

Stakeholder engagement of mineral exploration companies in Finland

S. Ziessler, T. Eerola and M. Tuusjärvi
Geological Survey of Finland, Finland

ABSTRACT

After a years' gap, the Finnish bedrock's mineral resources have re-attracted attention, especially for the metals (Fe, U, Cu, Au and Ni). In the last years, a number of foreign companies have rushed to explore and exploit minerals. However, inadequate integration to the local context might yield problems with local communities.

From the company perspective, local but nationally and internationally intertwined stakeholder engagement is part of the corporate social responsibility framework. Within this framework, deficient stakeholder engagement in mineral exploration might endanger the company's social license to operate, whereas it might cause an atmosphere of fear for the community.

Stakeholder engagement in mineral exploration has been studied in Finland only in terms of communication in uranium exploration conflicts but hardly regarding other minerals, which until recent years have not seemed to intrigue major company-community conflicts. Hence, this study serves for broadening and updating the perspective to concern stakeholder interaction in exploration in general in Finland.

The study looks into the anatomy of stakeholder dynamics in three case studies of multinational companies performing mineral exploration in Northern Finland. The research objectives are to look into the current state of local stakeholder engagement from the company perspective, and to study the companies' internal organization of stakeholder engagement processes and their underlying drivers, objectives, and challenges.

The findings will contribute to the comprehension of successful and responsible stake-

holder engagement, and provide frameworks for achieving good outcomes and facing challenges.

1. INTRODUCTION

1.1 Stakeholder engagement

In the academic literature, stakeholder engagement is generally related to the frameworks of the corporate social responsibility (CSR), sustainable development (SD) or stakeholder theory. In terms of the mining lifecycle, stakeholder engagement studies have most often concentrated in mines.

Mutti et al., (2012) see stakeholder engagement as part of the stakeholder theory comprising three other basic components: 1) 'flow of benefits and potential threats between companies and stakeholders', referring to adoption of CSR to satisfy implicit contracts, 2) 'varied and discrepant issues of companies and stakeholders' covering the ranking of stakeholders and their interests, and, 3) 'stakeholder networks' comprising the understanding of particular stakeholder network composition. These components are also integrated to this research.

1.2 Social License to Operate

In the recent literature related to the CSR in the mining industry, the ultimate goal of stakeholder engagement has frequently been illustrated to be finding out the focal point where the local stakeholders' expectations and needs are met by the company, resulting in earning and sustaining the social license to operate (SLO) for the mining company's operations (Owen and Kemp, 2013). The concept of the SLO hence seems to merge the perspectives of a) reducing the busi-

ness risk, and b) addressing social and sustainability issues.

Thomson and Joyce (2000) explain that in many countries the legal, government-granted right to explore or mine doesn't guarantee universal approval of a project, and that other ways of gaining social acceptance for the mining activity must be found. According to the authors (Thomson and Joyce 2000; 2008), the SLO stands for gaining legitimacy, credibility and eventually trust by the local community, resulting as an approval and a broad acceptance of society to conduct its activities.

However, some critiques of the SLO have expressed their concerns about the problems of the concept. Firstly, Owen and Kemp (2013) argue that the mining industry tends to use the term not to depict true conformity of local stakeholder expectations with company practices but rather the companies' *efforts* to engage with them, while Luning (2011) argues that the concept leaves slack space for companies to make arbitrary definitions of 'qualified communities', and, failing also to address the process-likeness of stakeholder engagement, ignoring the fact that mineral exploration doesn't take place in a tabula rasa context.

Taking these critical voices into account, the SLO can be regarded to comprise continuous engagement with local, non-regulatory stakeholders, throughout the mining life-cycle (Prno and Slocombe, 2012; Nelsen and Scoble, 2006). Hence, in order to understand the dynamics of stakeholder engagement as a tactic for maintaining the SLO in the mining industry, the focus must be set in mineral exploration, the first possible stage for any company to start the interaction.

1.3 Stakeholder engagement in mineral exploration

Due to the low probability of an exploration project to become a mine and the cost-intensity of exploration activities (On Common Ground Consultants Inc., 2007), extensive company-community partnership projects with communities might become topical rather in more advanced phases of project. However, already during exploration, the process of stakeholder dialogue becomes underpinned (Eerola 2009b;

Nelsen and Scoble, 2012; Hohn, 2009; Common Ground Consultants Inc., 2007).

There are several examples of technically excellent exploration projects that have failed to obtain permission for development from local population, and, various projects have been delayed due to strong opposition causing them to become economically unviable (Moon and Whateley, 2006). Even though exploration as such doesn't have major environmental impact (Myllyoja et al., 2012), and it very rarely leads to mine development projects (Moon and Whateley, 2006), it might arouse hopes and fears on the local community already in the very early stage. Therefore the understanding and management of expectations and community responses through respect and communication can be regarded as the most critical challenge of community relations during the mineral exploration (Hohn, 2009; Thomson and Joyce, 2000).

1.3 Case Finland

Before 1995, the rights to do mineral exploration in Finland were exclusively reserved for domestic and in most cases, state-owned companies. When Finland became a member of EU in 1995, the foreign companies were allowed to operate in the country. However, only in 2005, several foreign companies came to the country to apply for claims and claim reservations, coinciding with the rise of the global metal market prices: after years of recession the Finnish bedrock became interesting again causing a rush of foreign companies (Eerola, 2008). In 2012, there were already around 40 companies doing mineral exploration in Finland (Loukola-Ruskeeniemi, 2012).

While there is a range of studies concerning stakeholder relations of mining companies operating in Finland (e.g. Mononen 2012; Jartti et al., 2012) stakeholder engagement in mineral exploration has been studied only in terms of uranium exploration (Eerola, 2008). The body of research illustrates uranium as a politicized material causing opposition among local and national audiences, and, Eerola (2009a) asserts that even the research has partly been biased comprising activist presumptions.

According to Eerola (2008), the local opposition to uranium exploration was backed in 2005

when the local people were not immediately informed of the foreign exploration companies coming to operate in Finland. According to the author (Eerola, 2008), the lack of information on related issues created fear and local resistance, and eventually developed to an internationally networked national anti-uranium movement (Litmanen, 2008).

Starting in 2005, not only environmental concerns but also the impetus driven by political goals, ignorance, emotions and economic interests of other livelihoods such as tourism, reindeer herding and agriculture contributed to a situation in which conspiracy theories were created about "secret mining projects" in which national authorities are involved in exploration with foreign mining companies" (Eerola, 2008, 114).

Some Finnish authors (e.g. Eerola, 2012; Litmanen, 2008) link the 'Not-In-My-Back-Yard' (Nimby) phenomenon to the mineral exploration of uranium. Eerola introduces (MiningAcademy, 2013) a generalized 'equation of Nimby physics' arguing that straightforwardly executed, the exploration projects can impose a mixture of shock, fear and anger among local stakeholders, leading to opposition, whereas projects including proactive communication tend to become more acceptable by the locals.

Motivated by the lessons learned from the uranium conflict, Eerola (2009b) has been pioneering in the discussion within the geological society about the best practices of the local stakeholder engagement in Finland. He (Eerola, 2009b) came out with a tailored list of local stakeholders and a related operations model that mineral exploration companies should apply especially in Finland. In sum, the model suggests that from the very beginning of the exploration stage exploration companies operating in Finland should openly and proactively commit to communicating with the most affected local groups, including the landowners and the local citizens, the municipality and entrepreneurs, as well as the local media and environmental non-governmental organizations (NGO's), while additionally in the North of the country, reindeer herders and the indigenous people are essential stakeholder groups (MiningAcademy, 2013). In this study the research data is also reflected up-

on the stakeholder model of Eerola (2009b).

3. THIS STUDY

Motivated by the importance of the exploration stage in terms of the CSR in the mining industry, and justified by the lack of research on the topic apart from uranium conflicts in Finland, this study contributes to the understanding of the current state of local stakeholder engagement of mineral exploration companies operating in Northern Finland. The objective is also to look into the internal organization of the companies towards the interaction and communication with their local stakeholders, and to find out the underlying drivers, objectives, and challenges of the local stakeholder engagement.

3.1 Method

The study was conducted as a case study on three companies operating in mineral exploration in Finland, comprising 4 to 5 semi-structured interviews for each case company, in total 14 interviews. The interviews were transcribed, and for the final results, the content will be analyzed using the 'grounded-theory' approach in which emerging concepts and categories are identified and linked eventually leading to inductive theory formation (Bryman 2004).

The three case companies were selected due to their heterogeneous target metals, locations, company sizes and exploration phases. The interviewees were selected to represent the variety of different organizational levels and roles dealing with stakeholder engagement in the companies. In the background was Kemp's (2010) study on mining companies' organizational roles of community relations and the author's argument that different organizational stances have different views about the ideals, reality and practices of community relations.

The topics covered in the interview questions comprised the identification of local stakeholders, trajectories of engagement, probing stakeholders and the company responses, challenges and possible problems, reasons and objectives, reasons and objectives of local stakeholder engagement, internal organization and attitudes and the interviewees personal roles in organizations.

3.1 Preliminary results

The analysis of the collected research data is still in progress when this is written, but certain points already stand out.

Firstly, all interviewees considered their companies to have their local stakeholders' trust and approval at the time when the interviews were conducted. Even none of the interviewees in the case company exploring uranium and gold found the local stakeholder engagement to be characterized by insolvable problems or conflicts. On the contrary, all interviewees found the local stakeholder engagement to be quintessentially fluent regarding it of very high importance and regarding it as a task that must be properly in order to be able to operate locally, and, a few contended rather the bureaucracy of the Finnish mining authorities to cause challenges for their companies. The slowness of the application processes and the policies of the state-based departments were most commonly considered as bottlenecks for operations, causing expenses and hence even endangering the third pillar of the corporate responsibility in addition to social and environmental responsibility: economic responsibility. One interviewee, however, found the slow bureaucracy as an advantage as it provides the company with a time out to strengthen the company-community relationship.

The process-likeness of the local stakeholder engagement and the importance of dealing with constant change were often highlighted: Firstly, trust and approval are gained by the companies' constant and consistent openness towards their local stakeholders, dialogue, transparency, willingness to listen and respectful behavior. Secondly, while the exploration process is constantly open to changes and open-ended, so that even the staff doesn't know whether, when or how a mine might be developed, informing the locals about the current situation was seen crucial. However, the interviewees of the biggest corporation found it challenging to formally comply with the corporate information release policies while meeting their stakeholders' right and need to be properly informed. Thirdly, while the time span of an exploration project can be even tens of years, also the channels and forms of engagement develop over time.

The environmental problems of Talvivaara, the biggest European operating nickel mine located in Finland, frequently dealt with in the national media in the past few years, came out in the interviews as a challenge of the local stakeholder engagement. Apart from the national media audiences, the troubles of the Talvivaara mine have caused unease also among the local stakeholders of the three case companies, requiring the companies to clarify that the problems of one mining company can't be generalized to concern all other companies, especially the ones only in the exploration phase.

Also educating the locals about the basics of geology, exploration and mining was seen to diminish incorrect beliefs and the fearfulness of the local stakeholders.

Even though uranium is included in only one of the three case companies' target metals the local stakeholders of all three companies seem to be worried about the element. However, the other metals (such as Cu, Ni and Fe) appear to rouse no special attention by the local stakeholders while in the case of the company exploring gold and uranium the possibility for a gold deposit seems to be mostly regarded as positive and intriguing among the local stakeholders.

According to the interviewees all three case companies' stakeholder groups comprise local citizens, landowners, the municipality, reindeer herders, the local entrepreneurs, as well as the contractors and suppliers. Additionally, the company operating close to a popular travel destination frequently deals with the tourists and tourism entrepreneurs, and, another project in the *Sami* peoples' area requires communicating with the indigenous people. The organizational attitudes towards local environmental NGO's and the local media weren't as consistent as the ones concerning local landowners, for example.

According to the interviewees, the basic hopes and fears of the local stakeholders seem to be linked to the local mining scenarios: inclining employment rates and local liveliness were argued to be the local stakeholders' most commonly expressed positive expectations, and, on the other hand, possible environmental problems in the future were regarded as the most commonly expressed fears. Both issues were

told by the interviewees to be handled through open discussion and dialogue, which the interviewees generally regarded as the best ways to tackle all other potential problems, such as the land use restrictions, or the loss of lands, for example.

Furthermore, a strong, local company foothold was highlighted to positively contribute to local's approving perceptions.

3.3 Discussion

Based on the case companies studied it seems that Eerola's (2009b) model of local stakeholder groups and early engagement corresponds to the current situation of local stakeholder engagement in Finland. However, when it comes to the tuning, the company-community dynamics is affected by the composition of the local livelihood structure, demographic developments, other land usages, environmental perceptions, the size and multi-nationality of the company, target commodities, and the local history in mining or exploration. As Luning (2011) asserts, mineral exploration does not take place in a 'tabula rasa'.

Furthermore, as a response to the aforementioned concerns of Luning (2011) the process-likeness of local stakeholder engagement is highlighted in many respects.

In terms of internal organization, implicit in-house understanding of local community characteristics and dynamics and strong local representation appear to be crucial for fluent stakeholder engagement. While the project changes over time the locally established affiliate with its local and/or long-term employees provide the advantage to sensitively realize how to interact and with whom. While the whole local team is either directly or indirectly involved in the engagement, all employees appear to be considered as the company's local 'business cards', and, person-to-person communication helps to gain trust and to deal with constant change in the local stakeholder engagement.

However, while the interviewees regarded their companies' local stakeholder engagement as free of problems, it remains unclear whether the interviewees actually confused their companies' *efforts* with actually *met objectives* (cp. Owen and Kemp, 2013). Nevertheless, many in-

terviewees told to take it as given that there will always be voices of opposition no matter what their companies do, so the argument of having the local stakeholders' trust and approval can be considered as perceived success in relative terms.

Furthermore, local stakeholder engagement in mineral exploration apparently is not only about providing information, sponsorships in case of a more stabilized project, or, listening to the hopes and fears. It is also about gaining crucial information, insight, services and local expertise from the locals, hence essentially comprising the building of a reciprocally fruitful relationship between the locally established, 'guesting' company and its surrounding community.

Finally, even though the objective of the research was to study *local* stakeholder engagement, it partly came out to be complicated to distinguish the local issues and factors from the national ones in terms of the dynamics of opposition and bureaucracy, for example. It would require another study to make meticulous analysis of the dynamics of these two spheres.

4. CONCLUSIONS

Still awaiting the final results, it seems that all three case companies have recognized a similar set of local stakeholders, contending to acknowledge the importance of local approval of operations and the companies' contributions to achieve it. No insolvable stakeholder conflicts were perceived, even though uranium was involved in the target commodities. Furthermore, the preliminary results seem to underline the process-like characteristics of local stakeholder engagement deriving from constant change in exploration projects. Personal contact, open information sharing and continuous commitment to dialogue were seen as powerful tools to smooth out the friction and unease of local stakeholders within the turmoil of all open future scenarios. The problems of the Talvivaara mine, Finnish authorities and the formal corporate restrictions of information sharing in terms of one of the case companies were seen as challenging.

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