapid change due to the emergence of new organizations is now happening in the city. San Francisco is in the midst of an economic boom stimulated by the expansion of the technology, bio-tech, and healthcare sectors. The boom is changing people’s livelihoods and the new companies and their products are changing how people behave. This change is helping to improve economic opportunities for many in San Francisco by offering new jobs, higher salaries, and new career paths. Less positive change is also part of the package as rents increase, transportation corridors are clogged, and those who don’t have the education or skills to participate in the boom are left behind.

The dynamic of societal expectations meeting organizational behavior is happening with a particular San Francisco-based company who is changing traditional transportation options. Litigation, public reputation dust-ups, and in some cases, public outrage resulting in violent protests are symptoms that a company’s intent and societal expectations are not fully aligned. The concept of how a company or organization performs socially is not only relevant for ‘traditional’ industries like oil, gas, mining, and textile manufacturing in ‘poor’ countries. Social performance is a concept that applies in one of the world’s most expensive cities and to some of the world’s newest businesses.

PRINCIPLE 2: DESIGN SOCIAL PERFORMANCE INTO THE BUSINESS

When I started on this social performance path, the work at the nexus was called “corporate social responsibility” (CSR) and the definition did not apply to non-profit organizations. The idea is fairly straightforward and parallel to the principle above. Companies, in the execution of their business, create positive and negative impacts – both on people and the environment – for which they should be responsible. In my early days of CSR, I worked with companies to identify impacts and find solutions to mitigate the negative and enhance the positive. That notion still continues to be fundamental to how a company should view their role in society, but over time, especially in the United States, the term “CSR” is now applied to a range of corporate activities from responsible supply chain management to sponsoring the local community bake sale. Everyone loves a bake sale, but a thousand cupcakes will not offset poor organizational behavior or negative impacts created by an organization’s business.

Here is the second principle: managing how organizational behavior meets societal expectations is about how an organization chooses to design and operate its business. The business of the organization itself and leveraging how that business is done is the primary tool for creating benefits and value for society. This doesn’t mean that businesses should not “disrupt” existing market paradigms or avoid building new products that change social behavior. Rather it means that organizations should anticipate how their business of disruption might create potentially negative impacts and consider ways to avoid or mitigate those impacts through design and management. This principle applies whether it is a new transportation model that displaces taxi drivers for market access or a new mine development displacing small-scale farmers for land access. To manage these impacts, the mining company might choose to re-design its footprint to take up less space or the transportation company might choose to offer ways for taxi drivers to participate in their business.

In my experience, organizations typically don’t think first about how to integrate the concept of social performance into their business. Instead, they think about how to convince people that their business or mission is good (if we just advocate enough for our interests, we can make them like us) or how to engage through philanthropy (let’s make them like us by giving away money). Both advocacy and philanthropy are essential tools an organization can use to engage with society, but they are not central to social performance, as they don’t typically offset the negative impacts of the organization. I worked for a few years in the

construction industry on large, global infrastructure projects and we would joke that the evolution of socially responsible construction goes like this. Phase 1, drive the bulldozer over the community and tell them that is the price of much needed economic development; Phase 2, throw cash over your shoulder as you drive the bulldozer over the community and tell them you're sorry; and then finally, Phase 3, build the road around the community, work with local residents to design the best route with the least impact, and offer the community employment opportunities in the road building crew.

PRINCIPLE 3: USE DATA AND INFORMATION ANALYSIS

If an organization understands that it should think about impacts and the associated change, how does it go about doing so? The third principle is that information and analysis are the basis for understanding the possible impacts of an organization in the social, political, and economic context. Moreover, through the analysis of data and information, the link between social performance and the business of the organization will be made and the real costs of not getting it right will be uncovered before the business runs into problems.

For example, when I began working on the copper exploration project in Peru, I realized that the geology team used maps that had no signs of human habitation. Geologists are responsible for drilling the ore body and analyzing the geological results that will determine the design and footprint of the future mine. The team's maps showed contours and subsoil geology, but did not include any of the villages, roads, or other indications that hundreds of families lived on top of the ore body. The mine design process was driven by geological data without any social data. This is fairly common in the industry and the old school approach is to hand the completed mine design to the community and government relations teams and tell them to go convince everyone to accept it. This usually ends up in schedule delays, conflicts, and lost value.

Luckily, there are a number of tools for sorting through the complexity created by humans, our communities, and our relationship with the natural world. These tools help organizations better understand the social, political, economic, and cultural dynamics of the societies where they operate, how the organization could impact or change those dynamics, and the best way to embed solutions into the business. Social impact assessments (SIAs) are a best practice approach used in the infrastructure, mining, oil and gas sectors. Just as an environmental impact assessment uses natural science-based methodologies to identify changes and effects on the environment, SIAs use social science-based methodologies to anticipate impacts and change in land use, incomes, jobs, demographics, housing, social organization, and cultural norms, among others. Combined social and environmental assessments consider how changed human behavior and relationships impact the natural world or how a changed physical environment leads to changes in social behavior.

Typically, an organization should employ a suite of tools to understand the world around them. Institutional and stakeholder analysis is an established tool to identify public interests and emerging issues that might affect the organization. An understanding of economic development is useful for companies that generate significant impacts through tax revenues or job creation. Social and community development methodologies help to interpret impact data or design social investment strategies. Political risk analysis and communications are also essential to understand how an organization will collide or align with societal expectations for governance and regulation. The most effective social performance team I have worked with included biologists, sociologists, anthropologists, policy, communication, and media experts.

Their collective work helped the organization understand the complexity of the social and political context and build the right solutions to manage impacts, change, and risks to the business, communities, and other stakeholders.

PRINCIPLE 4: BUILD DIALOGUE AND RELATIONSHIPS WITH HUMILITY

Data analysis should operate in tandem with the dialogical relationship between the organization and its stakeholders. Dialogue is the implicit, embedded, and underpinning framework that ties together a coherent social performance strategy. If social performance is about how organizational behavior meets societal expectations, the organization has to understand what those expectations are by engaging with communities, governments, and other stakeholders. Understanding expectations requires listening, asking questions, sharing, agreeing, and sometimes disagreeing. That is dialogue.

Dialogue is fundamental for hearing people's concerns and aspirations and resolving differences in values and points of view. Building dialogue sounds simple, but in my experience it is one of the most difficult challenges for organizations. Real dialogue usually means sharing information, dealing with disagreements, and agreeing to compromise. These are three areas that organizations are accustomed to protecting, avoiding, or addressing from the perspective of legal negotiation. Dialogue requires organizational readiness and a willingness and particular skill set across its leadership. Organizations I have seen successfully use dialogue to craft solutions to complex, potentially costly issues, are those with leaders who are adept at recognizing and putting aside their organizational power.

Awareness and understanding of their institutional power can be a puzzling idea for many people in an organization as, individually, they think they do not possess much power at all. To have this awareness, leaders must be able to see how people outside the group perceive the different actions and behaviors of the organization. If leaders can see how others see their organization's influence and power, if they have the humility to set that power aside, and if they have the empathy to understand other social realities, then they can begin a dialogue. Dialogue and listening builds relationships and relationships build trust. It's not just about formal political engagement; dialogue needs to be on going with a wide range of social and political actors in the organization's context. Relationships and dialogue provide the organization with important information about how they are impacting people and how people want to collaborate with the organization.

Now the San Francisco audience is saying, "Oh, that sounds so trivial. Real change is only created through advocacy and protest." Yes, I say, advocacy and protest sometimes work, but dialogue can build consensus that leads to powerful change. The tangible aspect (data gathering and analysis) of building an organizational strategy for social performance should be held in balance with the intangible aspect (dialogue and relationship-building with power awareness, humility and empathy). Both aspects need to work together. The tangible processes will only achieve a minimal level of change and value for the organization if the intangible pieces are not in place.

PRINCIPLE 5: BUILD SOCIAL CRITERIA INTO DECISION-MAKING

Australian men of a 'certain age' from hard science disciplines like engineering and geology taught me how to make decisions. Most of these mentors had lived through significant events where societal expectations and organizational behavior resulted in violence. They were keenly aware of the social and business costs of unanticipated impacts and change, and they had great awareness of their power and the humility to set it aside. In the early days of our working relationship, one of these mentors stood in front of a white board with marker in hand and said, "You know what your problem is? Your problem is that your work looks like this (he drew some squiggly lines on the board) and no one understands what you do or how you make decisions."

The hardest decisions around social performance require balancing societal expectations with the organization's interests. There is no such thing as new mine development without impacts and any organization aspiring to do great things cannot do so without creating change that is likely to have some

negative consequences. With his squiggly lines, my colleague was pointing out that decisions requiring tradeoffs between the company's and society's interests should be made with clarity, transparency, and considered reasoning. The decisions should be easy to explain to people both inside and outside of the business.

To achieve this, my team and I built a documented and measurable framework for our work that drew together the different strands of community engagement, socio-economic development, government relations, and business development using all the tools described above. Building on the company's stated principles and values, we linked the objectives of the business with the societal expectations for how our company should behave. This included setting criteria for both achieving business milestones, and eliminating or minimizing the potential negative impacts, unacceptable change, and risks that these milestones meant to external stakeholders. We worked with other functions to embed social criteria into the design of the business and build systems to ensure that the organization would behave consistently across the scope of its activities. What resulted was an approach for making informed decisions using information gained through dialogue, the results of comprehensive information analysis, and clarity on the social performance goals of the business.

Were all of our decisions the right ones? Not all the time, but we had a transparent, defensible framework for showing how we arrived at the decision that could be shared, discussed, measured, and changed. The approach helped build consensus for our path forward, both internally and externally. If we got it wrong, people let us know and we adapted to find a better solution.

SO WHY DO I WORK IN MINING?

Eventually everyone in San Francisco asks the same question – why do you work in mining? First, I work in mining because I cannot separate myself from the reality that pretty much everything I use every day has been made from minerals. As a colleague recently said in his excellent book, “The stark reality of modern society is, that all of the material we use in our daily lives, if it wasn't grown, it was mined or drilled.”³

Second, I work in mining for the same reasons I worked in biodiversity conservation, construction, manufacturing, and social impact investment. Working with a mining company offers the chance to change and influence how the business avoids negative change and creates benefits for communities, societies, and the environment. This has meant creating opportunities for people who wouldn't have had them otherwise – access to jobs, training, income, and small business development. The scope and scale of the industry also offers the opportunity to leverage more benefits by combining the resources of mining companies with other actors to collaborate and address larger challenges in water management, forest conservation, education, health, and poverty alleviation. All of the principles described above have been central to my work across different industries and sectors, and they are fundamental to any organization seeking to integrate social performance and sustainability into their business.

³ [Franks, D.M. \(2015\) “Mountain movers: mining, sustainability and the agents of change.”](#) London, United Kingdom: Earthscan and Routledge.