

**Managing Stakeholder Ambiguity in the
International Mining Sector:
The Case of Goldcorp Inc. in Guatemala**

by

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Abstract

Canadian mining companies operating in the developing world face a complex business environment where substantial stakeholder ambiguity must be managed. Stakeholder ambiguity occurs when stakeholders interpret company actions or information they receive in different ways depending on their individual goals, demands, and opinions. Through interviews with company managers and leaders of civil-society organizations, this study endeavours to determine how Canadian-based senior mining company Goldcorp Inc. manages the stakeholder ambiguity it faces at its Marlin mine in Guatemala. The study finds that several aspects of this business environment contribute to stakeholder ambiguity, including poorly functioning governments and a large presence of anti-mining NGOs. The case study examines three examples of institutional strategy undertaken by Goldcorp. Institutional strategy involves working to transform institutional standards to establish a strategically favourable set of conditions. Findings suggest these initiatives are well designed and have been effective, but structural barriers prevent them from reaching their potential.

Keywords: mining industry; social license to operate; stakeholder engagement; stakeholder ambiguity; institutional strategy; Guatemala

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Chapter 1. Introduction

On May 20, 2010, the Inter-American Commission on Human Rights (IACHR)¹ requested that the government of Guatemala adopt a series of precautionary measures, including suspending the operation of Goldcorp Inc.'s Marlin Mine in San Marcos Department, Guatemala (IACHR, 2011). This request was made to "prevent irreparable harm to the life, physical integrity and environment of indigenous peoples in communities in San Miguel Ixtahuacán and Sipacapa, in connection with alleged environmental contamination resulting from activities at the Marlin Mine", responding specifically to complaints surrounding water quality (Goldcorp Inc., n.d.-a, para. 1). Following an investigation by the government of Guatemala into alleged environmental contamination, during which additional information was submitted by the parties, the suspension request was withdrawn by the IACHR as part of modified precautionary measures issued in December 2011 (IACHR, 2011).² Despite the withdrawal, this chain of events has further contributed to the negative reputation of Goldcorp Inc. and the mining industry in the eyes of many stakeholder groups, threatening the maintenance of their social license to operate in the community. Stakeholder ambiguity faced by companies in the extractive sector in Latin America can make preventing and subsequently managing these controversies very difficult.

¹ The IACHR is an independent body of the Organization of American States (OAS). Its mandate is to receive, analyze and investigate human rights complaints, and generally monitor the human rights situation, in OAS member states. The OAS membership consists of the 35 independent nations of the Americas and was created in 1948. Both Guatemala and the United States were part of the original membership of 21 countries, and Canada became an official member in 1990 (OAS, n.d.).

² The order stated that "after examining additional information submitted by the State and the petitioners, the IACHR notified its decision to modify these precautionary measures". The new precautionary measures tasked the Government of Guatemala with ensuring that the members of the indigenous communities that were the subject of the precautionary measures have access to potable water. (IACHR, 2012).

This thesis draws on the concept of stakeholder ambiguity (Hall & Vredenburg, 2003, 2005; Matos and Hall, 2007; Hall et al., 2014) to argue that mining companies will be more successful in earning a 'social license to operate' if they undertake stakeholder engagement initiatives that seek to make real changes to the institutional environment in which they operate. Stakeholder ambiguity occurs when stakeholders interpret company actions or information they receive in different ways depending on their individual goals, demands, and opinions. In an environment of substantial ambiguity, such as the mining industry in the developing world, the ability of company managers to predict stakeholder responses to company initiatives, respond to stakeholder concerns, and even identify stakeholders can be hampered. These factors make predicting the potential source of controversy and managing the accuracy and reception of information received by stakeholders a very difficult task. This thesis will examine the organizational strategy of Goldcorp Inc. in Guatemala to determine how large companies in the industry engage their stakeholders to manage this ambiguity and earn their social license to operate. A social license to operate is earned when "a mining project is seen as having the ongoing approval and broad acceptance of society to conduct its activities" (Thomson & Boutilier, 2011; Prno & Slocombe, 2012, p. 346). This arguments in the thesis are based on the idea that creating an institutional environment with reduced stakeholder ambiguity will contribute to the earning of the social license and its maintenance over time.

The response to the IACHR precautionary measures offers a clear example of the types of stakeholder ambiguity faced by companies in the region. In making the decision to modify the precautionary measures, the IACHR stated that they considered additional information submitted by the parties (IACHR, 2011). According to Goldcorp, this information included "technical studies, which demonstrate(s) that the Marlin mine is not causing and has not caused harm to human health or the environment" (MT Newswires, 2011). Despite the modification of the precautionary measures and the substantial amount of information issued by the company to dispel what they consider to be myths³, many stakeholders remain opposed to the company's operations and believe that the withdrawal of the precautionary

³ See Goldcorp's Above Ground blog (Goldcorp, 2012)

measures was unjustified.⁴ While the information supporting the company's practices is likely seen by management as independently verified scientific evidence, stakeholder groups can have a wide range of responses to these claims that can be difficult to predict and subsequently manage.

This thesis will examine the stakeholder engagement strategies that Goldcorp Inc. uses in relation to their Marlin Mine in Guatemala to attempt to limit this ambiguity and avoid these controversies, looking specifically at the ways in which the company works to affect the institutional environment in which they operate. It will draw specifically on the concept of institutional strategy. Institutional strategy is defined as the act of "preserving or transforming institutional standards and rules in order to establish a strategically favourable set of conditions" (Lawrence, 1999). In contrast to traditional corporate social responsibility (CSR) activities consisting of initiatives such as corporate philanthropy, this thesis suggests that stakeholder management strategies that seek to achieve real change in the institutional environment in which the company operates will be more effective at managing stakeholder ambiguity and maintaining the social license to operate over the long term. This thesis takes the view that the primarily negative secondary stakeholder responses to the industry and its leading companies has become institutionalized, operating as a substantial barrier to success for these companies. As responding to these institutional forces "can often lead to symbolic rather than genuine CSR actions", the thesis argues that the institutional arrangement must be disrupted by the company if it hopes to have real effect on the levels of stakeholder ambiguity it faces and maintain its license to operate in the long term (Aguinis & Glavas, 2012, p. 941).

Canadian-based companies have become leaders of the international extractives sector, accounting for almost half the world's extraction activities and possessing interests in over 8000 properties in 100 countries, a substantial portion of which are located in the developing world (Foreign Affairs, Trade and Development Canada, 2012a). According to Natural Resources Canada (2013), upwards of 85% of Canadian owned mining assets situated abroad are located in developing countries, with over half of these assets in Latin America and the Caribbean. These companies almost

⁴ See "Human Rights Commission's Climbdown a Wake-up Call", 2012

universally promote themselves as economic drivers in the countries that they are operating, returning millions of dollars in taxes and royalties to local governments and creating substantial employment opportunities for local residents.⁵

Mining companies are also promoting increased community involvement, including reported investments in CSR activities and a renewed focus on operating in an environmentally friendly way. Despite this focus, Canadian mining companies continue to be linked to numerous controversies in the developing world, both social and environmental in nature. In recent years, Canadian-based companies operating in Latin America have allegedly participated in acts of bribery, labour rights violations, environmental destruction and have been associated with varying degrees of violence in the communities in which they operate. Some examples of these controversies are summarized in Table 1.

Table 1: Controversies Involving Canadian Mining Companies in Latin America

Calgary-based Backfire Exploration Inc. has, since 2010, faced allegations that their Mexican subsidiary paid bribes to the mayor of the town in which they were operating, to ensure protection from anti-mining protestors (“Mounties probe Calgary”, 2011)
Toronto-based Excellon Resources Inc. was accused of severe labour rights violations and failure to comply with the land use contract by workers and landowners surrounding their La Platosa mine in Durango, Mexico in 2012 (“Mexican workers, landowners file second complaint”, 2012).
Toronto-based Barrick Gold Corp. had the permit for the development of their Pascua-Lama project located on the Chilean-Argentinian border suspended in April 2013. A Chilean court mandated the stoppage of construction due to alleged pollution of ground water and rivers. This resulted in a \$16 million fine. (“Chile fines Barrick Gold \$16m”, 2013).
Vancouver-based Tahoe Resources Inc. was linked to violence between police, mine security, and protestors at their Escobal silver mine in Guatemala in May 2013. These clashes resulted in one death, several serious injuries, and a declaration of a state of emergency by the government. (“Guatemala declares emergency”, 2013)

⁵ For example, the website of Barrick Gold Corporation states “Our aim is to share the benefits of mining with our employees and the community and contribute to economic and social development” (Barrick Gold, 2013) and Goldcorp Inc. prominently promotes their economic contribution in their 2012 Sustainability Report (Goldcorp Inc., 2013a).

In addition to the Marlin Mine, Goldcorp Inc. has also been associated with these types of controversy in operations outside Guatemala. Non-governmental organizations (NGOs) have alleged that their San Martin mine in Honduras was improperly closed in 2008 and that environmental damage has led to health problems for some residents (Carroll, 2009). This negative publicity, regardless of whether it is justified or not, has added further fuel to the rampant protests that accompany most new mining projects in the region.

The intention of this thesis is to paint a picture of the complexities faced by a company doing business in the natural resource sector in a developing country and better understand the ways in which a large company immersed in this context is attempting to overcome the significant stakeholder ambiguity they face. Companies operating in controversial industries and in the developing world must operate in the face of poorly performing, unreliable, and often corrupt governments, all the while having to manage a large presence of NGOs operating with their own agendas. These are only some of the factors contributing to the high levels of stakeholder ambiguity faced by the company. This ambiguity makes the already complicated task of effectively identifying and engaging an organization's stakeholders even more difficult and must be carefully managed.

This study will primarily concentrate on reviewing the decision-making processes of the company's management team. It will also adopt the view that a productive take on these issues looks at what companies themselves can do to improve industry practices and the lives of those affected by mining operations. Understanding the decisions made by these companies can provide insights about whether mining activities can occur in the developing world while creating benefits for all stakeholders. This prospective is in contrast to the viewpoint often held by members of civil society that mining companies cannot be trusted to act in the best interests of members of the communities in which they operate (O3, personal communication, 2012). The view taken in this thesis is that a stakeholder approach considering the points of view of the industry's most relevant stakeholders, including the companies themselves, will yield greater progress towards a more sustainable industry, that can benefit all parties involved.

The case study in this thesis makes use of interviews with industry professionals from both within Goldcorp Inc., and other leading organizations in the industry, and observation of the target company's presence in the community. These personal open ended interviews, combined with a grounded theory methodology, ensured that issues discussed in this research were of direct importance to professionals involved in this industry. The expectation is that working closely with industry practitioners in the completion of this research will lead to real actionable findings that can be used by both the Goldcorp Inc. and other companies within the industry. These interviews identified three initiatives in which institutional strategy is used by Goldcorp: i) the funding of a community foundation called the Sierra Madre Foundation, ii) the creation of a water monitoring association called AMAC, and iii) the technical training of Guatemalan government officials. The examination of these three examples of institutional strategy will be used to argue the following thesis:

Multi-national mining corporations may be able manage the substantial stakeholder ambiguity that they face in the developing world by engaging in institutional strategy.

The structure of the thesis is as follows:

Chapter 2: *Stakeholder Ambiguity and Institutional Change* – A review of the literature on social license to operate in the mining industry and approaches to stakeholder engagement and managing stakeholder ambiguity. This chapter will also review the literature on institutional change, concentrating specifically on reasons for undertaking institutional strategy.

Chapter 3: *Research Methodology* – An explanation of the two stage methodology including the details of research design and sources of data.

Chapter 4: *The Canadian Mining Industry and Guatemala* – An introduction of the case study with a discussion of the role played by Canadian companies in global extractives industry and an overview of the Guatemalan business environment.

Chapter 5: *Goldcorp Inc. and the Marlin Mine* – A discussion of Goldcorp Inc. and the Marlin mine. The chapter will conclude by identifying and categorizing ten sources of stakeholder ambiguity that managers perceive they face in this context.

Chapter 6: *Forms of Institutional Strategy* – An outline of three forms of institutional strategy that are practiced by Goldcorp Inc. in Guatemala. This discussion will identify how these initiatives were chosen as subjects for this research and detail the company's initiatives. This chapter will also include of brief comparison between the three examples of institutional work and more traditional CSR activities.

Chapter 7: *Discussion and Recommendations* – A discussion of the likely outcomes of the three initiatives introduced in Chapter 6, looking specifically at the intended impacts on the individual sources of stakeholder ambiguity introduced in Chapter 5. In particular, the discussion will concentrate on the likely barriers to effectiveness for each initiative.

Chapter 8: *Conclusion* – A review of the thesis' most important findings and contributions. This chapter will also discuss the study's limitations.

Chapter 2. Stakeholder Ambiguity and Institutional Change

This chapter will present a review of existing academic literature relevant to this study. It will establish the theoretical basis for the claim made by this thesis: that Goldcorp Inc. uses institutional strategy to attempt to manage the substantial stakeholder ambiguity present in the developing market context and contribute to what has been called the company's 'social license to operate'. There are three main bodies of literature that will be used to situate this research and make up the theoretical framework of the study.

First, a review of corporate social responsibility (CSR) literature in the context of the mining industry will be presented, examining the commonly understood motivations for this type of stakeholder engagement. This study will view the earning of a social license to operate as the primary reason for a multinational mining corporation to engage in stakeholder engagement activities. This social license literature is particularly important to examine as it establishes the elements of the social license.

Second, the literature surrounding the process of identifying and managing relationships with stakeholders will be discussed. Stakeholder ambiguity literature will then be introduced, with a focus on the aspects of this ambiguity that make anticipating stakeholder responses difficult. This will be followed by a discussion of some of the management techniques suggested in recent literature. This literature is important because Goldcorp managers identify that they face substantial uncertainty when managing their stakeholders.

Third, the examination of institutional change will begin with discussing the impact institutions have on companies followed by an introduction of the concept of institutional strategy and a review of the identified motivations actors have for participating in institutional change.

The relationship between the literatures will then be summarized when discussing the theoretical framework for this study. This chapter will conclude with a brief discussion of intended contributions to the overall literature.

2.1. Corporate Social Responsibility and Social License to Operate in the Mining Industry

The dialogue surrounding issues of CSR has undergone substantial change in academic literature. The traditional view of social responsibility, beginning in the 1960s, held that these actions were undertaken beyond the company's direct economic interest and may result in long term economic gain for the firm if it is seen as being overall socially responsible (Carroll, 1999). These gains could also act as reputation insurance as it has been argued that a firm with a reputation for doing business in a socially and environmentally friendly way can better weather controversy (Peloza, 2006). Freeman and Moutchnik notes that CSR has been traditionally based on the idea that business and ethics represent separate dimensions of company operations and that CSR is essentially done as "an apology for business being about the money and self interest, so that some "social" compensation is necessary" (2013, p. 6). He argues that CSR needs to be integrated into the business model so that company operations are seen as method of value creation for all stakeholders (Freeman, 2010). He also adds that that business in general is "about more than just transactions. It's about relationships with customers, suppliers, employees, communities, and financiers (and) how these relationships are dependent on each other" (Freeman, 2013, p. 6).

The most recent discussion of CSR in the mining industry has primarily concentrated on the idea of 'social license to operate' which describes a level of general acceptance within society that a company must continually achieve in order to conduct its activities in a given geographical location (Joyce & Thomson, 2000). The term 'social license to operate' has now become common industry vernacular that all levels of stakeholders are likely aware of and has consequently been institutionalized in the industry. Thomson and Boutilier (2011) identified four levels of social license that can be achieved by a mining firm. These are withdrawal, acceptance, approval, and identification with the project psychologically. This makes it clear that social license is

not an all or nothing proposition and that mining companies should continue to work hard to maintain and improve their social license after they have earned it. Thomson and Boutilier (2011) also identified three 'boundary criteria' of the social license: 1) legitimacy, 2) credibility, and 3) trust. Their framework was proposed as a hierarchy, where the satisfaction of each criteria is required to move to the next level of social license. Each 'boundary criteria' is defined by the authors as follows:

For legitimacy, Thomson and Boutilier (2011, p.1784) cite Knoke's (1985) definition that legitimacy is "the acceptance by the general public and by relevant elite organizations of an association's right to exist and to pursue its affairs in its chosen manner". To expand the definition, they also draw on Suchman's (1995) three categories of legitimacy: 1) pragmatic legitimacy, 2) moral legitimacy, 3) cognitive legitimacy. Pragmatic legitimacy involves concerns over how the consequences of the company's actions will affect the stakeholder, what the stakeholder will gain from their operations, whether the company is responsive to concerns, and how environmental resources in the community will be affected (Thomson & Boutilier, 2011). Moral legitimacy concerns whether the stakeholder is respected by the company and whether the activity will promote general welfare in the community. Cognitive legitimacy concerns whether company claims make sense and whether what they are proposing has been done before. Legitimacy also concerns whether the company has legal right to operate (ibid).

For credibility, the authors stress that a credible company is seen as "following through on promises and dealing honestly with everyone" (Thomson & Boutilier, p. 1785). The company must be responsive to community concerns and have standard policies for dealing with everyone. Credibility is earned over time and is best earned through participatory processes that identify community priorities (ibid). Credibility can also be earned by having third parties "verify the truth of company statements and to empower the community to be the watchdog on the company's activities" (ibid, p. 1785).

For trust, the authors state that the community must believe that the company will always act in the best interests of the surrounding community (ibid). The company has to "go beyond fulfilling its promises to jointly envisioning new development goals with the

community” (ibid, p. 1786). Trust can also be gained by handing over aspects of the project to members of the community (ibid).

The pressure to build a social license is primarily put on large firms in the marketplace by both societal and market-driven pressures (Lynch-Wood & Williamson, 2007). It has also become evident in recent literature that social license is a very contextual concept. As stated by Prno and Slocombe (2012), every setting is unique and companies must be willing to develop and maintain a “strong understanding of relevant governance and institutional arrangements, the linkages between them, and connections with other pertinent social, economic, and environmental variables” if it hopes to maintain a social license to operate (p.354). This takes a great degree of awareness of the company’s situation within the industry and can be made even more difficult when high levels of stakeholder ambiguity are present.

2.2. Stakeholder Ambiguity

2.2.1. Defining a Stakeholder and Stakeholder Theory

Freeman describes a stakeholder as an individual or group that can affect or be affected by the actions of an organization and stresses that the stakeholder approach is “about managerial behaviour taken in response to those groups and individuals” (1984, p. 48). Clarkson expands on this definition by stressing the differing “rights, objectives, expectations, and responsibilities” that exist among stakeholder groups and the importance of the complex relationships that exist between companies and their most important stakeholders as a result (1995, p. 107). In general, Freeman’s stakeholder theory says that organizations must consider the needs of a wide variety of stakeholders when doing business (1984).

While identifying the wide range of stakeholders that companies must manage, Freeman (1984) makes the distinction between primary and secondary stakeholders. Primary stakeholders are those that tend to engage directly in economic transactions with the company (eg. shareholders, employees, customers), while secondary stakeholders are external groups who do not engage in transactions but can affect or be

affected by the company (eg. governments, public, media, unions) (ibid). Clarkson expanded on this definition by noting that “the corporation is not dependent for its survival on secondary stakeholder groups” but that these groups can cause substantial damage to the organization (1995, p. 107). Freeman emphasized the potential remoteness of these stakeholders with his observation that individuals as remote as “terrorist groups” can be considered stakeholders in some industries (1984, p. 53). While primary stakeholders tend to be those that a company has the most contact with on a regular basis, the potential remoteness of secondary stakeholder groups, and subsequent difficulty in identifying and managing their needs, can often make the management of secondary stakeholders require the most explicit attention in many industries.

The Stakeholder View expands on Freeman’s work by re-examining the definition of a stakeholder (Post, Preston, & Sachs, 2002). This new definition varies in that it includes competitors as one of the key stakeholders of an organization. In integrated and sensitive industries like the mining industry, competitors can be important as industry leaders often share a reputation with the industry as a whole. Acts seen as questionable by stakeholders, that are conducted by one company, can change the way the public looks at an industry as a whole. As a result, firms must be aware of their competitors’ actions, as any negative actions can send a ripple effect through the industry.

Work by Frooman (1999) and Fassin (2009) has also sought to redefine what is thought of as a stakeholder. Frooman (1999) concentrates on the nature of a stakeholder’s claim by differentiating between strategic stakeholders who can affect the firm (and require management) and moral stakeholders who are affected by the firm (and require a balancing of their interests). This distinction allows managers to prioritize stakeholders based both on the nature of their needs and the level of impact they can have on the organization. By introducing stakewatchers and stakekeepers as two new groups, Fassin (2009) also seeks to narrow the definition of a stakeholder. Stakewatchers are defined as pressure groups that only possess an indirect claim on the firm and stakekeepers are defined those that have no claim on the organization (ibid). When added to narrower definition of a stakeholder, Fassin attempts to differentiate

based on the degree to which the group possesses a claim on the firm. This can be an effective approach as multinational corporations typically have relationships with numerous different types of stakeholders that desire a wide range of results from the organization.

2.2.2. Stakeholder Identification and Management

Stakeholder management is defined as a process of managing the expectations of anyone that has an interest in a firm or will be effected by its operations (Cennamo, Berrone, & Gomez-Mejia, 2009). In order to ensure that relationships between the organization and its stakeholders are maintained and the limited resources of an organization are used efficiently, managers must be able to determine which groups of stakeholders are the most important and have the greatest influence, or potential influence, on the company. Donaldson and Preston called these “legitimate stakeholders” and argued that the management function must be able to identify these stakeholders and select activities that result in benefits for these groups (1995, p. 85).

The most prevalent framework examining the way managers determine which of their stakeholders are the most salient was established by Mitchell, Agle, and Wood (1997). The authors intend to permit “the explicit recognition of situational uniqueness and managerial perception to explain how managers prioritize stakeholder relationships” (ibid, p. 584). They propose that managers must survey the attributes of stakeholder groups to determine their potential implications on the organization. They identify power, legitimacy, and urgency as the three attributes on which every stakeholder group must be evaluated (ibid). Power looks at the extent that an individual or group has the means to impose their will on the organization. Legitimacy involves the stakeholder operating in a way that society considers expected and responsible. Lastly, urgency describes the degree to which the concerns of a stakeholder group are both time-sensitive and important to the corporation. The authors argue that stakeholder groups that possess all three attributes are the most salient and should have the most attention devoted to them (ibid).

While having the potential to be effective, this framework presents a difficulty for managers as the degree to which stakeholders possess these attributes is constantly changing depending on the context (Winn, 2001). Managers must be able to monitor and reprioritize the organization's spectrum of stakeholders on a regular basis, in addition to keeping aware of potential stakeholder groups that have never been on the agenda of the company. This represents a great challenge to even the largest organizations with the most substantial resources, as identifying, prioritizing, and managing relationships with secondary stakeholders can be a time consuming and costly process. In addition to these difficulties, further complexity is added to the process as the normative concerns of managers become involved in decision-making. Agle, Mitchell, and Sonnenfeld (1999) further contribute to this framework by introducing the variable of CEO values and argue that the stakeholders determined to be most salient by an organization can be affected by the personal values and perceptions of the CEO.

Freeman's stakeholder approach emphasizes the wide range of stakeholders that must be considered by an organization. This is echoed in the Total Responsibility Approach advocated by Waddock, Bodwell, and Graves (2002) that recommends engagement of all of an organization's stakeholders. While this approach seems to be reflected in the CSR literature produced by a number of companies in the mining industry, recent management literature has cautioned against this practice. Pederson (2006) argues that the process of engaging with all relevant stakeholders is simply beyond the capacity of any single company. Other authors, such as Matos and Hall (2007) have even suggested that attempting to engage all stakeholders can be counterproductive as you can risk legitimizing the claims of non-salient fringe stakeholders. Mining companies face this challenge exponentially as large groups of stakeholders that are both opposed to the practice of mining in general and removed from the context in which the company is operating, are commonplace in the industry .

2.2.3. Managing Stakeholder Ambiguity

The process of identifying salient stakeholders and managing the company's relationships with existing stakeholders can become more difficult as the level of

stakeholder ambiguity in an industry increases. According to Hall and Vredenburg (2003, 2005), stakeholder ambiguity occurs because the positions of secondary stakeholders are based on their own goals, opinions, and agendas. As a result, secondary stakeholder groups are likely to interpret the organization's actions in different ways, making proactive engagement, and even identification, of some stakeholder groups difficult (Hall & Vredenburg, 2003). This is particularly evident in industries and contexts where a wide range of stakeholders exist and those stakeholders are not "directly involved with (the) organization carrying out (the) analysis (Matos & Hall, 2007, p. 1088).

Stakeholder ambiguity finds its basis in the economic concept of Knightian uncertainty. Knight (1921) differentiates between true risk and uncertainty. Under true risk, both the potential outcomes and probabilities of each outcome occurring are known to the manager. In this situation, managers are able to account for all parameters and predict their probability of occurring based on past experiences or deductive reasoning. Managers are rarely faced with true risk, as the vast majority of business decisions are individual decisions made in unique and complex circumstances, where perfect information does not exist. Under uncertainty, the potential outcomes are known, but the probabilities are not (ibid). As a result, the chances of a particular event or stakeholder response occurring is unknown to managers. This can be attributed to imperfect information. According to Knight "the essence of the situation is action according to opinion ... neither entire ignorance nor complete and perfect information, but partial knowledge (p. 199).

With the concept known as Knightian uncertainty, not only are probabilities unknown, but it is also "not possible to identify key parameters" (Matos & Hall, 2007, p. 1084). Matos and Hall (2007) have referred to Knightian uncertainty as ambiguity. Managers in a business environment in which substantial stakeholder ambiguity exists will be unable to identify stakeholders, determine potential stakeholder responses to company actions, or reconcile conflicts between some stakeholders and the company (ibid). Managers may thus be forced to observe and be reactive to stakeholder responses. If the level of stakeholder ambiguity in a business environment is reduced, managers will have a greater ability to accurately identify relevant stakeholders,

determine potential stakeholder reactions and foresee potential conflicts before they arise.

Uncertainty is particularly evident in both the developing market context and natural resource industry, as MNCs are often entering communities where stakeholder dynamics are unfamiliar (Hall & Vredenburg, 2005). The degree of stakeholder ambiguity that must be managed by an organization's managers is also dependent on the context of the industry in which the company operates. In discussing the stakeholder ambiguity that is likely to be faced in the mining industry, Bradshaw and McElroy (2014) state that "for firms engaging with remote indigenous communities for whom mining is wholly unfamiliar, the challenge is even greater and the avenues for good corporate practice are fewer" (p. 181).

A number of different factors can contribute to a stakeholder's response to information made available to it. Hall, Bachor, and Matos (2014) argue that a stakeholder's response to a company's actions can be based on the way that stakeholder interprets the risks that the company is undertaking. This "risk heuristic" can vary drastically between primary and secondary stakeholders (ibid, p. 412). While a primary stakeholder may respond to a company initiative with general acceptance as they consider potential negative consequences to be a reasonable risk of doing business, secondary stakeholders may respond to the same risks with complete resistance, regardless of information made available, as a result of their general distrust of an industry (ibid). Levels of stakeholder trust can also impact the way the stakeholder will respond to new information. Stakeholder trust is defined as the willingness of stakeholders to "accept vulnerability to the actions of an organization based on positive expectations" (Pirson & Malhotra, 2011, p. 1087). Trust is a multi-dimensional characteristic and the degree to which stakeholder trust exists in a relationship can vary drastically over time (ibid). A stakeholder who has developed a high level of trust in an organization will likely be willing to accept greater levels of risk. For example, a mining company that has conducted full consultations with a community before opening a property will likely have built trust during the process that can influence the degree that the community members are willing to accept vulnerability.

Managers, as a result of the existence of this wide variety of factors influencing the actions of stakeholders, are left with the difficult task of predicting the way that each stakeholder group will respond to a particular company action. They must face this task with limited information available as to the values of that stakeholder. Managers need overcome this uncertainty in order to effectively identify and manage their relationships with secondary stakeholders. This is often a difficult task for large and complex organizations whose business has been sustained over long periods of time. According to Hall and Vredenburg (2003), “traditional approaches to innovation have generally focused on a narrow range of stakeholders, including suppliers, complementary innovators, customers, investors and regulators” (p. 64). It may be difficult for large organizations to alter their methods of innovation away from those that tend to concentrate on primary stakeholders and ignore secondary stakeholders. Authors have also argued that, especially in the case of environmental management, efforts surrounding improvements in processes by organizations tend to concentrate on incremental improvements, preventing real innovation from occurring (Hart & Milstein, 1999). This factor will likely act as a barrier to changing the way in which stakeholders are viewed by organizations. Cennamo, Gomez-Mejia, and Berrone (2012) also discuss the effects of stakeholder ambiguity, stating that ambiguity “increases the demand to continuously scan the environment to uncover what issues are of importance to stakeholders and for searching and implementing new initiatives that meet stakeholders’ needs” (p. 273). The presence of ambiguity also “enlarges the field of options executives must consider when attempting to identify and satisfy” the needs of the corporation’s stakeholders (ibid).

A number of stakeholder management techniques have been suggested in the literature that may help organizations manage this stakeholder ambiguity. Hart and Sharma (2004), for instance, recommend that companies do their best to engage fringe stakeholders. They define fringe stakeholders as those who are unlikely to show up on a company’s radar because they may lack the three attributes outlined by Mitchell et al. and outlined above (ibid). Managers who concentrate on a small number of stakeholders, that they believe are the most salient, often ignore these groups. While relationships with these salient stakeholders may still qualify as the most important for the organization, the dynamic nature of fringe stakeholders and effects of stakeholder

ambiguity give these stakeholders the ability to become influential in a short period of time. Management who act entirely reactively to these stakeholders will be unprepared for the emergence of potentially influential and unpredictable threats.

Determining which fringe stakeholders to engage and the method to engage them can certainly be complex and exhausting processes. To deal with this, Hart and Sharma (2004) propose a process of “radical transactiveness” which consists of fanning out to identify those on the fringe and being proactive with their concerns. This is then followed by integrating the knowledge learned into existing business practices. This iterative process provides significant benefits as it allows the management of existing salient stakeholders to be informed by the knowledge gained from working with those on the fringe. It also contributes to a better general understanding of the business environment, that allows for more proactive stakeholder management. According to Henriques and Sadorsky (1999), this level of proactivity can have significant influence on the range of stakeholders that an organization consults. The authors found that proactive firms considered all stakeholder groups except for the media, while reactive firms considered the media to be the most important stakeholder. This reactive strategy has become institutionalized as the norm in many industries and must be abandoned if organizations intend to gain from the management of their stakeholders.

Business environments where substantial stakeholder ambiguity exist make managing relationships with stakeholders difficult. A more effective strategy for managing stakeholder ambiguity is needed in contexts where uncertainty is particularly evident and fringe stakeholders are difficult to identify. This thesis suggests that one way for an organization to encourage the proactive identification and management of stakeholders, and limit this uncertainty, is to attempt to change the institutional environment in which the corporation operates. Institutional change aimed at the perceived sources of this ambiguity may be effective in reducing uncertainty and making risks associated with the company’s stakeholder relationships more predictable.

2.3. Institutional Change

2.3.1. The Role of Institutions

Institutional studies of the corporation concentrate primarily on the relationship between the organization and the institutions that influence their actions in a particular field. Institutional theory, in particular, highlights “cultural influences on decision making and formal structures” and situates organizations in a “web of values, norms, rules, beliefs, and taken-for-granted assumptions” (Barley & Tolbert, 1997, p. 93). An organization is subject to pressures from the institutional environment in their field; pressures that can have a significant impact on the way a company operates (Scott, 1995). For example, the stakeholder engagement strategies used by the company can be greatly impacted. According to Campbell (2006), “the way corporations treat their stakeholders depends on the institutions within which they operate”. The author defines a number of institutional conditions that can affect an organization’s CSR and stakeholder engagement practices. These include the presence of state regulations (particularly if they are developed through multi-party negotiations), the presence of industrial self-regulation structures, participation in trade organizations that support CSR, and the existence of independent organizations tasked with monitoring behaviour (Campbell, 2007). In addition, it has been argued that the more institutionally entrenched an organization or industry is, the more likely it is that CSR activities are encouraged or demanded and that stakeholder engagement is considered a priority. Husted and Allen (2006) even claim that the institutional pressures facing an organization, as opposed to identification of social issues and stakeholder concerns, drive CSR decision-making. Fortunately, this can be effective as social issues can also become institutionalized when they are shared across an industry, essentially guiding basic stakeholder engagement practices (Porter and Kramer, 2006).

2.3.2. Institutional Strategy

Lawrence (1999) broadly defines the process of “preserving or transforming institutional standards and rules in order to establish a strategically favourable set of conditions” as institutional strategy (p. 167). Researchers have begun to examine the

ways that these institutional strategies can affect institutions and the ways in which actors can actually work to change the institutions that have traditionally influenced them. These efforts tend to be completed by institutional entrepreneurs. Institutional entrepreneurs are actors “who leverage resources to create new institutions or to transform existing ones” (Maguire et al., 2004, p. 657). These individuals will be benefitted by a particular institutional arrangement, so they are willing to invest significant effort and resources into making this change (DiMaggio, 1988).

The activities that institutional entrepreneurs undertake to change these institutions has come to be known as institutional work. Lawrence and Suddaby (2006) define institutional work as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (p. 215). Zietsma and Lawrence (2010) break down the concept of institutional work further by differentiating between practice work and boundary work. Practice work is the attempt to disrupt what are considered legitimate routines or activities in a field and boundary work is the attempt to create and disrupt boundaries of a field (ibid). Research surrounding institutional work is also unique from other institutional disciplines as it concentrates on the effort that goes into the work, particularly the strategies that are used by the actors, rather than the outcome or success of that work (Lawrence, Suddaby, & Leca, 2011). It has also recently begun to focus more on individual actors over the collective, particularly due to the ability of the individual to distance themselves from institutional influences and determine “how they might interpret the range of legitimate action available to them” (ibid, p. 54). The wide variety of actors potentially involved in institutional work in any one industry and the constantly competing sets of boundary and practice work that try to both change practices and enforce the status quo can make for great uncertainty in the institutional environment. As a result, it is important to consider why an individual or collective actor might decide to participate in institutional strategy.

2.3.3. Motivations for Engaging in Institutional Strategy

Discussion of the types of actors most likely to participate in institutional strategy and the motivations that they have for initiating these activities is becoming increasingly more prevalent in the literature. According to Dimaggio (1988), “new institutions arise

when organized actors with sufficient resources (institutional entrepreneurs) see them as an opportunity to realize interests that they value highly” (p. 14). The prevailing viewpoint sees a struggle between an incumbent actor, or “old guard”, who wishes to maintain the status quo and a new party who desires to change the institutional environment (Hensman, 2003). As such, it has been argued that the majority of new practices will be introduced by peripheral, lower status organizations⁶ (Leblebici, Salancik, Copay, & King, 1991). This is in contrast to higher status, more established organizations who the study believes are more likely to take a more reactive approach, only acting when they see the institutional environment becoming less beneficial to the organization (ibid).

The view that central actors are more likely to maintain the status quo, while likely true in a number of industries, downplays the ability of the incumbent corporation to actively work to establish more favourable industry conditions. It also requires taking the view that central actors are all the same. In reality, central actors both affect and are affected by their surrounding institutions to varying degrees. This paradox, that actors who are constrained by institutions can simultaneously work to influence those institutions, has been identified in the literature as embedded agency (Seo & Creed, 2002). According to Greenwood and Suddaby (2006), central actors who are less ‘embedded’ in their constraining institutions are more likely to successfully become institutional entrepreneurs.

According to Fligstein (1997), the use of particular skills and strategies by institutional entrepreneurs “depends very much on whether or not an organizational field is forming, stable or in crisis” (p. 398). An industry in crisis could see an old guard very much involved in reshaping the institutional environment that would change without their input if they are stagnant. For instance, Currie, Lockett, Finn, Martín, and Waring (2012) show that when faced with the threat of substitution from new actors within their field,

⁶ This study examined the music industry and considered lower status organizations to be “shady traders, small independent stations, renegade record producers, weaker networks, or enterprising advertising agencies” (Leblebici et al., 1991, p. 358). The common characteristics of these actors that would transcend industries include lower levels of legitimacy, weaker connections in the industry, less traditional influence on competitors and industry processes, and having a lower stake in keeping the status quo of the industry.

incumbent professionals are likely to engage in institutional work to change the structure of the industry, ensuring they remain in their prominent position. In addition, Zietsma and McNight (2009) argue that the “disruptive activities” of activists may threaten the legitimacy of one institutional arrangement without providing accepted alternatives (p. 144). This may act as a trigger for incumbent actors to proactively engage in institutional work to introduce new standards that the industry would otherwise be without. Voronov and Vince (2012) also claim that in addition to advancing certain interests, actors can participate in institutional strategy to satisfy emotional or symbolic goals, rather than material needs.

The effects that institutions can have on the stakeholder management practices of an organization can vary based on a number of factors. The nature of the industry tends to be highly influential over the types of institutional work that a company participates in. According to Dashwood (2007), structural conditions faced by natural resource industries would make one expect that mining executives would be defensive and reactive about environmental issues. In addition to the distinction between industries, Matten and Moon (2008) introduce the impact of geographical area. They argue that historically entrenched institutions can result in differences in CSR activities across borders and that national institutional frameworks contextualize the use of CSR.

Literature on institutional studies of the organization have become focused on providing insights into the reasons that organizations participate in institutional strategy and why actors themselves choose to participate in institutional work. The mining industry in the developing world is an ideal place to study these issues as companies doing business in “emerging economies in which legal institutions are weak and professional and commercial norms are just being established” are more likely to construct new institutions to help promote their organization (Bruton, Ahlstrom, & Li, 2010, p. 428). In this context, the organizational field has not yet fully developed and companies, as a result, will be much more willing and able to undertake the “patterns of social action that produce, reproduce, and transform the institutions and networks that constitute it” (ibid). Mining companies doing business in Latin America are likely to be more active institutional entrepreneurs than companies in more established organizational fields, allowing for clear observance of their institutional strategy.

2.4. Theoretical Framework

This study will act as a synthesis of the concepts of stakeholder ambiguity and institutional strategy. Stakeholder ambiguity is seen by this study to be a barrier to the building of a social license to operate for a multinational mining corporation. This thesis suggests that this stakeholder ambiguity can be managed by undertaking institutional strategy. Institutional strategy, in contrast to traditional CSR activities, seeks to alter the institutional environment in which interactions between the corporation and its stakeholders occur. Changes to the institutional environment are more likely to result in lasting changes to the way the company is perceived by its stakeholders than traditional CSR. For institutional strategy to be successful in the mining industry, this study argues that it must satisfy two criteria:

- 1) It is aimed at industry and context specific sources of stakeholder ambiguity. These sources will be outlined in Chapter 5.

- 2) It contributes towards building a social license to operate by increasing 1) legitimacy, 2) credibility, and 3) trust, the three attributes of a social license to operate identified by Thomson and Boutilier (2011).

The following diagrams are intended to illustrate this framework:

Figure 1: An Environment of Stakeholder Ambiguity

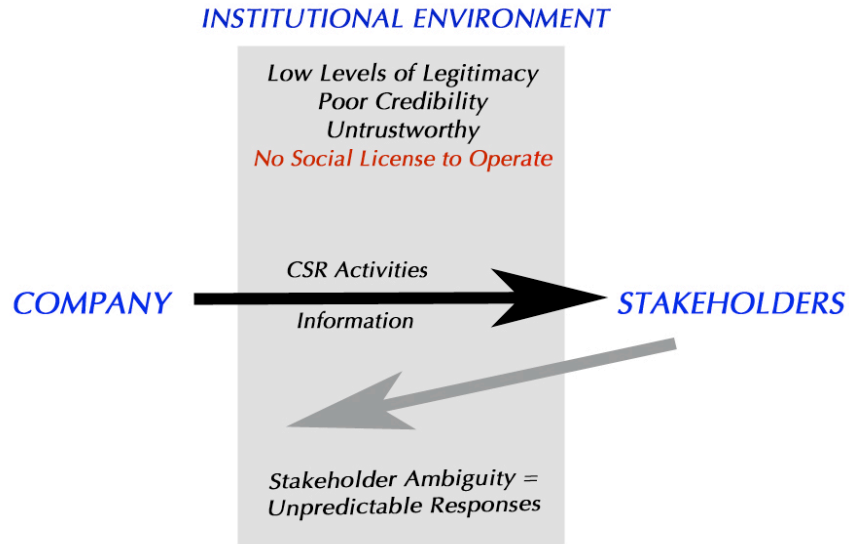
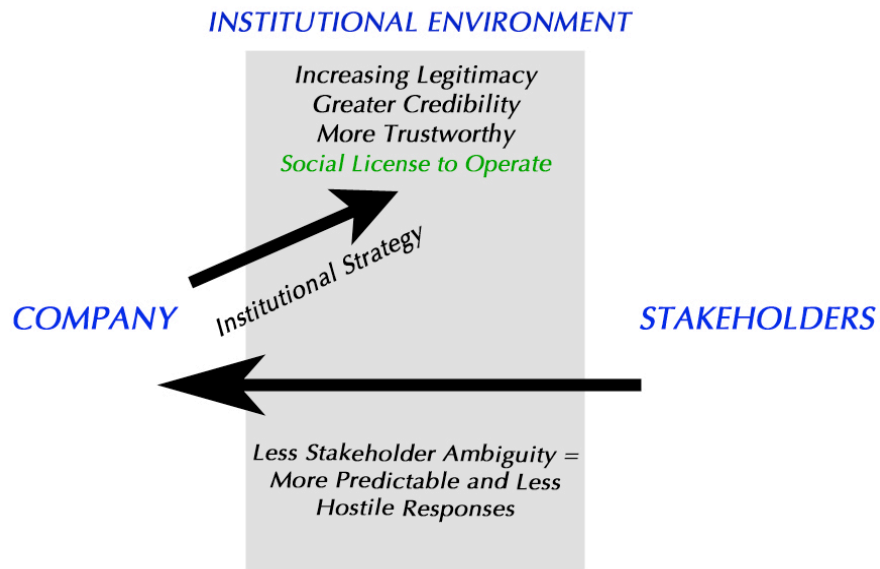


Figure 2: Theoretical Framework



2.5. Intended Contributions

This thesis will seek to add to the literature outlined above on stakeholder ambiguity and institutional change. Specifically, it will act as a synthesis of these two emerging concepts by seeking greater understanding of the ways that organizations attempt to manage extreme stakeholder ambiguity and greater understanding of why organizations, and the individuals within them, work to change the institutional arrangements by which they are affected. The intention is also to contribute to the evolution of the literature on CSR and social license to operate. This thesis will examine ways in which a company can better integrate these CSR activities into their business model to achieve real and lasting institutional change. This is in contrast to the often short term benefits that are created through more ‘traditional’ CSR activities.⁷

⁷ ‘Traditional’ CSR activities practiced by companies in the mining industry tend to be classified as corporate philanthropy. This includes donations to charities in both home and host country and undertaking initiatives that seek to benefit community members in the areas surrounding the mine.

Chapter 3. Research Methodology

3.1. Methodology

This thesis will make use of a multiple methods approach to examine the stakeholder engagement practices of Vancouver-based precious metal miner Goldcorp Inc. (and their wholly owned Guatemalan subsidiary, Montana Exploradora) in the context of their Marlin Mine in San Marcos Department, Guatemala. This case presents an interesting opportunity to examine organizational responses to the significant stakeholder ambiguity and the weak institutional environment that are faced by organizations situated in the developing world and natural resource industry context. This multiple methods approach will make use of a case study to examine the way Canadian-based MNCs in developing countries identify and engage stakeholders and will result in a qualitative data set based on semi-structured interviews with CSR decision-makers and other key actors. According to Yin (1994), a case study is an effective methodology for situations in which “a ‘how’ or ‘why’ question is being asked about a contemporary set of events over which the investigator has little or no control” (p. 9). The mining industry is facing a transition point as companies and their stakeholders attempt to determine the role that companies should be playing in the communities in which they operate (Jenkins & Yakovleva, 2006). As a leader in the industry and a mining company closely associated with controversy in the recent past, a case study of Goldcorp’s operations in Guatemala represents an ideal opportunity for light to be shed on these events.

The other methodology used in this thesis will be a grounded theory approach. Grounded theory is unique and well-suited to this research as it provides a framework for explaining and developing theory about a phenomenon (Stern, 1995). This allows for theory that is emergent as the research progresses and the researcher gains a more thorough first-hand understanding of the company. The grounded theory methodology

will be used during initial stages of this research before it is situated in academic literature. As a result, the topics of the interviews will vary between the two stages. Specifically, the initial interview stage will use grounded theory to build hypotheses and the second interview stage will use a more narrowed process to build the details of the case study. This approach can be followed due to the nature of qualitative research. Qualitative research, in general, is well suited for this study as it tends to be suitable for situations when you “need a complex, detailed understanding of (an) issue” (Creswell, 2007, p. 40). Specifically, the multiple methods approach that will be used in this study offers a number of benefits. According to Eisenhardt (1989), using case study data to build grounded theory is likely to produce novel theory because “creative insight often arises from juxtaposition of contradictory or paradoxical evidence” (p. 546). The author also argues that the developed theory is likely to be empirically valid due to the constant comparison between theory and data.

3.2. Study Design and Data Sources

This research was conducted in two stages: In the first stage, a grounded theory approach was used. Open ended interviews were conducted with relevant members of Goldcorp’s executive team in Vancouver and other relevant organizations. After the completion of these interviews, the findings were applied to existing academic literature to develop a theory to be further examined in the case study portion of the research. The second stage consisted of travel to the Marlin mine in Guatemala in April 2012 to interview relevant management on the ground and observe the presence of the mine in the community. This resulted in a case study examining in detail the issues identified in the completed interviews. Each of these stages will now be discussed in greater detail:

3.2.1. Stage 1 – Grounded Theory

Grounded theory was used to ensure that the theory examined and created in this study is not constrained by the existing literature. This method is well suited for this type of research as it allows for management of a wide range of results that the researcher may not have foreseen before designing a study. Grounded theory is also effective in this context because it allows hypotheses to be generated from the

knowledge of the individuals who experience these phenomenon first hand (Auerbach & Silverstein, 2003). Versions of the grounded theory methodology have been used in recent research involving corporate social responsibility activities that has been consulted in the design of this study's methodological approach (Murillo & Lozano, 2006; Pelosa & Hassay, 2006). Grounded theory involves conducting a number of unstructured interviews before creating hypotheses and is useful in "the investigation of relatively uncharted water, or to gain a fresh perspective on a familiar situation" (Stern, 1995, p. 30).

In stage one, a series of in-depth, open-ended interviews with a number of actors relevant to this case were completed. These actors include several Goldcorp executives responsible for CSR, corporate communication, and stakeholder management. They also include executives from other extractive companies at various stages of the production chain that have operations in the region of Latin America and leaders of international non-profit organizations with mandates tied to the extractive industry. These interviews were completed in person when possible or over the phone at the request of the interviewee, when time and geography did not allow for a face-to-face interview. In accordance with the open ended nature of these interviews, there was no set time period or strict structure to follow. As a result, interviews lasted between thirty and ninety minutes each depending on the specific knowledge of the interviewee and time constraints. Following completion of these interviews, the qualitative data was coded.

The interviews conducted in stage one of the research, while being open-ended and unstructured due to the nature of grounded theory, tended to be organized around a number of key phenomena. Grounded theory research "allows participants to talk about their lives and experiences" (Auerbach & Silverstein, 2003, p. 16). The interview process used in this study followed Auerbach and Silverstein's recommendation that a 'narrative interview' method be used where questions are asked that allow research participants to freely discuss "their history with the phenomenon in question" (ibid). The phenomena that were focused on by the researcher during these interviews are found in Table 2.

Table 2: Phenomenon Examined in Stage 1 Interviews

a) The nature of the company's CSR practices
b) The company's most salient stakeholders and how they prioritize them
c) How CSR activities are used to indirectly influence stakeholders
d) How the organization engages stakeholders whose sole demand is the closure of the mine and exit from the country
e) How the company deals with uncertainties surrounding how a stakeholder will react to information issued by the company
f) Which aspects of the Guatemalan business environment make doing business difficult and why

As the interviews progressed, the focus of each interview began to narrow as the research question became clear. In particular, focus went from general discussion of stakeholder identification and engagement issues to how the company manages the uncertainty that exists when attempting to engage these stakeholders. Based on examination of the transcripts from the initial five interviews, a number of stakeholder engagement activities completed by management at the Marlin Mine were identified. These three activities were the ones that interview subjects associated with success in managing uncertainty at the greatest frequency in the stage 1 interviews. They were all classified by the researcher as examples of stakeholder engagement strategies that Goldcorp uses to manage stakeholder ambiguity:

- a) Fundación Sierra Madre – A foundation created by the mine that is responsible for community enrichment and development activities of various types.
- b) Asociación de Monitoreo Ambiental Comunitario (AMAC) – An environmental management tool in which members of the community are trained to monitor water conditions around the mine.

- c) Government Official Training Initiatives – Government officials are invited to attend mine sponsored training seminars in an attempt to increase government capacity to monitor the organization’s activities.

The identification of these three activities were associated with discussion of what each interviewee believed to be the characteristics of the business environment in Guatemala that created the greatest uncertainty for the company when managing stakeholder relationships. All ten interviews conducted in stage one of the research were coded. Themes were organized based on the stakeholder relationship that was the primary source of the characteristics that the interviewees identified. After an initial process of coding, the four categories of themes were determined to be: 1) Internal-based Sources; 2) Community-based sources; 3) Government-based sources; 4) Civil Society-based Sources. Additional coding then resulted in identification of ten major themes based on the frequency to which each characteristic was mentioned as a source of uncertainty perceived by an individual manager. These themes will be identified and discussed in Chapter 5.

3.2.2. Stage 2 – Case Study

The intention of stage two was to gain further understanding of the case and continue to build the theory that was developed in stage one of this research. Specifically, the intention was to gain a greater understanding of the three examples of institutional strategy identified during the first stage. The stage began by conducting secondary research of the case with the intention of better understanding the extractive industry and the context in which Goldcorp Inc. is operating in Guatemala and the rest of the developing world. This involved the examination of a wide-variety of written content including newspaper articles, web content produced by non-profit mining watchdog groups and their supporters, and Goldcorp Inc.’s own CSR literature found on their website.⁸ This included Goldcorp’s Human Rights Impact Assessment and the audio files of company presentations and annual general meetings. This stage also consisted

⁸ <http://www.goldcorp.com>

of attendance at several mining focused events in Vancouver, BC over the course of this research including the Vancouver Board of Trade “Mining Forum”, the Canadian International Council’s “Canada-Latin America Relations: Opportunities and Challenges”, the “Vancouver Resource Investment Conference”, and Simon Fraser University’s “Global Exploration, Mining and Minerals (GEMM) 2012” conference. Attendance at these events set the context for this research through exposure to presentations and discussions between both academics and industry.

This stage then consisted of field research conducted in April 2012 at Goldcorp Inc. / Montana Exploradora’s Marlin Mine in San Marcos Department, Guatemala. Semi-structured interviews were conducted with Montana managers and heads of various institutions related the mine. The communities surrounding the mine were toured and the activities of the mine in the community were observed. The bulk of this research was conducted in the municipality of San Miguel Ixtahuacán, particularly in the community of Siete Platos and at the mine site. In this stage, subjects were interviewed about examples of institutional work identified in stage one that were relevant to their position in the company. Interviewees were selected to ensure a representation from those individuals that worked closest with each of these examples. These were identified through research into the structure of each initiative and discussion with Goldcorp management. For each initiative, the two individuals with what appeared to be the greatest involvement in the management of that initiative were interviewed. For example, in the case of the AMAC, a member of the technical team and a member of Goldcorp management who works closely with water management were each interviewed. This quantity of interviews is believed to be sufficient to have gained a full understanding of the initiatives because of their compact management structures. Goldcorp has a relatively small upper management team responsible for making these strategic decisions and each initiative have relatively few people on the ground responsible for their operations.

A straight forward method of coding was used for the transcripts from the interviews conducted in stage two of this methodology. As these interviews were primarily aimed at outlining the technical operations of each of the three initiatives, the qualitative data that resulted was most often a set of steps that are followed by the

organization or in relation to the initiative in question. Coding of this particular data was not necessary as detailed information was required to paint an accurate picture of the operation of the initiative. Additionally, some of the qualitative data from these interviews identified sources of uncertainty as in stage one. These were coded with the same process of stage one and used to confirm the hypotheses that were formed in that stage and ensure that sources of ambiguity were not missed in the initial interview process.

3.3. Limitations of Methodology

Views from other sectors (government, community members, NGOs) were not consulted to as great a degree as those from industry. As a result, the interpretations of stakeholders that are primarily effected by these examples of institutional work (local community members, Guatemalan government officials) will not be examined in this research. This prevents, to a degree, discussion of the true effectiveness of these decisions by management. Any recommendations or conclusions coming from this thesis may be limited as a result. However, such limitations are not beyond what has been done in the existing research in this discipline. According to Lawrence, Suddaby, and Leca (2011), “an institutional work perspective attends more closely to practice and process than to outcome” and is more concerned with the effort required and the activities completed than the outcomes of this work. (p. 57)

Interviewees in this study were speaking in a professional capacity, the majority of which being in a public outreach position of their organization. As these interviewees were fully informed of the nature and objectives of this research prior to interviews taking place, credibility may be effected due to their desire to present their organization in a particular light. This specific form of response bias resembles that identified as ‘socially desirable responding’ (SDR) in organizational behaviour literature (Zerbe & Paulhus, 1987). SDR is defined as “presenting oneself favourably regarding current social norms and standards” and can involve respondents over reporting desirable behaviour and underreporting undesirable behaviour (ibid, p. 250). It has been suggested that SDR demands particular sensitivity from researchers when examining business ethics (ibid).

SDR was minimized in this study in three main ways: First, anonymity and confidentiality was assured. According to Huber and Power (1985), ensuring anonymity and confidentiality of responses can result in managers' responses being impacted less by the concern that information that they provide could prove adverse to their interests. Second, multiple managers from the key organizations involved in this study were interviewed on separate occasions. It has been suggested that respondents from different business units of the same organization would "be likely to know about different aspects of the decision being studied" (ibid, p. 175). This strategy can be particularly effective at offsetting biases when each subject is involved in the decision from substantially different perspectives (ibid). This is true in this study, as managers interviewed in the target organization each represented different specializations and educational backgrounds.⁹ Third, the completion of field research in stage two of this methodology allowed for personal observation of the activities being examined. By visiting the mine site and being able to observe certain aspects of the study data, the researcher was able to verify the accuracy of many of the responses of the interviewees.

3.4. Presentation of Interview Data in this Study

This research consisted of in person and telephone interviews with a total of eighteen company, industry and NGO representatives over the course of both stages. These included twelve representatives of Goldcorp Inc. and six representatives from competitors, NGOs, and other related institutions. Twelve of these interviews were conducted in Vancouver and over the phone as a part of stage one of the research methodology. Six interviews were conducted in Guatemala as part of the case study in stage two. When discussed in this study, the identity of the interview subjects will be kept anonymous. Company representatives are quoted as C1–C12 in the rest of this research, and those from other companies, NGOs and industry are quoted as O1–O6.

⁹ For example, interview subjects for this thesis had distinct specializations and often made it evident during the interview that their viewpoint of the decision in question was limited to the aspects of the decision involving their specialty. These specializations included technical, legal/regulatory, community engagement and financial.

Chapter 4. The Canadian Mining Industry and Guatemala

On April 14, 2012 Canadian Prime Minister Stephen Harper took the stage in Cartagena, Colombia for the CEO Summit, part of the Summit of the Americas event that brings together leaders of the countries of the region every three years (Kennedy, 2012). During his address to an audience made up primarily of Chief Executive Officers from leading companies throughout the Americas, Harper emphasized the importance of the Canadian mining industry, both within Canada and abroad (ibid). This included discussion of the industry's \$50 billion contribution to GDP in 2011, the employment of over 300,000 Canadians, and the country's role as home to more than 60% of the world's mining companies (ibid). He continued to promote further expansion of Canadian mining companies by clarifying that "looking to the future, we see increased Canadian mining investment throughout the Americas — something that will be good for our mutual prosperity and is therefore a priority of our government" (ibid). The mining industry represents one of the few places where Canadian companies offer significant external investment presence (Natural Resources Canada, 2013). Unfortunately, while industry statistics show a position of prominence being held by Canadian companies, the common view of the industry among the media and some stakeholder groups abroad tends to be that of unwanted outside multinationals oppressing local populations. While the value created for the companies themselves and host governments is undeniable in most circumstances, the degree to which benefits are accrued by those individuals who call these countries home and are exposed first hand to the company's operations, is far less certain.

The reputation that has been attributed to foreign mining companies in the region of Latin America, combined with the context of doing business in the developing world and the extractives industry, has created an incredibly complex business environment that must be considered when designing corporate strategy. The intention of this chapter is

to begin an examination of the context in which companies in the extractives sector operate. The chapter will begin by outlining the role played by Canadian mining companies in the region of Latin America. It will then introduce the country of Guatemala, focussing on the country's mining industry and law.

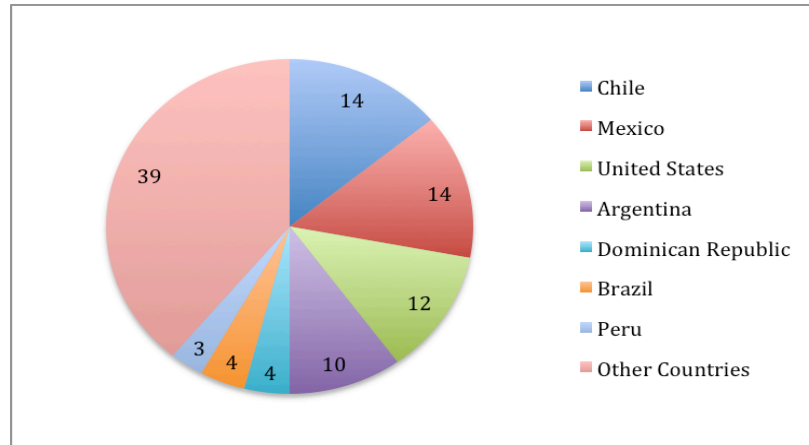
4.1. The Canadian Mining Industry

Canadian-based companies play a substantial and important role in the world resource extractives industry. In addition to a significant presence in the oil and gas industry, both in the Canadian oil sands and abroad, as well as the large inventory of operating precious metal mines across the country, Canada is playing an increasingly important role in the international mining industry. Natural Resources Canada reports that as of 2012, Canada was home to over 1000 mining companies operating in 109 countries abroad and holding assets in these countries of over \$148.7 billion (2013). Foreign direct investment attributable to mining activities has also increased steadily from \$22.4 billion in 2003 to \$66.3 billion in 2013, nearly equal to total manufacturing FDI (Foreign Affairs, Trade and Development Canada, 2014). This international prevalence can be credited, at least in part, to the TMX's¹⁰ position as the world's top mining stock exchange, allowing for rapid financing of mining related projects (TMX Group, 2014). In 2013, mining companies conducted 1,409 transactions on these exchanges for a total of \$6.9 billion, "providing the best access to capital in the world for junior explorers" (ibid).

Canadian mining assets abroad are found in over 109 countries (Natural Resources Canada, 2013). Figure 3, found below, shows that approximately 85% of Canadian owned mining assets situated abroad are located in countries that can be considered a part of the developing world. Three of the four leading destinations for this Canadian mining investment are also located in the region of Latin America.

¹⁰ The TMX Group contains the Toronto Stock Exchange, TSX Venture Exchange, and other top Canadian and international financial markets with significant presence of mining companies (TMX Group, 2014)

Figure 3: Canadian Mining Assets Abroad by Country, 2012



Adapted from (Natural Resources Canada, 2013).

Latin America is the leading destination for the investments of Canadian-based mining companies, being home to an estimated 55% of Canadian mining assets abroad (Natural Resources Canada, 2013). Each country in Latin America was host to Canadian mining assets in 2011 (Mining Association of Canada, 2013). This presence in Latin America has also seen significant growth in the past several years with the value of Canadian owned mining assets in the region increasing by 10% in 2012 alone (Natural Resources Canada, 2013). This growth can be partially attributed to substantial increased investment realized in Argentina and the Dominican Republic.¹¹

Unfortunately, the prominence of Canadian companies in the industry has also been associated with numerous controversies surrounding the allegedly poor business practices of these companies. Allegations from various interest groups and non-governmental organizations (NGOs) have covered a wide spectrum from environmental damage to human rights violations of varying natures. “Canadian companies have been the most significant group involved in unfortunate incidents in the developing world” with

¹¹ Assets in Argentina increased by \$2.8 billion in 2012 from Barrick Gold’s development of the Pascua-Lama mine and additional investments by Yamana Gold, Goldcorp, and McEwan Mining. Assets in the Dominican Republic increased by \$1.5 billion due to completed construction on the Goldcorp/Barrick Gold Pueblo Viejo joint venture (Natural Resources Canada, 2013).

one study identifying 58 instances over a 10 year period involving Canadian companies.¹² The leading cause of these identified incidents was community conflict, including “significant negative cultural and economic disruption to a host community, as well as significant protests and physical violence” and the majority of reports came from NGO groups (Whittington, 2010). For example, on November 27, 2009 an anti-mining activist was shot dead in Chiapas, Mexico near Blackfire Exploration’s Payback mine. The three men arrested in connection with the killing were current and former mine employees and the Mexican government briefly suspended the company’s operations after the killing (Keenan, 2010). In addition, construction of Barrick Gold Corp.’s Pascua-Lama mine on the border between Chile and Argentina was halted in April 2013 to examine alleged “environmental irregularities” following years of protests from indigenous communities and environmental rights activists (Ulmer & Cambero, 2013).

Controversies surrounding Canadian mining companies are certainly not limited to properties in Latin America. Eldorado Gold Corporation’s Skouries mine in Greece came under fire in early 2014, two years before operations were scheduled to begin, with locals holding protests and claiming that they were improperly consulted prior to permitting and the beginning of mine construction (Steffen, 2014). Additionally, Barrick Gold Corp.’s North Mara mine in Tanzania and Porgera mine in Papua New Guinea have been associated with “violence, pollution, (and) sexual assault” (York, 2012). Barrick has even admitted the validity of some of the claims of sexual assault at North Porgera and responded by firing some of the mine employees (ibid).

4.1.1. Promoting a Culture of Corporate Social Responsibility

Mining companies have responded to this series of controversies and increasingly poor reputation with the development and promotion of what the thesis will call a ‘culture of corporate social responsibility’. The Government of Canada defines corporate social responsibility as “the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner” (Foreign

¹² This unpublished report was commissioned by the Prospectors and Developers Association of Canada. It identified 171 mining companies involved in incidents over the previous 10 years, 34% of which were Canadian-based companies (Whittington, 2010).

Affairs, Trade and Development Canada, 2009). An observer does not have to look far on a mining company's website to find statements outlining their policies on "responsible mining", "corporate responsibility", and "sustainability".¹³ In recent years, both the mining industry and the Canadian government have invested substantial resources into the installation of CSR values into the corporate culture of mining companies (Whittington, 2010). What has resulted is a wide awareness of the importance of corporate accountability across companies in the region, numerous events devoted to the topic, and generally a new understanding of how the industry should operate.

Excerpts from social responsibility statements on the websites of leading Canadian companies demonstrate the importance that companies place on these types of activities and the types of considerations being made by companies:

Goldcorp Inc.'s Corporate Social Responsibility Policy states that in order to generate sustainable prosperity through their business operations they will provide its employees with the necessary resources to:

- Develop meaningful and effective strategies for engaging with all stakeholders.
- Consult with local communities to identify effective and culturally appropriate development goals.
- Establish grievance mechanisms, based on international best practices.
- Partner with credible organizations, including non-governmental and civil society organizations.
- Identify and develop socio-economic opportunities that lead to sustainable prosperity in the communities and countries in which we operate.
- Integrate socio-economic, environmental, occupational health and safety, human rights, and governance best practices into our business processes.
- Make meaningful and sustainable contributions to the host countries and communities where we operate.

(Goldcorp Inc., n.d.-b)

¹³ Statements found on the websites of leading Canadian mining companies; www.goldcorp.com, www.barrick.com, and www.first-quantum.com respectively.

Excerpts from Kinross Gold Corporation's 10 Guiding Principles of CSR:

3. We promote an ongoing dialogue and engagement with stakeholders in the communities where we operate, maintained in a spirit of transparency and good faith.
4. We exercise utmost vigilance in protecting the environment and seek ways to minimize our environmental footprint wherever we operate. We will always meet, and where possible exceed, regulatory requirements in our environmental performance.
5. We consider all aspects of an operation or new project – including social, environmental, and post-closure issues – in making our investment decisions.
6. We conduct all of our activities in accordance with accepted standards in the protection and promotion of human rights. We respect the cultural and historical perspectives and rights of those affected by our operations, in particular indigenous peoples.
8. We seek to maximize employment, business and economic opportunities for local communities from our existing operations and new projects.
9. We provide lasting benefits to the communities where we work by supporting sustainable initiatives to develop their social, economic, and institutional fabric. We recognize that every community is unique and we work with our community partners to ensure that our support matches their priorities.”

(Kinross Gold Corporation, n.d.).

Companies have begun to embrace the concept of CSR as a way to maintain their 'social license to operate' and improve corporate performance (Prno & Slocombe, 2012, p. 352). This “business case” for undertaking CSR has been well documented by many authors (Kurucz, 2008). In the developing world, some CSR initiatives can also act as a replacement for an absent government (Blouin, 2010). However, "ensuring corporate policies are implemented at the operational level is tough. There are good intentions at first, but at times there is limited capacity on the ground." (Jose-Ramos, 2012). While the establishment of a cohesive CSR strategy is undeniably important to building a positive image for the company, a company's social license to operate will ultimately be based on the company's ability to practice accountability for their CSR strategy on the ground and turn this focus on culture into real changes in business practices in the community.

4.1.2. The Role of the Canadian Government

In addition to the promotion of CSR activities, many advocates believe that the way to improve the practices of Canadian companies abroad is by giving the power to monitor their activities to Canadian government officials. These advocates argue that profit-seeking capitalist entities are unable to self-regulate their operations and that the Canadian government needs the power to regulate operations abroad. In recent years this has been most notably proposed, and in one case implemented, in two different ways: The introduction of “Building the Canadian Advantage: A CSR Strategy for the International Extractive Sector” and the proposal of Bill C-300.

In 2006, a series of national roundtables were held across Canada by the federal government in order to determine how the government and other stakeholders could best improve the CSR activities of Canadian mining and petroleum companies abroad (Blouin, 2010). A government steering committee was created that was led by the Department of Foreign Affairs and International Trade and assisted by industry representatives, non-governmental organizations, aboriginals and academia (Prospectors and Developers Association of Canada, 2009). Based on the findings from the roundtables, a report was released on March 29, 2007 outlining the recommended measures (ibid). The Advisory Group Report identified several initiatives including the creation of CSR guidelines, increased reporting requirements based on the Global Reporting Initiative, and creation of an independent ombudsman (Advisory Group, 2007).

“Building the Canadian Advantage: A CSR Strategy for the International Extractive Sector” is the CSR strategy for the Canadian extractives industry abroad that resulted from the roundtables. The strategy is made up of four individual initiatives aimed at creating a more competitive international extractive sector. The intention is to reduce the effects that resource development has on host countries and improve the ability of Canadian-based mining companies to manage social and environmental risk (see Figure 4).

Table 3: Initiatives of "Building the Canadian Advantage: A CSR Strategy for the International Extractives Sector"

1	Participate in initiatives to increase the capacity of governments in developing countries to effectively manage the resource industries in their country.
2	<p>Promote the following widely recognized initiatives for Canadian companies abroad:</p> <ul style="list-style-type: none"> a. "International Finance Corporation Performance Standards on Social & Environmental Sustainability for extractive projects with potential adverse social or environmental impacts;" b. "Voluntary Principles on Security and Human Rights for projects involving private or public security forces; and," c. "Global Reporting Initiative for CSR reporting by the extractive sector to enhance transparency and encourage market-based rewards for good CSR performance".
3	Form the "Office of the Extractive Sector CSR Counsellor" to investigate complaints related to CSR issues of Canadian mining companies.
4	Develop an external "CSR Centre of Excellence" to encourage companies to implement these performance guidelines.

Adapted from (Foreign Affairs, Trade and Development Canada, 2009)

The most highly visible and criticized initiative of this strategy is the formation of the "Office of the Extractive Sector CSR Counsellor". As found in the initiatives listed above, the intention of the CSR counsellor was to resolve CSR issues relating to Canadian mining companies abroad. The specific mandate of the counsellor is "to promote responsible practices for Canadian companies abroad and to resolve disputes connected with the endorsed performance standards of the CSR Strategy" (Foreign Affairs, Trade and Development Canada, 2012b). This is done through both an advisory

role and a dispute resolution role. Under the advisory role, the Counsellor holds events and publishes monthly articles on the issue of CSR and mining in the Canadian mining journal.

The counsellor has also created a learning partnership with Ryerson University that resulted in the creation of an Institute for the Study of Corporate Social Responsibility (ibid). Under the dispute resolution role, a review process was established to provide a mechanism for encouraging dialogue between companies and stakeholders affected by conflict (ibid). The review process follows the following steps upon submission of a written complaint by an affected stakeholder:

- **Step 1:** A request for review is submitted to the CSR Counsellor by an affected party.
- **Step 2:** The CSR Counsellor notifies the other party within 24 hours and provides them with a copy of the request. Within 5 business days, the CSR Counsellor acknowledges receipt of the request to the author.
- **Step 3:** The CSR Counsellor carries out an intake screening. This intake screening determines if the request meets the criteria as set out in the CSR Counsellor's legal mandate. The intake screening is not a judgment on the merits of the request or an assessment of the information contained in the request. The intake screening is completed within 40 business days.
- **Step 4:** The CSR Counsellor works with the participants in facilitating communications and building trust. Typically, the CSR Counsellor carries out a situational assessment that involves a visit to the project site. This step lasts up to about 6 months and may be extended on agreement of the parties.
- **Step 5:** The CSR Counsellor and the parties engage in a structured dialogue.

(Foreign Affairs, Trade and Development
Canada, 2012).

A number of problems have been identified with the CSR counsellor that critics allege make it an essentially useless tool in improving social and environmental practices. The first of these criticisms concerns the success record of the office and the resources used. In the first two years, no complaints were actually mediated and the office spent over \$1.1 million, including \$359,000 a year for salaries (Weston, 2012). Additional criticisms include the fact that participation in the review process is entirely voluntary for the company, the Counsellor cannot make binding recommendations, the

office does not operate at arm's length from the government, and the international law guidelines used by the Counsellor are not sufficient to protect human rights (MiningWatch Canada, 2011a). The long term viability of this strategy was dealt an additional blow in October 2013 when CSR Counsellor Marketa Evans quietly resigned, having held this post from the creation of the office (Payne, 2013). After four years in the position, only six complaints had been received, with none reaching mediation and all but one being closed prior to any substantive action (ibid).

An unsuccessful attempt at monitoring the actions of Canadian mining companies abroad was Bill C-300, "An Act respecting Corporate Accountability for the Activities of Mining, Oil or Gas Corporations in Developing Countries". This was a private members' bill in the Canadian House of Commons that was intended to ensure that "corporations engaged in mining, oil or gas activities and receiving support from the Government of Canada act in a manner consistent with international environmental best practices and with Canada's commitments to international human rights standards" (Bill c-300, 2010). It was proposed by Liberal MP John McKay and passed second reading on June 22, 2009 by a margin of only four votes (McKay, 2009). The act would have required ministers to receive complaints regarding Canadian companies operating in the mining, oil, or gas sectors abroad.¹⁴ These complaints could have been submitted by Canadian citizens or permanent residents, as well residents of the developing country in which the company is operating, and would first be examined by the minister to determine whether it is a frivolous complaint with no basis (Bill c-300, 2010). If the minister determines that a complaint is potentially legitimate, an investigation would occur and its findings would be published in the *Canada Gazette* within eight months of receiving the complaint (ibid).

The proposed bill attracted significant media attention both in Canada and abroad, but was defeated by a vote of 140-134 in its third reading on October 27, 2010 (Hill, 2010). Had Bill C-300 received Royal Assent, it would have prevented public institutions, such as Export Development Canada and the Canada Pension Plan, from

¹⁴ Ministers, in this Bill, refers to the Minister of Foreign Affairs and the Minister of International Trade.

investing in companies that have been found guilty of wrong-doing through this process (ibid). The Bill fostered mixed feelings with the public, with the majority of the industry opposed to its terms. While industry tended to agree that the intention of the Bill was good, many argued that the proposed implementation would result in a mass exodus of mining companies from Canada as companies could face undue complaints from competitors (ibid). Even companies that are not reliant on funds from these institutions could face discrimination from foreign governments who refuse to give permits based on complaints received in Canada, either justified or not (ibid). The Association for Mineral Exploration British Columbia has also argued that the bill was not consistent with the recommendations of the Advisory Group and that it “seeks to establish a punitive, extraterritorial legal approach towards ensuring compliance with CSR standards instead of the mediative, policy-based approach proposed by the Advisory Group” (2010).

4.1.3. The Future of the Mining Industry

As resources become increasingly valuable and scarce, companies will be more willing to venture into countries and areas that were “once too dangerous, remote or environmentally sensitive” to invest in operations (Willis, 2010). This will have companies facing even greater political risk that must be managed in order to protect their investments.

The volatile and often cyclical nature of resource prices also brings a future risk that must be mitigated.¹⁵ As properties with high costs of extraction begin to become viable as resource prices rise, companies become even more susceptible to fluctuations in the price of the resource. These recently opened properties often have a higher extraction cost per ounce that cannot be covered when prices fall. These lower precious metal prices, and higher average cost per ounce, can result in companies cutting back on costs in order to keep their properties open and operating. As companies are forced

¹⁵ The years proceeding this study have been particularly volatile. World gold prices increased from \$400/ounce USD in 2005 to a peak of \$1889.70 in 2011. Since that peak, prices have fallen, levelling off in the \$1200-1400 /ounce range. Volatility continues to be evident as prices in 2013 began at nearly \$1700, falling to \$1200 mid-year, rising back to \$1400 in the 3rd quarter, and closing the year just over \$1200 /ounce. (Infomine, n.d.)

to weather these market fluctuations, they will need to learn to cut costs without abandoning the focus on CSR and stakeholder relations that will have earned their social license to operate in the community in the first place. Companies must also be aware of the potential of future actions by the Canadian government to regulate the industry abroad. Groups continue to call for increased action by the government in relation to companies abroad and companies must be prepared to deal with the government's response.¹⁶ As uncertainty and risk surrounding the mining industry increases, Canadian companies need to become more proactive with their existing stakeholder engagement strategies if they want to improve relationships with both primary and secondary stakeholders.

4.2. Guatemala

Guatemala is a Central American nation that suffers from great inequalities and substantial social problems. According to the Central Intelligence Agency World Factbook, the country has a GINI coefficient of 55.1¹⁷, and is the 11th most unequal country in the world (2012). GDP per capita in 2012 was approximately \$5,200¹⁸, ranking 157th in the world in average income (ibid). The country suffers from rampant poverty with slightly more than half of residents living below the poverty line and 13% living in extreme poverty (ibid). Poverty is especially problematic among the estimated 39% of Guatemalans that consider themselves indigenous.¹⁹ 73% of indigenous Guatemalans live in poverty while 22% live in extreme poverty (ibid). These statistics can, at least partially, be attributed to the government's systematic oversight of the

¹⁶ For example, the United Church of Canada's 2013 petition was signed by over 5,000 people and tabled at parliament in October 2013 (United Church of Canada, 2013).

¹⁷ The GINI index measures the degree of inequality in the distribution of family income in a country. A GINI coefficient of 0 corresponds with perfect equality (where everyone earns the same income) while a coefficient of 100 corresponds with perfect inequality (where 1 person earns the country's entire GDP). With a coefficient of 55.1, Guatemala is the 11th most unequal country on the CIA list. The list contains 141 countries and Honduras and Colombia are the only Latin American countries with a higher coefficient. (Central Intelligence Agency, n.d.)

¹⁸ PPP, GDP of \$3340.80 in current USD (The World Bank, 2012).

¹⁹ Percentage of Guatemalans identifying themselves as indigenous changes greatly based in the source consulted. They range from the conservative estimate of 39% (CIA World Factbook, 2012) to estimates as high as 60% (International Work Group for Indigenous Affairs, 2012)

needs of the country's rural indigenous population. In 2013, the US Department of State found numerous instances in which the availability and access to public services was substantially reduced for the rural indigenous population (US Department of State, 2014). These included insufficient public infrastructure investment in rural areas, ineffective demarcation of land preventing formal recognition of title, lack of access to the political and legal system, ineffective enforcement of labour and child labour laws, and general discrimination on the basis of language and culture (ibid).

Guatemala is primarily a rural country, although increasing rates of urban migration have resulted in urban residents becoming the slight majority (United Nations, 2013). Despite this trend, the vast majority of indigenous peoples in the country continue to reside in rural areas (ibid). Today, the majority of indigenous populations are located in the departments north and west of Guatemala City, including Quiché, Alta and Baja Verapaz, Sololá, Totonicapán, Huehuetenango and San Marcos (Van de Sandt, 2009).

Guatemala has a long history of corruption and violence, resulting in a very complex business environment for multinationals. In the 2012 Corruptions Perceptions Index, Guatemala was ranked 113 out of 174 countries. The United States Department of State found that "officials frequently engaged in corrupt practices with impunity" and that "inadequate political will facilitated government corruption" (2013).

A number of key events in the country's history have directly contributed to a general distrust of the government and outside authorities, particularly among the indigenous population. Most notably, Guatemala's recent history was plagued with one of world's longest lasting civil wars. Between the 1960 and 1996 an estimated 200,000 people were killed or disappeared in the conflict (Commission for Historical Clarification, 1999). The UN sponsored Commission for Historical Clarification found that 83% of the victims were indigenous and that 93% of the documented violations were attributed to the state and related paramilitary groups (ibid). The commission concluded that "agents of the state committed acts of genocide against groups of Mayan people" and that many Mayan villages were destroyed in the war (ibid, p. 122). The war resulted in a large number of orphaned and abandoned children and lost property, and government

spending was diverted away from health and education to pay for military action (Chamarbagwala & Moran, 2011). The war ended in 1996 with the signing of the Peace Accords, but this history of conflict and social abandonment has contributed to the existence of scepticism and lack of trust towards the government and outside authorities in the country today.

4.2.1. The Mining Industry in Guatemala

The complex business environment in Guatemala is further exacerbated by the controversial reputation of the extractives industry in the developing world and the location of the majority of the country's mining projects in rural communities where large indigenous populations reside. Recent controversies involving the mining industry in Guatemala have drawn great focus, both within the country and abroad, on the role that mining plays in the country. Despite this substantial focus, the real impacts of the industry on the country's economy have remained small. By some estimates, mining makes up only 2% of Guatemala's GDP (McDonald, 2013). In 2012, mining contributed approx. \$401.6 million to GDP, a reduction of 21.4% when compared to 2011 (Wacaster, 2013). When compared to 2010, gold and silver production in 2012 has decreased by 45.6% and 25% respectively (ibid). Total government revenues from the mining industry in 2010 was \$5.6 million while industry employees increased to 3,594 positions (ibid).²⁰

Following the signing of the Peace Accords in 1996, changes were made to the mining law in Guatemala to attract foreign investors and compete with fellow Central American nations. The Mining Act was drafted in 1997 and introduced incentives such as tax cuts for mining companies and the allowance of 100% foreign-owned mining projects, something that was prohibited by the previous legal regime (Fulmer et al, 2008). As well, royalty rates were reduced from 6% to 1% (Dougherty, 2011). The law in Guatemala assigns ownership of subsurface materials and petroleum to the state (United States Department of State, 2013). Initial two year exploration licenses are issued by the Ministry of Energy and Mines and can be extended twice by additional two

²⁰ Employees directly employed in the industry and contributing to the Guatemalan social security system. Likely many more working in the industry indirectly and not registered with government authorities.

year periods (ibid). A second application for a 25 year exploitation license must then be submitted and can be extended for an additional 25 years (ibid). Critics have offered substantial criticism of the 1997 Mining Act. While the company must submit an environmental impact study to the National Commission on the Environment, critics argue that companies are given little guidance as to what this report should contain (Fulmer, Goday, & Neff, 2008). Critics have also noted the Mining Act offers insufficient protections for public health and “mechanisms for community participation in decision making” (ibid, p.98). In January 2012, the extractive industry association agreed to voluntarily increase the royalties paid to 4% (US Department of State, 2013).

In addition to the properties owned by Goldcorp Inc., there are two mine sites in Guatemala that have attracted the bulk of the attention received by the industry. Both projects have strong connections to Canada, either through current or past ownership, and together with properties owned by Goldcorp, have attracted a great deal of negative attention to the Canadian presence in the industry. These projects are the Fenix mine in the north-east and Escobal project in the south of the country.

The Fenix mine is currently owned by the Solway Investment Group, a Cyprus-based private equity firm (Solway Investment Group, 2014). Located in El Estor, Guatemala, the initial license for the nickel mine was issued to Canadian-based INCO in 1965 (McFarlane, 1989). The early years of the mine were plagued with controversy as critics and labour activists were allegedly assaulted and murdered. The Guatemalan government launched a military led sweep of the area surrounding the mine in 1966 to clear the primarily indigenous residents off the land and ensure the company’s “stability” in a region that had become home to the country’s leftist guerrillas (ibid, p. 127). This sweep, led by Colonel Carlos Arana Osario, resulted in deaths of an estimated 3000-6000 people, and served as a black mark on the record of Canadian miners in the early days of the industry in Guatemala (ibid).

The project was mothballed in 1980 and the mine was shut down until commodity prices improved (ibid, p. 131). It was then taken over by Canadian-based Hudbay Minerals in 2008 when they acquired Skye Resources Inc. Between 2007 and 2009, a series of incidents occurred in the areas surrounding the mine. There were allegedly

gang-rapes, assaults, and a murder of a community member committed by the mine's private security forces during this time (Bertrand, 2013). The property was sold to Solway in September 2011 and began operations in 2014 for the first time in decades (Hill, 2014).

A series of three related civil lawsuits have been filed by the victims of wrongs allegedly committed by both Skye Resources and Hudbay. The cases are working their way through the Canadian legal system under the name *Choc v. Hudbay Minerals* (ibid). The cases allege that Hudbay should be held liable for negligence for the decisions made by their executives regarding security at the mine (ibid). In July 2013, the Ontario Supreme Court dealt with a motion to strike the plaintiff's pleadings on grounds that there was no reasonable cause of action, arguing that the Guatemalan subsidiary should be held solely responsible for the wrongs and the Canadian courts do not have the proper jurisdiction to hear the case (ibid). In a ground breaking decision, the court ruled that it would be reasonable to find that the company's Guatemalan subsidiary was acting as its agent and that Hudbay owed a duty of care to the plaintiffs (Gelowitz, Fraiberg, Dattu, & Coleman, 2013).

The decision in the Hudbay case represents the first time that a Canadian Court has proceeded with jurisdiction over wrongs allegedly completed on foreign soil by subsidiaries of Canadian mining companies (ibid). While civil liability will ultimately be determined at trial, the findings by the Ontario Supreme Court indicate that in certain situations community members in developing countries may have legal recourse in Canadian courts. If Hudbay is found to face civil liability for the wrongs that are alleged by the plaintiffs, there could be substantial impacts on the practices of the industry.

The second major mining project in Guatemala is the Escobal silver deposit owned by Canadian-based Tahoe Resources Inc. As of 2013, Goldcorp Inc. owns a 40% share of Tahoe Resources (Subcommittee on International Human Rights, 2013). The Escobal project is located near San Rafael Las Flores, approximately 70 km southeast of Guatemala City, and was discovered in 2007 (Tahoe Resources Inc., 2014). Full operating permits for the project were issued in April 2013 and preparations for production on the underground mine continue (ibid). The company claims that the

operating mine would directly employ 500 people and that \$2 million was spent on CSR in 2013, including “local infrastructure, agriculture, potable water, waste management, nutrition, education and health” projects (ibid). Tahoe also claims that the majority of individuals in the San Rafael Las Flores Community support the project and that oppositions to the project come from a “small group of opponents who refuse to engage in meaningful discussions about the project” (Tahoe Resources Inc., 2013a). Despite these claims, groups such as Amnesty International have raised concern as to the conduct of the company and the government in relation to Escobal. They argue that “recent tension and violence around the site of the Escobal Project highlight failures of the Guatemalan state obligation to protect the human rights of local communities, and Tahoe Resources’ failure to respect those rights” (Amnesty International, 2013). It has also been reported that “local activists” are concerned about possible environmental damages surrounding the mine including contamination of their water sources and that tension in community has been increased by the military and police presence around the mine (Lakhani, 2014). Several incidents have also been identified by media outlets as relating to the mine. Most notably, on April 27, 2013 six protestors were seriously injured when “company security guards fired bullets and tear gas” (ibid). In the aftermath of the event, Tahoe fired their chief of security for “breaching company protocol” (ibid).

4.2.2. Guatemalan Mining Law Reform

One concern for multinational companies doing business in the developing world is the existence of a high level of political risk that can result in policy changes having effects on the company’s business environment. From abrupt changes in the country’s royalty scheme or permitting requirements to major social reforms resulting in expropriation of company owned land and even the nationalization of entire industries, Latin American history is filled with instances of extensive government intervention into industry. An extreme example of the degree of effects that these types of changes can bring is the well documented land reform efforts undertaken by Guatemala’s Arbenz Government in the 1950s and their effects on the US-based United Fruit Company.

Policies that increase political risk for multinational companies have also become more prevalent in the region in recent years as populist governments have been elected. For example, since the election of the Evo Morales government in Bolivia in 2006, several industries have been affected by nationalizations.²¹ Particularly controversial from the perspective of Canadian multinationals was the seizure of multiple mines in 2012. These included the Malku Khota silver project owned by Canadian based South American Silver and the Coloquiri tin/zinc project owned by Swiss based multinational Glencore (Schipani & Thomas, 2012). These projects have since become under the control of Bolivian state-run mining corporation Comibol, a move in line with the Morales governments' mandate to "recover everything that was ours and then privatized during the neo-liberal model of the late nineties" (ibid). Similar nationalizations have also occurred in several sectors in Venezuela and the energy sector in Argentina in recent years (Jordan, 2012).

While the current political context in Guatemala admittedly differs from the country's policies in the 1950s and from other countries in the region, proposed changes to the mining law in Guatemala by the Molina government in 2012 are evidence of how concern is warranted. Shortly after the election of the Molina government, constitutional reforms were proposed that would allow up to a 40% interest in new mining projects in the country to be acquired by the state (Tahoe Resources Inc., 2012). After great opposition from the chamber of commerce, industry associations, and miners the proposal was withdrawn later that year (Reuters, 2012). While this move is evidence of the Molina government's willingness to listen to industry, a government advisor maintains that the proposal could be revised in the future and that the creation of a national mining company is still in discussion (ibid). Following the withdrawal of the proposal to reform the mining law, President Perez Molina announced in July 2013 that he would ask congress to pass a two year moratorium on new mining and exploration licenses in the country. Based on conversations between Tahoe Resources and government officials, it is evident that this pause will allow the Energy and Mines Ministry to revise the withdrawn mining law reform proposal from 2012 (Tahoe Resources,

²¹ High-profile nationalizations under the Morales government include the country's oil and gas sector (Baily & Emery, 2006), electric grid (Inman, 2012) and three largest airports (Romig, 2013).

2013b). As a result, it is likely that further changes in mining law could occur in the future. While the Molina government has shown that they do not desire to change the ownership structure of existing mining properties, future properties are not safe from this intervention, nor the potential intervention of future governments.

4.3. A Complex Business Environment

In summary, Canadian mining companies with operations in the developing world can face incredibly complex business environments with substantial political risk. This political risk is further increased by the Canadian Government and their attempts to regulate the operations of these companies abroad. High levels of complexity are clearly faced by companies with operating mines in Guatemala. Goldcorp Inc. must learn how to effectively manage these complexities at their Marlin Mine in San Marcos Department, Guatemala if the company wishes to earn and maintain their 'social license to operate'.

Chapter 5. Goldcorp Inc. and the Marlin Mine

This chapter will introduce the subject of this case study, the Marlin mine in San Marcos Dept., Guatemala. The Marlin mine is owned by leading senior miner Goldcorp Inc. (and subsidiary Montana Exploradora de Guatemala) and will serve as a case study of the complex and controversial business environment that can face the managers of Canadian mining companies. This chapter will conclude by outlining a categorization of ten sources of stakeholder ambiguity that were identified in the interviews.

5.1. Goldcorp Inc.

Goldcorp Inc. is a multinational mining company based in Vancouver, Canada who advertise themselves as “one of the fastest-growing, lowest-cost senior gold producers” (Goldcorp Inc., n.d.-c). In 2012, they were one of the largest gold companies in the world with production of 2.4 million ounces of gold and \$1.642 billion in adjusted net earnings (Goldcorp, 2013b). The company has assets across the Americas including four operating mines in Canada and the US, three operating mines in Mexico, and three operating mines in Central and South America. Latin American mines outside of Mexico include Pueblo Viejo in the Dominican Republic, Alumbrera in Argentina and Marlin in Guatemala. Additionally, development projects in the region include Cerro Negro in Argentina and El Morro in Chile.

The company has undergone substantial growth in the past decade, primarily through a series of acquisitions. The most notable acquisition occurred on August 31, 2006 when Goldcorp Inc. announced plans to combine with senior miner Glamis Gold Ltd., a merger worth \$8.6 billion (Goldcorp Inc., 2006). With the merger with Glamis Gold Ltd., the company became owners of the El Sauzal mine in Mexico, Marlin mine in Guatemala, San Martin mine in Honduras, the Peñasquito project in Mexico, the Cerro Blanco project in Guatemala, and a 67% share of the Marigold mine in the United

States, substantially growing their portfolio and becoming a major player in the industry (Goldcorp Inc., 2007). The company has focused their efforts on what they define as areas of comparatively low political risk, avoiding volatile regions in Africa where other leading companies have operations (Bouw, 2010).

5.1.1. The Marlin Mine

The Marlin mine is located in San Marcos Department, Guatemala and is run by Goldcorp's wholly owned subsidiary Montana Exploradora de Guatemala. The mine has been in production since 2005 and was acquired in the merger with Glamis Gold in 2006 (Goldcorp Inc., n.d.-d). The mine is located in the municipality of San Miguel Ixtahuacán and borders on the municipality of Sipacapa. The first large gold mine in Guatemala, the Marlin mine directly employs 1,582 workers, 97% of which are Guatemalan residents and 70% of which are Mayan indigenous residents of the surrounding communities (ibid). The mine's payroll in 2011 was over \$23.1 million. (ibid).

The Marlin mine has attracted substantial conflict and controversy in recent years. There is no shortage of reports on the conflicts that have allegedly occurred surrounding the mine. Unfortunately, the context in which these events occur provides great difficulty in discerning the what really happened and who was responsible. The major players in writing about the Marlin mine (including the NGO community, the news media, the governments of both Canada and Guatemala, and the company) are often accused, by the other parties, of writing with either limited or incorrect information or writing with bias. Considering these factors, the utility of entering into a long winded discussion of every alleged incident to have occurred is limited. As a result, only a small number of incidents will be discussed in order to set the context.

According to Dougherty (2011), the first major conflict associated with the Marlin mine occurred in January 2005 when protestors allegedly clashed with security forces on the highway between Guatemala City and the mine. The protests lasted more than 30 days as Mayan peasants blocked a truck from transporting equipment to the mine site. After Guatemalan president Berger responded by dispatching police and army forces in

order to “establish the rule of law and protect our investors”, a confrontation led to the death of a protestor and injuries to over a dozen (p. 403).

In 2010, the Inter-American Commission on Human Rights (IACHR) “requested that the Government adopt precautionary measures, including suspension of the Marlin Mine, to prevent irreparable harm to the life, physical integrity and environment of indigenous peoples in communities in San Miguel Ixtahuacán and Sipacapa” (ibid). Shortly after, the Government of Guatemala informed the IACHR that they would begin an administrative process to determine if suspension of operations was necessary (ibid). In July 2011, the government issued a resolution declaring that they had reviewed the available data and that no basis was found for suspending operations (Goldcorp Inc., n.d.-d). They subsequently petitioned the IACHR to remove their precautionary measures. In December 2011, the IACHR revised the precautionary measures stating that “after reviewing the extensive information provided by the parties, the IACHR decided to modify the precautionary measures” (Goldcorp, Inc., 2011a). The modified precautionary measures request that the government monitor water conditions and ensure that the water sources serving the communities surrounding the mine remain “suitable for potable, domestic and irrigation uses” (ibid).

On February 2011, an additional notable conflict occurred when a group of approximately 200 protestors blocked access to several roads leading to both the mine site and communities to protest the refusal of Guatemalan authorities to implement the precautionary measures (MiningWatch, 2011b). In the minutes following the protests, there was allegedly violence between community members and protestors (ibid). The statements of events differed substantially between reports issued by civil society and a letter issued by Goldcorp the day following the events. The letter from Goldcorp identified the protestors as having been brought in from outside the affected communities and having taken a bus from a contractor by force prior to community members intervening (Goldcorp Inc., 2011b). They also identified who they believed to be the instigator of the protest (ibid). A report from MiningWatch Canada on the alleged events stated that they believe “this version of events is incomplete, inaccurate, and could possibly put in jeopardy the personal security of a recognized human rights defender” (2011b).

5.1.2. Human Rights Assessment

The Human Rights Assessment (HRA) was a process that began in 2008 at the Marlin mine. Following the merger of Glamis Gold and Goldcorp, a group of Goldcorp's socially responsible investors became concerned about the allegations of human rights infringements associated with the Marlin mine and travelled to Guatemala to "speak directly with local people and Guatemalan organizations about their concerns" (On Common Ground Consultants Inc., 2010, p. 8). These investors included Ethical Funds, First Swedish National Pension Fund, Fourth Swedish National Pension Fund, Public Service Alliance of Canada Staff Pension Fund, and SHARE (ibid). The investors called on Goldcorp to conduct an HRA to "identify their human rights impacts and establish plans to better fulfill their obligations" (ibid, p. 8). A steering committee made up of a member of Guatemalan civil society, a representative of the investors and a representative of Goldcorp was formed to oversee the assessment (ibid).

The steering committee decided that the HRA would be completed by On Common Ground Consultants Ltd., an independent consulting firm based in Vancouver, Canada.²² The official stated objective of the process was to "provide independent assessment of the potential for human rights impacts from the presence and activities of the Marlin Mine, and how Montana Exploradora's policies, procedures, and practices affect the human rights of the population in the area of the mine" (Human Rights Impact Assessment, 2009). As part of the process "189 individual interviews, nine group interviews with 84 participants, eight informal discussions, and 10 focus groups with 95 participants" were conducted with local authorities, land users, mine workers, contractors, local business, religious organizations, human rights organizations, government, as well as several other groups (On Common Ground Consultants Inc., 2010, p. 11). The costs of conducting the HRA were covered by the company (ibid).

²² The HRA process was directed by a steering committee. The steering committee consisted of "a member of Guatemalan civil society, a shareholder group representative, and a Goldcorp representative". The "shareholder group" is a group of "socially responsible investors" whose inquiries into alleged wrongs triggered the HRA process. These investors include Ethical Funds, First Swedish National Pension Fund, and 3 additional funds. The steering committee selected the consulting firm that would complete the process and otherwise managed the overall assessment. International Alert, a UK based NGO, was also selected as a peer reviewer for the assessment (On Common Ground Consultants Inc., 2010, p. 8).

The final HRA was published by On Common Ground in May 2010 and Goldcorp issued two separate responses to the assessment in June 2010 and April 2011 (Goldcorp Inc., 2011c).

The HRA process began by identifying areas of concern to stakeholders through interviews. They found that “the range of perspectives (among stakeholders) was broad, and did not present a unified view of the mine or its impacts and benefits” (On Common Ground Consultants Inc., 2010, p. 14). The assessment was then organized around the areas of concern that have been listed in Table 3. From this list, “seven priority issue areas were identified from concerns raised by stakeholders: consultation, environment, land acquisition, labour, economic and social investment, security, and access to remedy” (ibid, p. 15). It was then determined which human rights standards should apply to each of the priority areas using the Universal Declaration of Human Rights and other international human rights and labour conventions (ibid). These standards were then applied to the information identified in the interviews and company policies were reviewed to determine where Goldcorp succeeded in meeting their obligations and where they fell short.

Table 4: Top 10 Issue Areas of Concern to Stakeholder, HRA

Conflict	184 (53%)
Benefitting from Poor Governance	149 (43%)
Water Quality	134 (39%)
Role of Guatemalan Government	128 (37%)
Need to Address Negative Impacts	126 (36%)
Health	122 (35%)
Information Disclosure	119 (34%)
Land Pollution	118 (34%)
Basic Work Conditions	114 (33%)
Timing and Clarity of Information	112 (32%)

Adapted from (On Common Ground Consultants Inc., 2010, p. 15)

In general, On Common Ground found that “Montana has mainly been in a reactive and defensive mode when dealing with many of the complaints identified in this assessment as affecting human rights” (ibid, p. 217). Speaking to the management of human rights in the developing country context, the assessment added:

“where the State is weak and national compliance with international human rights standards is lagging, as is the case in Guatemala, the company is responsible for applying higher internal standards. Montana’s reliance on national legal frameworks has not provided an adequate foundation upon which to respect human rights, particularly in the areas of indigenous peoples rights, labour rights and for the risks associated with mine closure. Goldcorp is responsible for establishing those standards and has the obligation to ensure they are implemented and performance measured” (ibid, p. 217).

The assessment also concentrated on the lack of strong human rights policy in place for the company, particularly stating that “although numerous positive impacts were observed and acknowledged by stakeholders, the extent of human rights enhancement could not be ascertained for lack of adequate baseline data and ongoing monitoring” (ibid, p. 212). The four main recommendations for Goldcorp made by the HRA are as follows:

- Policy = Develop a formal, comprehensive human rights policy for Goldcorp and implement it at the Marlin mine
- Impact assessment = Undertake a follow-up assessment of the Marlin mine on a periodic basis to analyze progress made and challenges faced in improving the mine’s human rights performance, address information gaps, and undertake HRIAs for new projects and acquisitions.
- Integration = Expand human rights training to all Marlin mine employees, provide cultural training to managers and foreign employees, review responsibilities and incentives for human rights at the mine, and support integration efforts with appropriate expertise.
- Tracking performance = Install a senior Goldcorp manager to report to the Board of Directors of the implementation of the response to this assessment, enhance external audits and independent reviews, and enhance public reporting practices.

While the research conducted in this thesis did not specifically examine the HRA, a brief discussion of this process is necessary to set the context. The HRA was conducted prior to the research in this thesis and the business practices that were examined in the thesis interviews will likely have had their role in the company re-examined based on the recommendations made in the HRA.

5.1.3. Experience in Central America

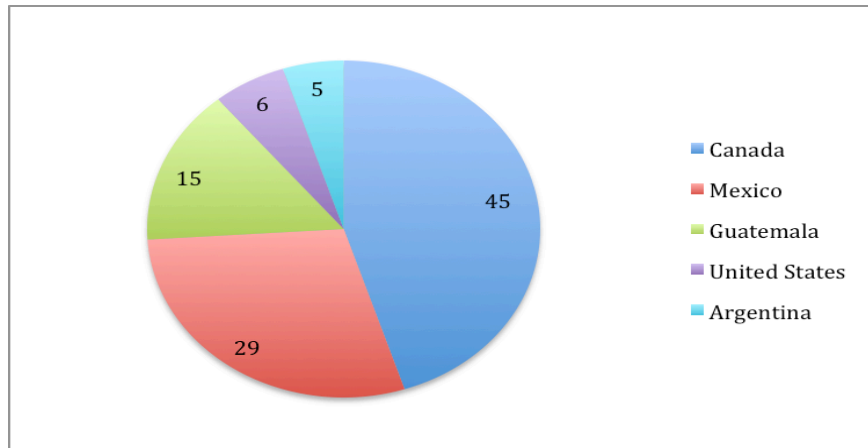
As shown in Figure 4, Goldcorp Inc. relies heavily on their Latin American operations with slightly less than half of gold production coming from the region in 2012. The company and its subsidiaries have substantial experience across the region. In addition to Goldcorp Inc.'s currently productive properties in Mexico, the Dominican Republic and Argentina, production has stopped and the mine closure process has been undertaken at the company's San Martin mine in Honduras. San Martin was an open pit gold mine located 66km from Honduras' capital city that was acquired in the merger with Glamis Gold and ceased operations in 2009 (Subcommittee on International Human Rights, 2013). At the time of operation the mine employed approx. 334 employees directly and an estimated 1,150 in an indirect capacity (ibid).

As part of closure efforts, the 1500 hectare former mine site has been turned over to the San Martin Foundation, farming facilities have been established and what was once a mining camp has been remodelled as a thirteen room eco hotel²³ (Goldcorp Inc., n.d.-e). The San Martin mine has faced a controversial reputation, much of which has come since the closure of the mine. In 2013, the mine was discussed in parliament when the Subcommittee on International Human Rights dealt with human rights in Honduras. Testimony discussed at this hearing accused the San Martin mine of polluting the local water system, poisoning inhabitants of the valley, and causing deforestation, diverting natural waterways, and starving small farmers of scarce water resources (Subcommittee on International Human Rights, 2013). A number of

²³ Known officially as the "San Martin Ecology Centre", facilities include a 31 room, eco-tourism hotel, swimming pool, sports courts, playing fields, a restaurant, and other amenities, all overseen by local community members.

international organizations have also questioned the mine's status as an eco-tourism site and accuse Goldcorp of green washing.²⁴

Figure 4: Gold Production by Jurisdiction - Goldcorp Inc. (2012)



Adapted from (Goldcorp Inc., n.d.-f)

Cerro Blanco is an additional Guatemalan project being undertaken by a wholly owned subsidiary of Goldcorp Inc. It is located approximately 80 kilometers east of Guatemala, near the border with El Salvador. As of 2013, the project was indefinitely suspended due to market conditions (Goldcorp, 2013c). While this study will be concentrating on the Marlin mine, and the Cerro Blanco project is not currently in production, discussion of Cerro Blanco is necessary as it stresses the importance of Goldcorp maintaining its social license in Guatemala. As it continues to invest substantial capital into the country, the company's actions become even more scrutinized and maintaining positive stakeholder relationships are necessary for success. If the company hopes to continue production on the project when the market improves, it must continue to build its social license in Guatemala through activities at Martin and Cerro Blanco.

However, as expected with any mining project, Cerro Blanco has already been the attracted criticism. Community members in Asucion Mita have allegedly expressed

²⁴ See Oxfam America's article on San Martin (Hufstader, 2013).

concern about contaminated water being released from the mine and organizations like MiningWatch have questioned the adequacy of the consultation efforts before the approval of the mine (2013). The Salvadoran Ombudsman in Defence of Human Rights has also expressed concern due to the importance of the watershed that flows into El Salvador (ibid).

5.2. Sources of Stakeholder Ambiguity

Over the course of this study, a number of patterns emerged as management discussed the challenges faced by the company when attempting to identify and manage relationships with their stakeholders. This thesis argues that there are characteristics of the context in which Goldcorp operates in Guatemala that result in increased stakeholder ambiguity being faced by the company. The following section will categorize ten of these sources of stakeholder ambiguity that were identified during this study. These sources will be split into four categories based on the type of stakeholder relationship that the sources relate closest to. These categories will be used in the discussion in Chapter 7 to evaluate the initiatives of institutional strategy conducted by Goldcorp that will be introduced in Chapter 6.

5.2.1. Internal-based Sources

Legacy of Previous Owners:

It is common, in the mining industry, for properties to change hands as exploration and other junior mining companies are purchased by senior miners and assets are amalgamated under a single parent company. While most front line employees are likely to remain with the property after an acquisition, new senior management can be faced with a reputation in the community that is based on the actions of a different management team, under a different corporate banner. This can be especially impactful when controversy surrounds the validity of the mine's license to operate and the degree in which surrounding communities were consulted prior to construction of the property. Goldcorp faces this issue with the Marlin mine as initial construction occurred under the Glamis Gold corporate banner and has been alleged by

critics to be insufficient (Dougherty, 2011). This creates substantial ambiguity as it can be very difficult to anticipate the actions of stakeholders in relation to activities that were conducted before ownership. This is particularly true if there is no clear evidence of the alleged actions and stakeholders had not come forward prior to the time of purchase of the property. Even when there is evidence that questionable practices may have occurred, it can be very unclear how stakeholders will react to these suggestions in the future. A prevalent example of these legacy issues is the case of Hudbay Minerals in Guatemala discussed earlier. Even though the Toronto-based company did not own the mine when the alleged activities occurred and no longer owns the property, they are facing the majority of criticism, including the lawsuits in Canadian courts.

As a result of the financial investment required to get a mineral deposit to the production stage or acquire an already producing property, companies tend to also be path dependent when it comes to a project. Once a production or acquisition decision is made by management, the company will need to make every effort to understand the past of their mine and anticipate where potential controversy may lurk. As this substantial investment means that abandoning the project is the absolute last resort for the company, it is very important that effort be put into managing the ambiguity that could result from an unclear understanding of past practices and incidences at the mine.

High Levels of Executive Turnover:

Over the course of this study, multiple senior managers and company executives at Goldcorp left the company and were replaced by new individuals. While there is no suggestion that their replacements were not qualified, changes in the faces behind the management of a company have the potential to cause formerly strong relationships to deteriorate. When so much of stakeholder relationship management is built on the stakeholder's ability to trust those in the company, effort put into developing a relationship by a front line contact in the company, and the increasing trust that may result, can be in vain if the individual were to leave the company. It is also unclear how stakeholders who have grown to trust the company will react when the person they see as the face of the organization is no longer there.

This executive and manager turnover seems to be commonplace in the mining industry. One situation in which the potential for this was noted was the departure of an important Montana Exploradora manager in the sustainable development department. This manager acted as a prominent face of the company at the Marlin Mine, appearing in many of the informational videos that can be found online explaining both technical and social aspects of the mine operation. Shortly after this research began, this important manager left the company. The manager was not replaced during the course of this research and multiple managers stated that the company was going to attempt to do without this position because they believed it overlapped with others (C4, personal correspondence, 2012).

5.2.2. Community-based Sources

High Expectations for Positive Impact:

While mining companies in the region do tend to create significant job opportunities for locals, as evidenced by the employment figures at Marlin, there are often more community members willing to work than the number of employees needed by the mine at any one time (C6, personal correspondence, 2011). In addition, the company will have to look outside the community to find individuals with the required skill sets in the case of jobs that require advanced skills. As a result, a division is made that turns the communities surrounding the mine into two separate stakeholder groups. First, there are those that either have a job at the mine or have immediate family working at the mine. Second, there are those that the mine has been unable to employ. While many in this second group are those who are against the mine, it was suggested in a number of interviews that a substantial portion of those community members without work at the mine enquire on a regular basis for employment (C2, personal correspondence, 2011).

The existence of these individuals can cause controversy in the community. In an interview with the head of a prominent NGO working in Guatemala, it was claimed that there has been substantial violence in the communities surrounding the Marlin mine by community members that do not work for the mine against those who are employed. This interviewee defined this as one of the social problems that can be directly attributed

to the mine's presence and, most troubling, one of the reasons why the mine should not be allowed to operate (O1, personal correspondence, 2011). This is evidence of the degree of ambiguity that can exist among various stakeholder groups even in reaction to generally positive impacts of the mine's presence.

While the creation of over a thousand comparatively high paying jobs in a poorly developed community would seem to be universally positive regardless of how you feel about mining, community members can adopt a vocal anti-mining stance simply because they themselves have not received the direct benefits. Outside observers, in turn, will always be able to criticize a project of underemployment and creating conflict in the local community, as long as some in these large communities are not employed. Any company, entering any community in any country, will have the understanding that the company cannot employ everyone, but there exist stakeholders who may not understand this or may use this as a justification for criticism.

An additional issue is that stakeholders often make requests that do not acknowledge that there will be a time when the mine will be closed and the company will no longer be present in the community. One manager gave an anecdote about a request that was made by members of the community, which requested that the mine provide them with different types of machinery to allow them to grade their roads (C8, personal correspondence, 2011). When asked how they would fix the machines if they broke down, the community members responded that they would "bring them to the mine" (ibid). When the expectations of stakeholders are not grounded in the reality of the situation, the company may have difficulty predicting stakeholder responses. The potential development of complete reliance on the mine can also create substantial expectations by stakeholders that are either unclear or unsustainable by mine management.

Misconceptions about Mining:

Mines are often built in rural communities where residents are unfamiliar with the mining process. This is especially the case for large scale mining projects in Guatemala. A lack of familiarity and knowledge of the industry can result in community members being unable to understand information issued by the mining company and leave a

population susceptible to influence by external parties, including NGOs. One manager in charge of water monitoring stressed that while community members are quick to make accusations of water quality issues or cracked houses, often at the urging of NGOs, they would be unable to understand the information that the mine could make available that they believe proves the accusations false (C7, personal correspondence, 2011). Opinions about mining, whether justifiably held or not, also tend to be enduring.

Traditionally, mining has been seen as a dirty and untrustworthy industry. With the proliferation of communication technologies, and the presence of NGO groups on the ground in the developing world, community members are becoming increasingly aware of the plights faced by other communities, both in the present and past. These individuals are faced with a constant barrage of anecdotes of communities facing environmental damage and social catastrophes and are unable to make their own determination of the accuracy of these complaints. This can result in a general negative image of the mining industry before it directly affects a particular stakeholder.

The negative reputation of the industry can be a difficult barrier for a firm to overcome as opinions of stakeholders are often path dependent. According to Mishima, Block, and Mannor (2012), “path dependence affects judgments by leading observers to interpret equivocal cues as confirming their initial expectations” (p. 462). This means that when a community member is led to believe by outsiders that mining will negatively impact their life and the environment of the community, it does not take any substantial evidence to convince them that this is happening in their own community. Stakeholder ambiguity is created as managers can never be sure what pre-formed opinions a stakeholder or group of stakeholders has prior to attempting engagement, and how these opinions will impact the information given to them.

Difficulty Engaging with Relevant Parties:

A common value expressed throughout the interviews was the desire to get all the relevant decision makers to engage with the company by participating in community meetings. While company management suggested that meetings with mine officials present were relatively well attended by community members, there was acknowledgement of the difficulty in both determining who the most influential and

important stakeholders were and actually getting them to sit down with company management (C9, personal correspondence, 2011). Managers suggested on multiple occasions that they believe this difficulty, based on what was expressed to them by members of the community, was primarily due to the desire of these locals to not appear to their neighbours as having been co-opted by the corporation (C2, C4, personal correspondence, 2011). If a leader in a community with a large population opposed to mining is seen as being friendly with the mine, the official can risk losing the support of a substantial portion of the community. This increases stakeholder ambiguity as the company never knows if it has all the right people it needs around the table for any particular meeting. This ambiguity can make it very difficult to complete full community consultations.

5.2.3. Government-based Sources

Inefficient and Ineffective Government:

It is common place for critics of the mining industry to identify a poorly functioning, and potentially even corrupt, developing country government as an enabler of abusive behaviour of mining companies (Logan, 2014). While this is likely true in some instances, interviews showed a different side of this story. A number of managers identified poorly functioning government as being one of the greatest difficulties faced by the company. For example, one high level manager in Guatemala raised the example of the government's failure to support the industry stating "you have this economic policy document that states that we as a country need to promote the extractive industry, but whenever we need them to explain something to the community or arbitrate with these other stakeholders, they shy away" (C5, personal correspondence, 2011). The manager stated that mayors of the communities are often asking for "the government to come here and talk to us about this issue or study, what the results are", but the government does not have personnel that are able to fulfill this role (ibid).

A strong government that has sufficient capacity to be relied on as an intermediary would do away with a great deal of the uncertainty faced by the company. An additional manager made it clear that Goldcorp would love to have a government in place that resembles that of Canada and the US when it comes to the regulation of

operations (C9, personal correspondence, 2011). A government with capacity is able to lay out specific requirements that the company must meet and enforce those requirements. These requirements limit ambiguity by establishing a detailed regulatory baseline that must be met and giving the company an independent and reliable authority to determine whether those baselines are in fact met. As one manager stated, “when the Canadian government says that a mine has satisfied all of its environmental regulations, people are going to be much more likely to believe this than if the Guatemalan government were to say the same thing” (C4, personal correspondence, 2012).

Due to a tumultuous past, Guatemalan people also tend to feel a lack of confidence in their governments, both national and local. As a result of the rural location of San Marcos Department and the Marlin mine, members of the surrounding communities have traditionally been neglected by the Guatemalan State (C6, personal correspondence, 2011). This neglect has contributed to an even greater lack of trust and confidence in the government than what is held by the majority of Guatemalans. It is common for interviewed community members to be quoted with statements such as “the Guatemalan state will never say it's Goldcorp's fault. They write reports to suit their own interests” (MiningWatch Canada, 2011c). This can create great stakeholder ambiguity as it will be unclear how stakeholders will react to any information about the Mine and the industry issued by the government. For example, Goldcorp has faced great scepticism in relying on the government's stance on the mine in relation to the IACHR situation.

A number of interviewees also stated that inefficiencies of working with Guatemalan government often result in a government being voted out of office before plans can be initiated. One manager in particular discussed a situation where the company tried to get the government involved in water monitoring and management. The manager became frustrated when, just as they were starting to make strides in the negotiations, “a new government came in” (C8, personal correspondence, 2012). The manager made it clear that these types of situations can occur on a regular basis when attempting to work with every level of government in Guatemala. As it can take years to

negotiate an initiative, managers say they have to be careful about deciding whether to invest in a particular initiative, for fear of “months of work going for naught” (ibid).

Importance of the Mining Industry to Government:

Due to the significant royalties that are paid by mining companies to the government, Guatemalan officials undoubtedly place high value on keeping the companies operating in the country. As a result, governments in the region have, in the past, become involved in activities to ensure operation of the mine, such as clearing people from land to be used by the mine and using the military to quell protests. This has been a relatively common occurrence in protests at Marlin as police and military personnel have been present and active. The Guatemalan government also has been seen to go as far as declaring a State of Emergency in the areas surrounding Tahoe Resources’ mine to quell the protests (Williams, 2013). The company faces great ambiguity in how the public and other important stakeholders of the company will react to a government’s actions involving the military and police. While the company may see these activities as being strictly a governmental activity, stakeholders are likely to associated the actions directly to the mining company. As one member of a NGO stated, “these police and military forces would not be in the community doing these things if the mine was not there” (O3, personal correspondence, 2011).

Fragility of the Long Term Status of the Mining Company:

When extractive sector companies operate in the developing world, they must be aware of the history that has proven to be very fragile for multinational companies. From changes to the mining law of a country that can drastically change the playing field on which the company operates, to the nationalization of resource industries resulting in near complete loses of the operation, companies must be able to understand the risk of

complete changes in the institutional environment in which they have invested substantially.²⁵

5.2.4. Civil Society-based Sources

Influence from Anti-Mining NGOs:

Non-governmental organizations in the developing world are commonly seen as the neutral bodies that attempt to protect the interests of minority groups by keeping companies operating abroad accountable for their actions. In reality, these organizations can carry their own agendas that may or may not have the best interests of the communities in which they operate at heart. Through interviews conducted with NGO leaders, it was evident that funding their activities can be a significant driver for these organizations and protecting the interests of the minority and vocal opposition to mining can often mean the same things in this context. These secondary stakeholders also tend to be unreceptive to new approaches by the company, despite issued scientific evidence, because they “may have a broader, more fundamental contrarian view of the industry” rather than the specific information provided or company initiative (Hall, Bachor, & Matos, 2014, p. 412). In discussing the most visible human rights organizations like RightsAction and MiningWatch Canada, one manager stated that by refusing to engage with the company, these organizations are “missing an opportunity to truly help the community” (C4, personal correspondence, 2012). Multiple managers stated that the company has reached out to engage these organizations on several occasions. In addition, requests were made to have them participate in the HRA process (On Common Ground Consultants Inc., 2010).

²⁵ As discussed above, changes in the mining law have been in the works in Guatemala for a number of years. Changes in law, or proposals of changes, is not an uncommon occurrence in the region. For example, proposed changes to Brazilian mining legislation was presented to congress in June 2013 and is still being debated (Rees, 2014). The new law, if implemented, would include substantial changes in the process of securing mining concessions and the royalty structures that could have a profound effect on new and existing miners, particularly small exploration companies (ibid). An example on the other end of the spectrum was Bolivia’s nationalization of Vancouver-based South American Silver Corp.’s Malku Khota mine in 2012 by the decree of president Evo Morales (Jordan, 2012). At the time of writing, the company, now known as TriMetals Mining Inc., continues to pursue compensation for the project through arbitration with the Government of Bolivia (TriMetals Mining Inc., 2014).

Further complicating matters, media also tend to give substantially more exposure to the anti-mining cause. This is unsurprising, as a story of local community members allegedly being marginalized by a greedy corporation is a far more interesting read for the general consumer of news media than that of a large corporation operating within existing industry standards. An October 2012 article on the Marlin mine published in Aljazeera reflects this reality (Mercer, 2012). In the article, the story of community member Diadora Hernandez's struggle to keep her land was discussed. She says that she has become a pariah in her neighbourhood after refusing to sell her land to the mine and mentions that "all of the people in my community are compromised by the mine ... they all work there" (ibid, para. 7). The story briefly mentions the benefits that the company says they are bringing to the community, only to have a member of an NGO immediately discount these claims. These stories have become commonplace in the media and the few stories that do intend to include the company's side tend to do so superficially.

The biggest barrier that prevents active and productive engagement of many NGO groups is the group's unwillingness to consider any solution to what they believe to be the problem other than shutting the mine down and having the company leave the country. During one interview, a leader of a prominent human rights NGO framed his organization's overall opinion of the situation as: "Can mining be done in an ethically sound and politically fair and just way in a country like Guatemala, given its recent past? I don't think so" (O1, personal correspondence, 2011). This opinion presents difficulties because it fails to acknowledge the investments that these companies have made and the reality that a company will not be willing to walk away from these type of projects. The company is thus faced with a vocal critic in the media who is unwilling to engage with the company to help incrementally improve the operations at the mine. This creates substantial ambiguity as these organizations will often be seen by the public as an unbiased and neutral party who is only promoting the truth. When it comes to telling their side of the story and defending themselves to these accusations, the company is severely disadvantaged.

Lack of Willing Civil Society Partners:

Managers realize that the typical activities associated with corporate social responsibility initiatives are not necessarily a part of the company's core competencies (C6, personal correspondence, 2011). As a result, they will often seek to work in partnership with both local and international NGOs to undertake these initiatives. Unfortunately, finding NGOs willing to work with the corporation can be a difficult task. One Goldcorp Inc. executive discussed a situation in which he identified a Canadian-based NGO with which he wished to partner. The NGO specialized in teaching communities in the developing world how to build properly operating stoves for cooking and heating. The company identified that current methods of heating in households in the communities surrounding Marlin often involve an open flame and ventilation often suffers in the winter months when windows are closed. This can result in health risks caused by air contamination. The executive acknowledged "I wanted to work with this foundation they won't work with me simply because I'm a mining operation". (C2, personal correspondence, 2011).

Much of this apprehension is due to the NGOs' fear of fallout if this relationship were to attract media attention. It is common for large NGOs to say that working with mining companies, particularly accepting money from these companies, has resulted in a loss of donors. For example, Canadian NGO Plan Canada is working with lamgold to reduce poverty in the communities near their Essakan Gold Mine in Burkina Faso as part of a Canadian International Development Agency pilot program (Westhead, 2013). Plan Canada's president has acknowledged that despite the fact that the funds coming from lamgold amount to less than two tenths of a percent of the NGO's annual amount raised, many donors have voiced their displeasure towards the organization for their willingness to partner with a mining company (ibid). The threat of these types of complaints, and the loss of donors that may follow, often result in NGOs determining it to be too risky to associate with what many donors believe to be a dirty industry. This mindset results in great inefficiencies as companies like Goldcorp have to complete initiatives from start to finish that their existing employees may not have the skills to undertake effectively.

5.2.5. Impact on Stakeholder Ambiguity

This thesis argues that each of the 10 sources discussed in Section 5.2 result in Goldcorp experiencing increased stakeholder ambiguity in the context of the Marlin mine. Each of these sources can be attributed to either the Guatemalan business environment, the natural resource industry, Goldcorp as a company, or a combination of the three. While these are not the only sources of stakeholder ambiguity faced in this context, the intention was to look at sources that are not necessarily common in more ordinary business environments.²⁶ Each source discussed above has a real or perceived impact on the degree of stakeholder ambiguity faced by Goldcorp in Guatemala. For example, ineffective governments create stakeholder ambiguity by making it unclear to the corporation the degree to which stakeholders will trust the information that the government provides to them about their environmental monitoring results.

²⁶ For example: a Canadian manufacturing company producing and selling their product in Canada is highly unlikely to face any of the ten sources of stakeholder ambiguity to degree that Goldcorp does in Guatemala. They would face community members with a better understanding of the industry, governments with more capacity to regulate, civil-society organizations that will likely be willing to work with them, and a more transparent legacy.

Chapter 6. Forms Of Institutional Strategy

In Guatemala, the managers of Goldcorp Inc. engage with their stakeholders in many different ways. This unique business environment requires that managers put substantial thought into determining which strategies to use to engage these stakeholders. Members of these groups, ranging from residents of the community of San Marcos Dept. to the Canadian media, have often proven to be elusive, sceptical, and downright hostile towards the operations of the corporation, stressing the importance of this mindfulness. One industry response to these difficulties has been the increasing prevalence of company CSR strategies. These activities have resulted in mixed results for Goldcorp Inc. and its competitors, both in Guatemala and abroad, and is often seen by the public as being done solely to take attention away from improper business practices. While these strategies may be successful in transferring benefits to the intended recipients, the overall reputation of the corporation has seemingly been unaffected, or even negatively impacted, by these initiatives.

This thesis has argued that stakeholder engagement strategies need to go beyond the traditional CSR activities that mining companies tend to undertake in order to successfully counteract the substantial stakeholder ambiguity that exists in the industry. Activities that seek to have a real and lasting impact on the institutional environment in which the company operates are more likely to positively contribute towards the company's social license to operate by building legitimacy, credibility, and trust. As discussed in Chapter 2, these types of activities have been called institutional strategy. This chapter will outline three examples of institutional strategy that were identified in the interviews as being practiced by managers for the Marlin mine. This chapter will then conclude with a brief discussion of one of the traditional CSR activities the company undertakes and how this is differentiated from institutional strategy.

The three examples of institutional strategy were each identified in the stage one open ended interviews by multiple executives of Goldcorp Inc. and were determined by the researcher to be those actions most aimed at changing the institutional environment in which the company operates. In particular, these activities were identified from the interviews as initiatives that were aimed at changing the institutional environment that causes the ten sources of stakeholder ambiguity faced by the corporation in Guatemala. While this thesis will examine three of the most prevalent examples of institutional work observed by the researcher, this is not intended to be a representation of all of the activities in which the company is participating in Guatemala.

The examples of institutional strategy examined in this chapter allow for a wide spectrum of activities and should paint a clear picture of the company's actions within the community. The first is the creation and funding of the Sierra Madre Foundation (FSM). The foundation is intended as an independent way to provide social benefits to the communities in which the mine is located. The second initiative is the creation of the Asociación de Monitoreo Ambiental Comunitario (AMAC). This association uniquely combines the engagement and education of community members with its environmental monitoring requirements. The third activity examined is the company's government training initiatives. This activity involves the technical training of Guatemalan government officials in order to build their capacity to monitor the corporation's activities.

6.1. Sierra Madre Foundation

The Sierra Madre Foundation (FSM) is an institution created by Goldcorp and funded as part of the operating budget of the Marlin mine to handle long-term sustainable development projects in the communities. The foundation "assist(s) with the planning and implementation of sustainable, community-based development and capacity building programs in San Miguel Ixtahuacán and Sipacapa" (Goldcorp Inc., n.d.-g). The foundation was created to focus on implementing long-term projects that, if successful, would continue to operate after the mine was closed (O5, personal correspondence, 2012). Management's goal is for the foundation to operate independent of Goldcorp's control. This may include the foundation being given ownership and control of the land on which the mine sits after its closure (ibid). The

foundation has an annual operating budget of \$400,000 provided by the company (ibid). Foundation managers have reached out in search of additional funding sources, but have not had success.

Goldcorp has admittedly had mixed results with the FSM. One Goldcorp executive speaking to the reputation of the foundation said, “I think that because there were very good projects working there was a certain movement to try to discredit the foundation itself, what can we do in a case like that?” (C2, personal correspondence, 2011). Much of the discussion surrounding the foundation recognizes that while it presents itself as a local NGO, it is actually funded by the company. Multiple managers noted that the company is very transparent about who funds the foundation, adding “the people that are hired, they don’t work for Goldcorp, or Montana, or Marlin, they work for the foundation” (C3, personal correspondence, 2012).

6.1.1. Projects Undertaken by the Sierra Madre Foundation

The mandate of the foundation is to “support the communities in identifying economic alternatives that will allow individuals, families and communities to generate sufficient income to guarantee their welfare and help them to participate in community development processes” (Sierra Madre Foundation, n.d.). The foundation operates in two primary areas: 1) Sustainable Economic and Productive Development and, 2) Integral Health (C11, personal correspondence, 2012). Under these headings, the foundation has undertaken dozens of different types of initiatives ranging from teaching carpentry skills, baking, dress making, and other types of micro-entrepreneurship to medical brigades.²⁷ As one Goldcorp manager put it, “some day the objective is that the foundation takes the seed money we give them and one day gets a hit. It’s everyone’s desire that it become self-sustaining.” (C3, personal correspondence, 2012). The foundation believes that covering many different types of entrepreneurship will be the most effective way to find something that can be successful for the long term in the community (C11, personal correspondence, 2012).

²⁷ In 2011, thirteen medical brigades were conducted in the communities surrounding the mine. During these brigades general doctors and ophthalmologists visited the community. (O5, personal correspondence, 2012)

In one highly promoted foundation project, they have begun to work with local coffee farmers in the areas surrounding the mine. They primarily serve to provide technical expertise to these farmers to increase productivity and economic advice to increase the income from the sale of coffee. They are beginning to act in a role that is essentially that of a coffee co-op. By keeping the local farmers informed of the market price for coffee and teaching them to process and grind the coffee, the foundation assures that the 55 farmers that they work directly with are able to get fair return for their crop (O5, personal correspondence, 2012). In 2009, participants in the program sold 17,519 pounds of dried coffee with a sales price increase of 9% over the prior year (Goldcorp Inc., 2011d).

The Sierra Madre Foundation is only one of the mine-related institutions that are responsible for the implementation of sustainable development activities in the communities surrounding the mine. These include the environmental department and the mine's sustainable development department. While the foundation is looking for results in the longer term, the sustainable development project typical tends to shorter term community needs. According to one manager in the department, "the main goal of the sustainable development department is to engage the communities and understand what they believe to be their necessities, not what we identify for them" (C9, personal correspondence, 2012). The department operates on a \$950,000/year budget and concentrates on projects in the 26 communities closest to the mine. Recent infrastructure projects include the Cap medical centre and a nine room schoolhouse (ibid). The department also pays the salaries of 24 teachers and are currently working on increasing the productivity of crops and livestock owned by community members through use of irrigation technologies (ibid).

6.1.2. Foundations in the Mining Industry

The use of foundations, trusts, or funds as a vehicle for CSR activities are becoming more common in the mining industry. According to the World Bank, these types of entities "present a number of advantages, such as an increased sense of independence; a clearer path towards sustainability through the endowing of funds and potentially through sourcing alternative financing; and opportunities for community

participation through representative governance structures, co-financing and project generation” (2010, p. 8). This World Bank report identified 60 mining properties that had some sort of foundation, trust, or fund set up as a vehicle for development in the communities in which they operate.

Prior to the creation of the Sierra Madre Foundation in 2003, a foundation institutional arrangement was implemented at Goldcorp’s San Martin mine in Honduras. The Fundación San Martin was founded in 2000 with the opening of the mine and was run in much the same way as its Guatemalan counterpart. With the closure of the San Martin mine in 2008, Goldcorp donated the mining camp, including 1,500 hectares of land, to the foundation to be turned into an eco-resort to be run by the foundation in the hands of the local population. What is now the San Martin Ecology Centre consists of a 31 room hotel and other elements of resort infrastructure (Goldcorp Inc., n.d.-h). The foundation has also attempted the formation of sustainable agri-businesses including farming of chicken, hog, and fish as well as growth and harvesting of lemons, oranges, and mangos. Much as with the Sierra Madre Foundation, these businesses have proven unable to make the foundation self-sustaining thus far (C6, personal correspondence, 2012).

6.2. AMAC

The Asociación de Monitoreo Ambiental Comunitario (Community Environmental Monitoring Association; AMAC) is an environmental monitoring and stakeholder engagement strategy put into action in the areas surrounding the Marlin mine. It was established in 2005 as an independent, community-based environmental monitoring program. The purpose of AMAC is to equip members of the community with the skills required to test environmental conditions in the communities surrounding the mine. Community members are educated on how to take water samples and are given the opportunity to take their own samples from the rivers and streams surrounding the mine and have them independently tested. The intention is to ensure community members are able to monitor the actions of the company with regards to what many consider the most important resource in the community (O4, personal correspondence, 2012).

The mining industry has looked favourably at this initiative,²⁸ while critics have expressed distrust in its ability to function independently due to fact that it is, much like the Sierra Madre Foundation, funded by the company.²⁹ E-tech International also found that the results of testing by AMAC have been comparable to those experiences by Goldcorp and the Ministry of Environment and Natural Resources (MENR) (2010).

All funding from the company for AMACs operations (\$100,000-120,000 US annually) is paid directly to the “Foundation for the Betterment of Engineering” which is run by the University of San Carlos in Guatemala. The foundation determines how the money is spent without input from the company. While funds have been donated in the past by the World Bank’s International Finance Corporation (IFC) (\$150,000 over the first 3 years of AMAC) and the Embassy of Canada (\$20,000), the company is the only entity providing funds for the initiative at the time of this research (ibid). The foundation is constantly looking for funding from other organizations. Finding new funding has been difficult, though, with multiple managers saying that the response is always the same: “why should my government fund something that is clearly the company’s responsibility?” (C6, personal correspondence, 2012).

6.2.1. Structure of AMAC

AMAC is made up of two groups of people responsible for the organization’s day to day operations:

- a) The Members: These are ten individuals from the communities directly surrounding the mine.³⁰ They are elected in community meetings for a two year term and cannot serve two terms in a row. As a member of AMAC, they participate in regular tests of the ground and surface water surrounding the

²⁸ In 2006, AMAC was awarded first prize from the Latin American Mining Industry Organization for “integrating mining and community in the most progressive way in Latin America” (International Council on Mining and Metals, 2010, p.9).

²⁹ See Boyd, 2012 for one account of AMAC’s reputation in the community.

³⁰ Upon its creation in 2005, AMAC was made up of six communities. Early on, the technical group realized that representation from additional communities was needed. An additional four communities were included in 2006 (C11, personal correspondence, 2012).

mine. Each member is required to devote one weekend a month to participating in AMAC and is given a monthly stipend of 500 Quetzal (\$65 US) (O5, personal correspondence, 2012).

- b) The Technical Group: This is a group of four people in charge of providing training to the members. The technical group was formed in 2005 by a Canadian consulting group that travelled to Guatemala to select its members, and is made up of “a chemical engineer, an environmental engineer, a geologist, and a person responsible for the social aspects of the program” (ibid). These were selected primarily from the academic community in Guatemala and mostly come from the University of San Carlos. This is a public university that is considered the “people’s university” in Guatemala. (ibid)

6.2.2. Procedures Followed by AMAC

Each member of AMAC is trained in field sampling protocol. Training continues on a regular basis as members complete their two year term and are replaced by new individuals from the community. Training includes “the use and calibration of field meters, sample bottle requirements, preservation and labeling requirements and chain of custody procedures” (ICMM, 2010, p. 9). Training of the members is conducted by the technical group. Water sampling is completed at several spots around the mine and communities on a monthly basis, with all members of AMAC present. This water testing is completed independently, but at the same time as the company’s environmental department and both the Ministry of Energy and Mines (MEM) and the Ministry of Environment and Natural Resources (MENR).

Samples are sent to ALS Laboratory Group, an independent environmental lab in Vancouver. The lab was chosen by the technical group and there are “no opportunity for samples to be tampered with” (O5, personal correspondence, 2012). It was also emphasized that the company had no impact on the choice of lab and had never had any relationship with ALS Laboratory Group (ibid). Samples taken by the company, MEM, and MENR are also sent to their own individual and independent labs. After results are returned directly to the party that submitted them, all parties get together to

compare results and deal with any irregularities. This is done at regular community meetings that are said to be well attended by community members (ibid).³¹ AMAC members also travel to communities outside of the ten that are represented in the initiative to discuss their results (ibid).

6.2.3. Reception of AMAC

The company has experienced mixed feedback regarding AMAC. While industry tends to view the initiative favourably, members of the community still tend to see it as illegitimate. As AMAC is planned to be implemented at Cerro Blanco upon the restart of the project, there are great stakes involved in establishing and maintaining an effective and well received initiative (C5, personal correspondence, 2012). As AMAC at Cerro Blanco will be implemented before production starts, the company has an opportunity to further improve on this concept.

Industry has generally looked favourably at the implementation of AMAC. In 2006, AMAC was awarded first prize from the Latin American Mining Industry Organization for “integrating mining and community in the most progressive way in Latin America” (ICMM, 2010, p. 9). The International Council on Mining and Metals (ICMM) also believes that “the availability of certified data has helped to refute the allegations and relieve community concerns over mining” (2010, p. 9). Additionally, an independent report by e-tech International determined that “AMAC has the technical capacity to conduct reliable environmental monitoring of the mine, with the assistance of its technical team director and consultants” (2010, p. 40).

Community members and civil-society, on the other hand, have tended to look unfavourably at the initiative. Boyd (2012) cites an interview with a local restaurant owner whose opinion was that “AMAC, a local group, carries out water testing but is controlled by the mine so its results are suspect”. The author also noted that she heard

³¹ One interviewee stated that large meetings of multiple communities would typically be attended by 150-200 people. Smaller meetings of individual communities would be attended by approximately 40 people, depending on the size of the community (C11, personal correspondence, 2012).

“widespread criticism” of AMAC during her visit to San Miguel (ibid). According to Zarsky and Stanley (2011), “the credibility of AMAC suffers from its dependence on Goldcorp for funding” (p. 38). It is also noted in the HRIA that while “independent, external auditing of the water monitoring program has not been implemented in accordance with international standards” AMAC’s formation is considered good industry practice (On Common Ground, 2010, p. 195).

6.3. Government Official Training Initiatives

With industry best practices changing on a regular basis, it is no surprise that companies invest substantial resources in continually training their employees. This is especially true in developing countries where a majority of employees at the beginning of a mine’s life cycle are uneducated and unfamiliar with the nature of the mining process, particularly the technical aspects involved in the industry. In addition to the in-house training conducted by nearly every company, Goldcorp Inc. will often bring experts on certain aspects of the industry into their mine sites or outside company retreat locations to give short term courses on a particular skill, often related to environmental monitoring or other highly technical aspects of the industry.³² While this practice is hardly out of the ordinary for a multinational company with thousands of employees, Goldcorp has held these training sessions specifically for the purpose of educating government ministers and technicians from the countries in which they are operating.

In Guatemala, there are two institutions that deal directly with regulating and monitoring the mining industry. One of them is the Ministry of Energy and Mines and the other is the Ministry of Environment and Natural Resources. Each ministry has their own technicians responsible for the technical aspects of monitoring. The company identified that the low sophistication of mining specific knowledge held by these technicians could be the source of problems in the future (C12, personal correspondence, 2012). According to one manager, “environmental engineering is fairly new here in Guatemala

³² One example of company retreat identified in interviews is a Cyanide short course conducted by Dr. Terry Mudder. The 2012 short course was held in Cancun, Mexico with 100 attendees (O4, personal correspondence, 2012).

and mining engineering does not exist” (ibid). Management decided that the company needed to work to build the capacity of the government technicians in three specific areas of great importance in which a particular knowledge deficit was noted. The first area is cyanide management, the second is acid rock drainage, and the third is sampling procedures.

6.3.1. Goldcorp’s Training Initiatives

Interviewees identified two specific company training initiatives that had taken place between 2008 and 2012. Attendees at the first session included five government officials and technicians from the Honduran government and fifteen from the Guatemalan government, while the second was made up entirely of Guatemalan government representatives (C12, personal correspondence, 2012). No Goldcorp employees were present at these training sessions that were run solely by independent experts in their field over the course of multiple days. One session, devoted to environmental monitoring and testing procedures, was held over the course of four days by a company that runs a school that trains people how to follow international protocols when sampling. Addressing the need for this training, a Goldcorp environmental manager said “many people can grab a plastic bottle, take out the soda and take a sample from the river and think that is good practice” (ibid).

The other session was split between two international experts on the mining industry and was run over the course of two days. This session covered issues related to both cyanide and acid rock drainage. The cyanide training session was examined in detail during interviews. The session was conducted by environmental expert Dr. Terry Mudder, the owner of Times Limited, an environmental science and engineering consulting firm located in Sheridan, Wyoming. Dr. Mudder is widely known as the leading expert on cyanide management in mining.³³ Cyanide is used in a process called “leaching” that allows recovery of small concentrations of gold, that would otherwise be

³³ As one manager stated, “Terry Mudder is known in the industry as the top cyanide guru” (C12, personal correspondence, 2012).

economically unviable, by separating gold from ore through dissolution.³⁴ If managed, used, or disposed of improperly, cyanide can cause environmental devastation and have negative effects on human health (C5, personal correspondence, 2012). As such, particular attention is paid to ensure that all those individuals involved in the environmental aspects of mine monitoring are fully aware of the proper procedures surrounding the use of cyanide.

Prior to the running of these short courses, company management had become aware that the knowledge of industry standards surrounding the use of cyanide was very low among government technicians, particularly those responsible for environmental testing (C7, personal correspondence, 2012). One manager stated that he had “heard from specific technicians that they’ve never had any training in these areas” (C12, personal correspondence, 2012). The hope was that by bringing in an expert in the area of cyanide management, the Guatemalan technicians would have a clearer idea of how to approach cyanide issues in the Marlin mine and prevent the improper monitoring practices and misinformation that could create problems for the company (ibid).

6.4. Institutional Strategy vs. Traditional Corporate Social Responsibility

While some may identify the initiatives discussed in this chapter as typical corporate social responsibility activities, there are key differences between these initiatives and what this thesis has called ‘traditional CSR’. Corporate philanthropy has long been considered one of the four kinds of social responsibilities that constitute CSR (Carroll, 1991). Freeman (2013) would likely call philanthropy “social compensation” and “an apology for business being all about the money and self interest” (p. 6). Goldcorp states that its donation policy is “intended to complement, not substitute for” its CSR activities and prides itself in its donation record in the areas of education, health, community development, and arts and culture (Goldcorp Inc., 2011e). As an example of this philanthropy, Goldcorp made a \$10 million donation to Simon Fraser University in

³⁴ See International Cyanide Management Institute, n.d.

2010. The donation was intended to be split equally between a capital fund for the development of student facilities and a community endowment to finance support programs among the businesses and residents of Vancouver's downtown eastside (Simon Fraser University, 2010). The university "acknowledged the gift" by electing to name their new arts complex the Goldcorp Centre for the Arts (ibid).

The company has a history of donating to educational institutions. The motivations for these type of donations are varied. Porter and Kramer (2000) argue that while worthy organizations and causes certainly do benefit from this type of philanthropy, "it is intended as much to increase company visibility and improve employee morale as to create social impact" (p. 5). Regardless of the motivation for this particular donation, the response was anything but expected with the university receiving substantial criticism for accepting it. While part of this response was clearly aimed at opposition to corporate donations to public educational institutions in general, much of the public discussion surrounded the idea that the company was donating this money at the expense of Guatemalan communities who they allege are being negatively affected by the company's presence (Smith, 2010).

While CSR is widely thought of a way to pass benefits of the project on to those that are affected by a project and improve the company's reputation, institutional strategy initiatives are tightly associated with the day to day activities of the company and work to build the capacities of important stakeholders. The direct intention of the activities is not the immediate satisfaction of a group of stakeholders as CSR often is. It is aimed at the long term welfare of these stakeholders with the hope of creating a more mining friendly institutional environment.

Chapter 7. Discussion and Recommendations

The previous chapters have attempted to identify the sources of ambiguity that managers of Goldcorp believe they face in Guatemala. Additionally, they have introduced three initiatives that are undertaken by the company that managers believe will address these sources of uncertainty. This thesis proposes that the uncertainty that managers face can be identified as stakeholder ambiguity and the three initiatives are examples of institutional strategy aimed at changing the institutional environment in which the company operates. What this thesis has yet to do is identify whether these initiatives have been or will be effective in reducing stakeholder ambiguity. Unfortunately, a longitudinal study with a broader scope than this thesis would be required to say with any degree of certainty whether these initiatives have actually been successful in reducing ambiguity. Regardless, a discussion of the connections between the initiatives and the sources of stakeholder ambiguity, as well as a discussion of the apparent barriers to effectiveness faced by each initiative, should be useful in evaluating the design and predicting future success of these initiatives.

This chapter will discuss how each of the three examples of institutional strategy identified in Chapter 6 are likely to impact the sources of stakeholder ambiguity that were identified in Chapter 5. This discussion will concentrate on the sources that are most likely to be affected by each initiative. The analysis of each initiative will conclude by identifying barriers that exist to the initiative effectively reducing stakeholder ambiguity.

7.1. Sierra Madre Foundation

The creation of an independent foundation by a mining company offers a number of theoretical advantages. If the foundation is sufficiently funded and has a sustainable long term plan that allows it to remain in operation after the property closes, it will likely be an effective tool to reduce stakeholder ambiguity.

7.1.1. Internal-based Sources

High Levels of Executive Turnover:

The creation of a foundation can contribute to reducing the stakeholder ambiguity that can result when a high level manager leaves the company. High level managers at the mine site often become known as “the face” of the organization to the community. It can also take a great deal of time for these managers to develop familiarity with members of the community. The use of a foundation puts Guatemalan nationals in charge of delivering the services which these managers would otherwise be responsible for. Educated managers working in a multi-national mining company will be much more likely to leave the company for new opportunities than a local who is running a long term foundation. This reduces the odds that the “face” of the company will leave.

7.1.2. Community-based Sources

High Expectations of Positive Impact:

The creation of a foundation can help to reduce stakeholder ambiguity caused by the overly high expectations of community members. The focus that the Sierra Madre Foundation (FSM) has on micro-entrepreneurship can help ensure that they realize that the mine will not always be there. By taking focus off the mine and the money that it can provide and increasing focus on the development of skills, community members are likely to be more focused on what they will do in the future than what the mine can do for them today. This is particularly useful in relation to community members who are not employed by the mine and may otherwise not believe that they are receiving anything from the mine’s presence in their community.

Misconceptions about Mining:

The FSM in particular, and foundations in general, can help build the knowledge of the mining industry among community members by undertaking educational initiatives. During the visit to the FSM office and classrooms, the researcher observed educational exhibits that were created by the foundation to educate the community on the processes involved in the mining industry. The foundation representatives that were

interviewed said that the exhibits are open permanently, and are primarily used to educate teachers and students from local schools (O6, personal correspondence, 2012).

Difficulty Engaging with Relevant Parties:

A truly independent foundation may also be effective at helping the company manage the ambiguity created when people in the community refuse to engage with them. While parties may be unwilling to engage directly with a company, these stakeholders may be willing to engage with a community foundation if they believe that the foundation is sufficiently independent from the company. While this may not be effective in creating lines of communication between the company and the stakeholder, it may reduce hostility between the parties if the stakeholder is able to closely interact with benefits provided by the mine. This could help build moral legitimacy by suggesting to stakeholders that the company may have their best interests in mind.

7.1.3. Government-based Sources

Inefficient and Ineffective Government:

An independent foundation, in many ways, can be seen as a substitute for the inefficient and untrusted Guatemalan government. Many of the initiatives undertaken by the FSM, including the operation of medical brigades and support for local industry, are responsibilities that one would usually expect to be completed by a well functioning government. While the foundation does not change the way that the government is looked at, it does provide necessities that the government does not have the capacity to.

7.1.4. Civil Society-based Sources

Lack of Willing Civil Society Partners:

Multiple managers acknowledged that the creation of the FSM was done as a response to the lack of willing NGO partners. These managers realize that the activities undertaken by the foundation are not core competencies of a mining company (C5, C12, personal correspondence, 2012). They also acknowledge that it would be much more efficient if organizations who specialize in these types of development activities could be

brought in to fill this role. As finding organizations willing to do this has proven difficult, the company has created their own organization. While not yet as independent as the company would like, it is evident that the foundation is building its capacity to conduct these development activities and may one day act as a reasonable substitute for external NGOs.

7.1.5. Barriers to Reducing Stakeholder Ambiguity

The main difficulty faced by all mining companies that attempt to create a foundation is finding a way for that foundation to become self-sufficient and be able to operate without funding after the mine closes. The Sierra Madre Foundation suffers from this same problem. While they have conducted long-term development activities, they have yet to establish initiatives that are self supporting. Multiple managers acknowledged that this is a key barrier as they had never seen a true foundation that was able to be self sustainable after the mine closed (C4, C8, personal correspondence, 2012).

Likely as a result, it was evident that the company lacked long term confidence in the existence of the foundation. Talking to managers on the ground, it is clear that uncertainty exists in the role that the foundation will play after mine closure. The main context in which this was noted was in discussing the plans for the mine site after the production portion of the mine lifecycle was incomplete. While the mine site was donated to the San Martin Foundation in Honduras, managers at Marlin said that the decision about this mine still had to be made (C12, personal correspondence, 2012). The same uncertainty existed with how long funding from the mine would be carried on after the mine closes. These act as major barriers to the complete adoption of the foundation by the community. If the future of the foundation is unclear, community members are unlikely to invest time and effort into their initiatives. They are likely to believe that funding will be abruptly pulled at some point in the future.

The existence of the sustainable development department at the Marlin mine raises a number of issues as well. These include a noted difficulty in differentiating between the department and the foundation. As the two entities have been known to

work in joint ventures on projects and undertake initiatives in a similar geographic area, it is difficult for the community to see them as separate entities. This is particularly emphasized by the well known and publicized fact that the foundation is funded by the mine.

Another barrier to success that came up in interviews was the individuals in charge of the foundation. One manager noted that “the people that are attracted to work in a foundation, are not the same kind of thinkers as a business person. We need to find somebody that can think from (both) an entrepreneurial business point of view and an altruistic point of view” (C4, personal correspondence, 2012). When micro-entrepreneurship is the goal, it is important to have foundation managers who have experienced success in this area.

7.2. AMAC

It is noteworthy that one of the three identified examples of institutional work revolves around water. Water is a subject of great importance in mining affected communities. Community members and the general public alike have undoubtedly heard accusations by communities surrounding other mining projects who contend that their drinking water has been contaminated and their streams have dried up after being diverted for mining operations. These types of accusations have certainly been experienced by Goldcorp in Guatemala with the IACHR’s revised precautionary measures concentrating only on the need to ensure that all community members have access to sufficient potable water (IACHR, 2011). Enabling community members to act as protectors of the water resources of the community, while at the same time fulfilling the role of a third party to confirm the company’s water quality readings, could result in AMAC effectively reducing stakeholder ambiguity in the community.

7.2.1. Internal-based Sources

Legacy of Previous Owners:

AMAC may have an affect on the stakeholder ambiguity that exists as a result of legacy issues of former owners by enabling the community members that may have experienced the previous ownership to directly participate in policing the company. An individual that was unhappy with the transparency of the operations of the past owner may be more likely to join an initiative where they can ensure that acceptable practices are followed.

7.2.2. Community-based Sources

Misconceptions about Mining

One of the most evident benefits of running an initiative in the nature of AMAC is that the company is educating community members on the technical aspects of their operations. By ensuring that some community members are able to interpret results of environmental testing, you are reducing a major barrier to building credibility and trust. This lack of trust due to a deficiency in knowledge is undoubtedly present at mining communities across the developing world, as community members are often unskilled and uneducated, particularly in areas of high complexity like mining.

Difficulty Engaging with Relevant Parties

While it is clear that there will be community members who are decidedly anti-mining and would never agree to participate in an initiative associated with the mine like this, the design of AMAC should limit the existence of these individuals. In particular, the makeup of the technical team lends itself to maximum participation. According to one member of technical team, the members of the team are all Guatemalan nationals and representatives of the “people’s university” (O5, personal correspondence, 2012). The choice of this university likely will result in a greater ownership of AMAC being taken by the local community.

7.2.3. Government-based Sources

Inefficient and Ineffective Government:

AMAC acts as a complement to what many stakeholders believe to be a government that does not have the capacity to properly monitor the environmental conditions of the area surrounding the mine. As one community member was quoted as saying “The Ministry of Energy and Mines doesn’t even have enough money to put gas in their motorcycles, let alone conduct proper water tests” (Boyd, 2012). While this statement is clearly an exaggeration, the lack of confidence in the government when it comes to testing water is evident. By enabling community members to fill this roll, focus on the inability of the government to fill the role is likely reduced.

7.2.4. Civil Society-based Sources

Influence from Anti-Mining NGOs:

The initiative is likely to limit the effects that these NGOs can have by acting as an additional voice in the debate and an additional provider of environmental data that is more likely than the company to be widely trusted. In particular, it would be an independent organization made up of those people with arguably the largest stake in preventing environmental damage. One example of how this can be effective is found in a 2011 article in a widely circulated Guatemalan newspaper Prensa Libre. The article, published on December 10, 2011, cited claims of water contamination around the Marlin mine made by a member of COPAE, the Pastoral Commission for Peace and Ecology (Marroquín, 2011). In the article it is acknowledged that a report by AMAC “concludes that concentrations of metals do not exceed allowed limits” (ibid). This provides an additional, seemingly reliable viewpoint for the public to consider before making their judgment.

7.2.5. Barriers to Reducing Stakeholder Ambiguity

The biggest barrier to the success of AMAC, as with the FSM, is the lack of an independent funding source. Despite the use of independent labs and the oversight of the public university, many stakeholders still believe that AMAC being funded by the

company means that Goldcorp can alter the results at will to make them more favourable. Unfortunately, it is unlikely that additional funding will be found at any point in the foreseeable future. This is due to at least two factors: First, it is difficult to get funding for these types of activities from governments and NGOs. According to one manager, “worldwide you are seeking a really poor development economy. The World Bank and other institutions are really taking a hit. Even the Canadian government has been superseding development for other needs. The context is not very enabling and we are still building credibility.” (C10, personal correspondence, 2012). Second, groups believe that this is an expense that should be covered by the company. When requesting funding from the Netherlands embassy, embassy officials replied that they “will not participate in something that is obviously the company’s responsibility, why would money from my government go to supervise activities of a private company” (C7, personal correspondence, 2012).

Another barrier is that some community members are likely not willing to participate in the initiative for fear of looking like they have been co-opted by the company. This means that many of the community members who have been to most vocal critics of the mine and its alleged environmental impacts are going to be unlikely to participate. As a result, it is also likely that the individuals who the company would most like to participate would be unwilling, limiting the initiative’s effectiveness.

According to another manager, an additional reason for community members to be unwilling to participate is the high level of commitment required (C7, personal correspondence, 2012). As members are required to devote an entire weekend each month to participating in AMAC, a limited number of people are interested in participating and some have withdrawn from the initiative in the past (ibid). Participation has to be made more attractive if wider participation is desired.

7.3. Government Official Training Initiatives

It is evident that great institutional barriers, such as corruption among top government officials and general distrust of government by rural residents, exist in Guatemala. Running multiple day training sessions with twenty government officials in

attendance is clearly not going to have any substantial affect on these deeper societal challenges. These courses are an incremental and long-term attempt by Goldcorp to improve monitoring practices on the ground and build some of the basic government capacity that is required for the company to function.

7.3.1. Internal-based Sources

Legacy of Previous Owners:

Operating these training programs could be effective in reducing the stakeholder ambiguity that exists due to the legacy of past owners of the mine. As Guatemalan government technicians hadn't been trained in many of the important areas of mining-specific environmental testing prior to these courses, it is evident that Glamis Gold was operating with poorly educated government officials who did not have the capacity to effectively test environmental conditions around the mine. By offering this training, and bringing in internationally renowned experts in this area, Goldcorp Inc. is able to distance itself from the practices of past owners. This may have the effect of increasing legitimacy of the company in the eyes of some stakeholders and making stakeholders less likely to blame the current owners of the property for the indiscretions of previous owners. In particular, pragmatic legitimacy could be earned as the offering of these training programs could be interpreted as the company shower concern for the long term conditions of both the country of Guatemala and the areas surrounding the mine.

7.3.2. Community-based Sources

Difficulty Engaging with Relevant Parties

Managers noted that community members often ask for the government to come to the community and examine or explain certain aspects of the company's practices to them (C4, C12, personal correspondence, 2012). When the government is unable to fill this roll, it is believed that these stakeholders will often refuse to engage with the corporation for fears of appearing to be co-opted (ibid). These stakeholders may be more willing to create an open dialogue with the company if they believe that the government is effectively monitoring the environmental conditions surrounding the mine.

Having a qualified third party to confirm the status of the corporation may add to the company's legitimacy among key stakeholders who may otherwise be unwilling to engage.

7.3.3. Government-based Sources

Inefficient and Ineffective Government:

Building capacity of the Guatemalan government is the primary goal of this institutional strategy. Many critics of the industry state that companies in the developing world take advantage of the poor capacity of the government to operate in ways that are below the environmental and social standards that would be expected elsewhere in the world (Logan, 2014). Interviews with Goldcorp Inc. managers revealed that uncertainty created by a poorly functioning government makes a far more difficult business environment than one in Canada or the United States.

By attempting to train government officials on how to monitor environmental conditions to industry standards, Goldcorp is working to create an independent regulator. Managers say the intention of the courses is "for technicians to be in line with international protocol standards" (C4, personal correspondence, 2012). When technicians are in line with these standards, multiple benefits could result. First, technicians are more likely to receive accurate results of environmental tests if they follow the proper procedures. This benefits the company as poor water quality results caused by improper testing methods can be difficult to refute, as industry critics will be much more likely to believe government results over those of the company. Second, if government officials can be seen by community members as being more knowledgeable and equipped to do their job, the results of the government environmental testing may be trusted to a greater degree. The company believes that they have had success in building this capacity. One manager stated that "we've seen the technicians from the government grow over the last four or five years. They are still here" (C12, personal correspondence, 2012).

Importance of the Mining Industry to Government:

Educating government officials may be particularly effective at reducing the risk of government deciding to intervene in the industry using violence. One manager stated that the reason you see situations where the government and military are brought in to protect a mine site is that they do not have the capacity to support the mine in other ways (C6, personal correspondence, 2012). By helping build government capacity to conduct proper testing of environmental conditions, the government will have alternative means to examine complaints from civil-society and community members.

7.3.4. Civil Society-based Sources

Influence from Anti-Mining NGOs:

One of the arguments so often raised by anti-mining NGOs is that companies like Goldcorp Inc. are operating in the developing world without effective government oversight. By improving the capacity of the government to oversee the company's operations, this argument becomes a less effective tool when used by critics of the industry.

7.3.5. Barriers to Reducing Stakeholder Ambiguity

Clear barriers exist that may prevent the above sources of stakeholder ambiguity from being reduced. The main barrier is the risk of being seen as trying to have undue influence on members of the government. While these risks have been reduced by bringing in internationally renowned experts from outside the company to run the courses and by company personnel not being in attendance, criticism and distrust will undoubtedly still be evident. When asked whether the company is worried about how training the government looks to those outside the industry, one manager responded that "opposition will always look at the wrong side of anything we do. If we train the government, they'll say that there's something in it (there are) always going to be people that disagree. We need to do what we believe is best for Guatemala." (C12, personal correspondence, 2012). Multiple managers also agreed that this was a role that companies should be required to fulfill. According to one, "I believe that part of

industry's role is to help government develop their skills. If those skills are not what they should be then we can assist in that process" (C6, personal correspondence, 2012). This risk of being seen as unduly influencing the government is likely the reason for not being able to find these initiatives widely published on the company's website.

An additional barrier is that capacities introduced to a group of government technicians may not be transferred to others in the ministry. The first reason for this is that the Guatemalan government does not have procedures in place to ensure that knowledge and procedures are standardized across technicians (C4, personal correspondence, 2012). As a result, the company cannot be assured that newly hired technicians, or those brought in from other ministries, will be able to build the same skills. While the company's hope is that the trained technicians will share what they've learned with other officials, it is likely that case that regular training would have to be completed (C12, personal correspondence, 2012).

7.4. Effectiveness of These Initiatives

It is evident that the initiatives undertaken by Goldcorp seem to be well designed and effectively aimed at the sources of stakeholder ambiguity that were identified by management. Unfortunately, thus far, issues in the execution of the initiatives have likely prevented them from being completely effective at fulfilling their intended role. These issues are primarily structural in nature, with the noted inability of all three initiatives to find ongoing funding and oversight from an independent third party source being the greatest of these barriers. Regardless of whether the lack of funding hurts the actual legitimacy of the activity, certain stakeholder groups have, and will undoubtedly continue to, use these apparent deficiencies to criticize the initiative. While this criticism by no means renders the initiatives completely ineffective, they likely limit the degree to which certain stakeholders are willing to put their trust the initiative. Managers have designed novel initiatives that they are proud of and believe have been effective to certain degrees. Ultimately though, these limitations will prevent them from having the full effect on reducing stakeholder ambiguity that they otherwise could.

Chapter 8. Conclusion

Multinational mining companies operating in the developing world must deal with substantial stakeholder ambiguity when managing relationships with their stakeholders. This ambiguity is increased by the poorly functioning and corrupt governments, anti-mining civil-society organizations, and uneducated and often sceptical community members that are commonly found in these regions. Everyday tasks such as negotiating with community members, disseminating information to stakeholders, and communicating with government officials regarding the regulation of the company's operations can be problematic in this environment. This is because stakeholder ambiguity makes it difficult to predict how the company's stakeholders will respond to these actions and information. This thesis suggests that undertaking institutional strategy may be an effective way to reduce this stakeholder ambiguity and make stakeholder responses more predictable. Attempting to make lasting changes to the institutional environment in which the company operates may contribute to this task by increasing the company's overall legitimacy, credibility and trustworthiness in the eyes of its stakeholders.

The Sierra Madre Foundation, AMAC, and Government Training Initiatives are three examples of institutional strategy undertaken by Goldcorp Inc. at the Marlin mine in San Marcos Department, Guatemala. Each of these initiatives is clearly aimed at making real changes to the institutional environment in which the Marlin mine operates. While each initiative faces clear barriers to success, often related to a lack of third-party funding and oversight, company managers clearly believe they have been successful at incrementally changing this environment. These changes will likely contribute to the company's social license to operate and make engaging certain stakeholder groups more productive in the future.

8.1. Contributions

The primary contribution to literature intended to be made by this research was the introduction of a synthesis of the concepts of stakeholder ambiguity and institutional strategy. This thesis has suggested that undertaking institutional strategy may be an effective method of managing stakeholder ambiguity in the natural resource industry in a developing country context. In the same vein, it has also suggested that the reduction of stakeholder ambiguity may be a reason for an established organization to act as an institutional entrepreneur and seek changes to the status quo. Additionally, it identifies and details some types of institutional strategy that may be conducted by mining companies in the developing world. This contributes to the literature discussing institutional change as it details a real world example of a market leader acting as an institutional entrepreneur.

The study was also intended to contribute to the industry by outlining unique examples of stakeholder engagement that go beyond traditional CSR activities. Mining companies across the developing world face similar levels of stakeholder ambiguity and the discussion of these three activities emphasize the importance of being proactive about shaping the institutional environment in which the company operates. In a business environment like Central America, traditional CSR activities practiced by mining activities are not sufficient to build a long term social license to operate and, when potential stakeholder reactions are not well thought out, can even hurt the company's reputation. Additionally, this study identifies the main barriers that a mining company will face when trying to undertake initiatives aimed at changing the institutional environment. The most evident barrier is the difficulty of finding independent funding and third party oversight that are highly desired to add credibility to these activities. While companies in slightly different contexts may have greater luck with finding funding, it is clear from this research that a lack of funding is not fatal for the initiative and incremental changes may still be observed by management.

8.2. Limitations

The first potential limitation faced by this study is that interview subjects were limited to company management and a handful of NGO leaders. Interviews with a wider variety of stakeholders, community members in particular, would have likely allowed for a greater understanding of the interests of all the parties involved. Improving the understanding of the points of view of all stakeholders would have increased the likelihood that this research would have resulted in actionable recommendations based on the extent to which these activities have actually changed the way that stakeholders view the corporation. Acknowledging this limitation, the primary intention of the study was not to determine whether the activities conducted by Goldcorp have been effective, but to examine the reasons that company managers use the stakeholder engagement strategies that they do. While it is believed that the interviews conducted were sufficient to accomplish this goal, this limitation identifies an opportunity for additional research. A longitudinal study examining the viewpoints of a wide variety of stakeholders would complement the research completed in this thesis by allowing deeper evaluation of each of the examples of institutional strategy.

The second potential limitation of the study was the number of interviews completed. It could be suggested that sixteen interviews would be insufficient to gain a proper understanding of such complex issues. While additional stakeholders could be covered to a greater extent, the relatively compact management hierarchy within Goldcorp Inc. meant that the ten interviews with company management covered all the relevant decision makers for these stakeholder engagement strategies. As the issues identified and decisions made by these managers were the primary focus of this study, the completed interviews were seen as sufficient.

The third potential limitation of this study was that qualitative interviews made up the primary research methodology. Using interviews as the primary methodology raise a number of potential issues including the risk of management responding to questions in a socially desirable way to paint their company in a certain light and difficulty maintaining rigour due to the open ended nature of the interviews. These are commonly considered downsides of qualitative research that were necessary to manage given the importance

of using a qualitative grounded theory approach to best identify issues of importance to the managers themselves. A number of attempts were made to counteract this limitation. These included field research being conducted to allow the observation of the activities where possible and the use of anonymity and confidentiality when presenting findings.

The fourth potential limitation of this study was that it was limited to examining one case study. Looking at additional mining companies, both in Central America and abroad, would allow a greater understanding of the types of activities that the industry practices and allow for additional sources of stakeholder ambiguity that are observed by management in different geographical areas to be included in the analysis. Without including additional countries, the analysis may be of limited use to companies located in areas in which the business environment differs substantially. As a result, the completed analysis would likely only be effective as a starting point for corporations in different contexts who would need to include their own market specific knowledge in their analysis. Further research could focus on different industries or different geographic locations to determine if this study's findings are generalizable in the natural resource industry or the developing world as a whole.

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