

# Innovative corporate social responsibility in Botswana

## The Debswana mining company study case

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### Abstract

This paper presents a study case on innovative corporate social responsibility as a very important aspect of management planning and, in the process, explores some trends and new ideas pertaining to corporate social responsibility in mining industries. Some pertinent literature is reviewed as a theoretical frame to introduce the presentation of the Debswana Mining Company case to show innovative corporate social responsibility in the mining industries in Botswana. The paper also critically discusses implementation of this aspect and concludes with some remarks and opinions on it. As a result of this study case we may observe the highly positive interaction between this company and the Botswana government on behalf of the economic development of this country, not omitting to point out some serious social difficulties that have to be overcome in conjunction with government public policies issuance. It is important to emphasize that this work attempts to describe some facts which we consider important in social responsibility, observed in a particular organization, seeking to build a study case that may be relevant for managerial considerations in a field that has been scarcely treated in the administrative literature.

Keywords: Social responsibility, Environmental Responsibility, Community Development.

## **Responsabilidad social corporativa en Botswana. Un caso innovador en la industria diamantífera: la compañía minera Debswana**

### **Resumen**

En este trabajo se presentan una serie de consideraciones sobre la forma en que una importante compañía africana hace frente a su responsabilidad social, en lo que podría ser una innovación en la industria minera dedicada a la explotación del diamante. De esta manera se realiza un caso de estudio referido a la compañía Debswana que opera en Botswana, uno de los países africanos más destacados en la producción diamantífera mundial. Se discuten y critican algunas acciones implementadas por esa compañía en materia de responsabilidad social y se concluye con algunos señalamientos y opiniones al respecto. Podemos señalar que los resultados del estudio de este caso muestran como altamente positivas las interacciones de esta compañía minera con la sociedad en la que se desenvuelve sin que deje de puntualizarse la existencia de algunos inconvenientes serios que deben ser superados en conjunción con las políticas públicas del gobierno de ese país. Es importante señalar que lo que se intenta hacer en este trabajo es mostrar algunos hechos que consideramos importantes en la responsabilidad social de una organización en particular, buscando construir un caso de estudio que pudiera ser relevante para las disciplinas administrativas en cuya literatura han sido escasamente tratados.

Palabras clave: responsabilidad social, responsabilidad ambiental, desarrollo de la comunidad.

### **Introduction**

Botswana, one of the southern countries of the African continent, has been a favorite topic of study for anthropologists, linguists and ethnomusicologists amongst a large group of researchers. A very well known diamonds producer in the world market, is also, regrettably, pointed out as one of the countries suffering with the AIDS (HIV) syndrome. Botswana, with a population of about two millions, reports a national gross product per capita of 6700 US dollars per year in a growing economy based on the monopolistic diamond industry from which the government obtains more than 50% of its income.

Botswana achieved political independency from England in 1966 and since then it reports outstanding annual economical growing rates of about 9%. The Debswana Mining Company, as the unique firm in diamond production industry in this

country, plays a protagonist role in national development. Increasingly important for this national industry is the decision of the Botswana Government, in 2006, to interact in a joint venture with DeBeers, the multinational gigantic corporation, to participate in diamonds international marketing operations (McAdams and Reavis, 2008).

Whatever the Debswana Mining Company does or does not do, it implies meaningful economical and social responsibility. This fundamental importance attracts the interest of the observer on how this firm is dealing with its corporate social responsibility, in the present case.

This paper discusses some of the latest trends in respect to corporate social responsibility (CSR). The advent of globalization has brought with it new ways of doing things. When organizations operate in highly competitive industries, rapidly changing markets and complex cultural and social environments, a strong corporate culture that emphasizes ethical behavior becomes even more important because it guides people to do the right thing even in the face of confusion and change (Daft, 2007).

At its broadest, CSR can be defined as the overall contribution of business to sustainable development. The World Business Council for Sustainable Development (WBCSD) has defined corporate social responsibility as the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve the quality of life, in ways that are good both for business and for development (Fox, Ward and Howard, 2002). The company needs to create an accountability philosophy, which will support its competitive advantage since the ethical consumers like responsible companies who support sustainable actions, which increases the organization profitability.

The problem of lax ethical standards in business is nothing new, but in recent years it seems to have escalated. The rapidly changing technological improvement calls for innovative operational strategies for organizations to realize the competitive advantage they have when they display a degree of corporate citizenship. This paper offers both theoretical and practical insight of how organizations can innovatively implement their ethical values to benefit the companies' financial performance and improve the welfare of its society. The purely profit-maximizing view is no longer considered an adequate performance criterion in today's global companies;

Social Corporate Responsibility should be implemented to increase performance and enhance corporate image.

### **Methodological considerations**

The purpose of this paper is to primarily explore two issues in corporate social responsibility, namely:

- The innovative corporate social responsibility in planning and implementation as one of the administrative functions.
- The importance of this innovative corporate social responsibility on organizational performance.

To accomplish this purpose we are using the observational method, based mainly on the personal testimony of one of the authors as a Botswana native. We also used documental techniques considering specific literature review and gathering information from the internet and local journals. With the collected information we proceed to integrate a study case seeking to show “a partial, historical, clinical study of a situation which has confronted a practicing administrator (...) presented in narrative form” (Barnes, Christensen and Hansen 1994: 44).

In this work we are trying to bring out discussion and criticism on the manner a specific company faces its social responsibility. It is not our intention to report a field research nor an essay but an illustrative case of study.

We are aware of the limitations we are confronting in this report, cultural distortions and partial coverage may be present, but it is a risk to take in the hope of exposing at least a tiny point of view on this crucial issue.

### **Literature review**

Conventionally, CSR has been regarded as philanthropic behavior additional to the main for-profit activity and beyond the requirements of the law. CSR is a difficult concept to pin down. It overlaps with other concepts such as corporate citizenship, sustainable business and business ethics. It is highly contextual not only in terms of its corporate environment but also in terms of its national environment (Moon, 2004).

A model published by Alyson Warhurst (1998) on CSR in the mining industry, outlines two crucial aspects. One is the traditional corporate social responsibility as comprising the Moral Imperative which is social responsibility, including philanthropy in response to appeals for help, from society and social investment, in projects of long term importance to the company, such as foundations, schools or clinics. The other aspect highlighted by the model is the Commercial Imperative. This aspect prescribes the core activity of the company providing the goods and services that society wants and explores the benefits of business, such as, investment, jobs created, taxes paid and human resource development, among others (Warhurst, 1998).

Daft (2007) indicates that total corporate social responsibility can be subdivided into four main criteria: economic, legal, ethical, and discretionary responsibilities. These four criteria together fit to form the whole company's social responsibility. Recent research has also revealed that organizations are moving from the classical model of corporate social responsibility to a modern one which is more responsive to the turbulent business world.

Alyson Warhurst (1998) came up with another model which provides a framework for innovative corporate social responsibility. Her research reveals that the effects of industry on environment and social development can be categorized into three dimensions:

- The Biophysical Sphere includes effects over time on the health of the ecosystem, on biodiversity conservation, on clean air and water, and the physical base of healthy livelihoods: marine resources, minerals, forests and agricultural soils
- The Economic Sphere includes effects over time on relative economic benefits, wages/salary rates, the distribution of natural resource-based commodity rents (taxes, royalties etc) between central and regional state agencies, and economic effects on local and remote community livelihoods
- The Social Sphere includes socio-political effects on the rights of individuals and groups and their capacity to organize. It also includes effects on human health and working conditions, socio-cultural effects over time on the cultural heritage of individuals and groups, on their spiritual and cultural well-being, on their attitudes and behaviour and with respect to their education.

It can be deduced from this model that corporate social responsibility as a part of management is important for an industry survival in the long run. Different stakeholders comprising both within and external to the firm, and also at the local, national and international level, are key to the performance of an organization.

## **Discussion**

To be successful in the long term, businesses have to create value, not only for their shareholders but also for the society as a whole; this is known as Creating Shared Value. It is not an add-on but a fundamental philanthropy or, simply stated, in order to create value for our shareholders and our Company, we need to create value for the people in the country we are present.

According to this research, mining companies will increasingly be obliged through public pressure to make pledges and set targets regarding environmental and social responsibility within these spheres. They will need to define robust strategies to achieve these goals, to evaluate their performance over time and to report coherently and comprehensively the results to their different stakeholders, both within and external to the firm, at the local, national and international level (Warshurst, 1998).

We may notice that in this model, as an important part of organizational planning, management should consider first the mining project in terms of biodiversity, then the welfare of the working community, then the local community and finally the national and international community.

Let us consider in this discussion the next three elements: Innovative Corporate Social Responsibility, Environmental Responsibility and Community Development Initiatives.

### *Innovative Corporate Social Responsibility*

There has been a change in public perceptions of the roles and responsibility of businesses, brought on by the number and size of corporations and their increased global reach. With this consideration, it also comes the expectation of corporations to act in a socially and environmentally responsible way. A survey of global public opinions on the changing role of companies, Environics International (1999),

indicated that two thirds of the people expected companies to go beyond their historical role and contribute to a broader societal goal, participating emphatically in actions such as protecting the health and safety of their employees, treating their employees equally, never being related to bribery or corruption, protecting their environment, paying a fair share of taxes and never using children labour.

There are a number of terms used to describe this requirement of business-corporate social responsibility, for instance, Corporate or Business Ethics or Corporate Citizenship, amongst others, with a variety of definitions, although all covering the same broad environmental, social, and ethical values. Some of them refer to the achievement of commercial success in ways that honor ethical values, respect people, communities and the natural environment, highlight the importance of corporate responsibility as the way a company creates wealth rather than how it simply spends it (White, 2006; Baker, 2005).

A new element of CSR is the shift from being socially responsible by adhering to society's values and rules to being socially progressive, consciously shaping societal values; in other words, being at the front end of CSR and having a value shaping role (Tilston, 2004). Very few organizations have reached this level.

The Diamond Best Practice Principles Program (De Beers, 2008 ), monitors compliance with principles that set the highest ethical, social, environmental and legal standards and also will help to maintain the integrity through the diamond pipeline from mine to consumer. The program has been rolled out across the entire De Beers Group, as well as to customers, the world's leading companies involved in raw diamonds processing (cutting and polishing), and their business partners.

Corporate Social Responsibility (CSR) is defined in many different contexts. However, the most common denominator for defining any CSR or Corporate Social Investment (CSI) program focused on Botswana mining industry should be that of concern for the basic natural resources any mining activity is dependent on, thus the environment. In its quest to conserve the environment, Debswana stands out with the slogan 'Mining the Resources, Enriching the People'. All these are well thought-out principles reflecting concern for nature and the livelihoods of its inhabitants (Maruapula, 2008).

As part of their planning and implementation strategies, Debswana has committed to the following values which make up their business philosophy:

**Appreciative:** We appreciate and value all of our people. We work together as a team in an open and honest way. We treat each other with respect and we understand each others cultures and opinions.

**Best practice:** We will be the best, which is world class. The best technology will be used to improve our output and efficiency making us the best. We are committed to open communication and the highest standard of behavior by the company and employees.

**Citizenship:** Our country, our communities, our people and our environment are our responsibility. We care deeply about our people and the communities in which they live. The health, safety of our people and their families is a priority for the company. We will leave the environment healthy for our children and their children's children.

**Development:** We will make the most out of our resources, especially the people and our country's diamonds. Planned and managed growth of our country diamond industry will benefit the nation and its people. Every employee will work hand in hand with the company to make the most of the opportunities for career growth and development within Botswana (Debswana, 2004).

Furthermore, the mining industry is obliged through these pledges to act along the three dimensions mentioned in the modern model of corporate social responsibility, which is to satisfy and conform to the ethics and values of local and international community as well as the employees within the mining industries.

### *Environmental responsibility*

In Botswana, Debswana is committed to promote the efficient use of natural resources and implement management systems to minimize any negative impacts of mining. They proactively contribute to biodiversity conservation and work to protect vulnerable species. The philosophy of the company is to improve its environmental management practices through monitoring the key characteristics of operations and reducing any negative impacts (De Beers, 2007).

Debswana is surrounded by a conservation area which is maintained by mine management, this implies that mining has not really displaced the wild life but, instead, it has attempted to protect and minimize the impact of its operation. The Company actively strives to form a mutually beneficial relationship with the government;



in Botswana this kind of public-private partnership has resulted in a number of positive initiatives. Debswana's support of an environmental research project in the Okavango has enabled scientists from the University of Botswana and South Africa's University of the Free State to examine the impact of parasites on the fish in the Okavango Delta, as well as on the health of the people of the region (Debswana, 2005). Companies need to build their environmental strategies, they need to minimize negative impact to the environment and promote a sustainable economy; they need to develop the tools to improve their performance, their operations costs and support the community where they participate, keeping in mind the triple bottom line because it increases the organization's future value.

### *Community development initiatives*

In 2006, the diamond giant, Debswana, re-launched its Corporate Social Investment (CSI) Policy with a stronger commitment this time, to create a legacy of prosperity, sustainability and empowerment for the communities in the country:

It is in line with the Corporate's desire not only to be a sustainable, profitable company, but also a direct contributor to the development and well-being of the communities in which it operates. The policy, also unveiled to Non-governmental organizations and local press, is expected to balloon from the current budget of P6.7 million (P is standing for Pula, the Botswana monetary currency) to an undisclosed figure with a twin approach of supporting the national vision 2016 and the program within communities in which they operate. It has been influenced in the short to medium term by the United Nations Millennium Development Goals, as well as supporting governance structures. Debswana will consider favorably community projects that not only assist the underprivileged and the deprived, but those that result in job creation, on-the-job training, health and education in general. In 2006, Debswana disbursed over P3 million of the committed P5 million out of a budget of P6.7million to various country projects and organizations. These included P800 000.00 towards various centers for the disabled, P800 000.00 towards various sports organizations, P150 000.00 towards environment organizations, P500 000.00 towards education and many other community projects. (The Voice, 2006).

Debswana's CR objectives include ensuring that the impact of their mining activities is not limited to maximizing revenues and that the company's main target is their employees, environment, communities and the nation. It was also further stated that there is a community involvement in its operations and decisions through

its corporate social responsibility and social investment initiatives, supporting health and environmental systems in operation, including AIDS management system, private schools and two major district referral hospitals on site. Additional contributions to Botswana's economic and social development include donations to various societies and NGOs and over P20 million a year, expenditure on education scholarships and grants (UNECA, 2005; UNAIDS 2006).

A Code of ethics by itself is not sufficient to make a company a good corporate citizen. Business leaders who want their companies to be regarded as exemplary corporate citizens must not only see that their companies operate ethically but also display a social conscience in decisions that affect stakeholders, especially employees, the communities in which they operate, and society at large (Thompson, Gamble and Strickland, 2005). This assertion is substantiated by the partnership that the government of Botswana is enjoying, through community involvement with the Debswana Company. A case in point is that in its on-going commitment to the development of communities in which it operates, Debswana, Orapa and Letlhakane Mines, recently funded the Letlhakane Link Road. The double sealed road from Letlhakane village to the Francistown-Orapa road was constructed at a total cost of P22 million and will benefit both the Orapa and Letlhakane communities as it shortens access to the latter this facility is a result of the excellent partnership that exists between Government, Debswana and the Community (Phatsimo, 2007).

The commitment displayed by Debswana Company can not be doubted with regard to implementation of CSR programmes. As this paper has alluded, society has benefited more from the company corporate social responsibility initiatives: the Debswana Company Hospital not only gives health care service to its employees and immediate families but also extends the health care service to the surrounding community. From personal experience, there is a conservation area in the mining surroundings where different animal species are conserved and kept away from poachers. Through its philanthropic gestures, the company has given money and built houses for the poor people. Debswana has also established Peo Holdings founded in 1997, a company responsible for economic diversification and for promoting citizens' business ownership (Debswana, 2005). Peo Holdings has already helped in the establishment of 45 local businesses and invested a total of 20 million (US \$4million) for the creation of 1057 jobs. Therefore, the Debswana Mining Company contributes to citizen empowerment and wealth creation for the citizens.

## **Conclusions**

Implementation of Innovative Corporate Social responsibility in Debswana Mines is subject to critical analysis. Senior Management of any mining organization would naturally and instinctively support most environmental conservation initiatives and possibly link up and sustain their CSR initiatives as these initiatives should ideally promote the mining industry's good citizenry and corporate visions and policies.

In this situation we have to compare the benefits and inconvenient actions that the participation of the company brings to this society so as to decide the positive or negative rating of its actions. For instance, let's consider the benefits in health and sanitary conditions on one hand, and the repercussions of massive firings on the other. The Company needs to implement ethical labour practices and as a mining industry must reduce accidents seeking to improve its employee performance.

It is commendable that Debswana is doing a lot in the area of HIV-AIDS control and alleviation, but it should be noted that it is not the only organization in Botswana in partnership with the government for this purpose; organizations such as ACHAP are already doing a better job in this regard. There is no doubt that the AIDS affaire is a very serious menace for human kind and it also constitutes an opportunity for businesses to participate in the social welfare trying to help in the solution. That is the case of Debswana company, channeling some of its income to patronize social programs trying to alleviate the fatal effects of AIDS on the population; nevertheless, some acute criticisms are made stressing that the richness of the diamond industry is a contrasting history amongst the vanity of the richest people using jewels based on the suffering of the people working in the mines, pointing out that these policies are just an attempt to clean its corporate conscience.

In 2005, 426 Debswana employees were indefinitely fired following their involvement in demonstrations which were deemed unofficial. This brings to the fore the issue of ethics which are well articulated in their corporate values. Therefore, the stance adopted by the company was not in line with one of the principles of national 2016 vision in which compassion is advocated for. Therefore, for the innovative corporate social responsibility to be fully realized more still needs to be done. Employment creation is one of the key issues which the corporation has to address; however, there is a ray of hope since the establishment of Botswana Dia-

mond Trading Company (BDTC) that Botswana diamond industry will benefit the country and its people by creating employment in the process.

The business activity of this industry in Botswana has a great deal to do with its national development, the fact is that a 9% annual grow rate is undoubtedly a remarkably great achievement, not only for African economies but for the most advanced countries in the world.

A crucial point here is the joint venture of the Botswana government with De Beers Corporation. In line with the conceptual framework of this study case the government has a stake of 50% in shareholding and De Beers, a mother company, has 50% shareholding, of this Botswana national industry and diamonds as a raw material are the mainstay of the economy. Diamonds contribute approximately 80% of the government revenue; this demonstrates that the Botswana citizens benefit more from the mining industries. The relocation of the marketing arm of Debswana has further put the company image and reputation high with regard to ethical considerations and programmes, as this move will make sure that the downstream activities will benefit the local people in terms of employment opportunities from cutting and polishing industries. Moreover, the Debswana facilities, like hospitals, do not only cater for the employees and immediate families but also for all the people in the surrounding areas. Corporate Social responsibility as a business strategy will support its future viability in a global market where employees compromised with the organization are required to improve corporate performance.

All in all, this organization's ethical programme looks quite well articulated in its safety and health policies, as well as environmental programmes, in accordance with its corporate social responsibility.

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