The Role of Business Leadership in Uplifting the Local Communities in Mining Areas: A South African Perspective in the Globalisation Era

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Abstract: The interconnectedness of economies due to globalisation makes it difficult for companies, especially in Africa to have a local developmental perspective. This is due to volatile markets and the desires of companies to acquire more market shares and in the process strengthen their share prices. This is done so as to generate more revenues for the share-holders and create wealth for the minority population that is more often than not, not even residing in Africa. Thus, the focus of business leadership in Africa has to be more on corporate social responsibility as opposed to the focus of other business leaders in most developed countries, who exploit African resources to benefit their own countries. Many developed countries are not faced with the challenges of poverty, poor health systems and high unemployment rate as is the case in most African countries. In South Africa, many communities residing next to the mines are economically still disadvantaged. This is despite a number of legislation and policies, including the mining charters that are meant to encourage the business leadership in the mining sector to contribute to the well-being of the society. Thus, the focus of this paper is on business leadership in the mining sector. Business leadership has failed many societies by contributing as little as they can on developing local economies. Hence, many societal members are disgruntled with the failure of government to enforce certain legislation and policies that are meant to empower communities economically. Furthermore, communities are angry at mining leadership that does not deliver on substantial benefits. The persistent ignorance of business leadership in African countries, especially in South Africa, to develop local communities result in a number of community protests which unfortunately vandalise the little resources that the communities have. Therefore, this paper argues that business leadership in South Africa has to play a transformative role that will enhance the socio-economic livelihood of communities residing in the mining areas.

Keywords: Socio-Economic Factors, Globalisation, Corruption and Transformation

1. Introduction

Africa like all the other developing countries in the world plays an important role in a global economy. This is despite its major challenges relating to poverty, sicknesses, diseases, unemployment and corruption. Corruption is considered as a great obstruction to growth and development on economic performance. Dzhumashev (2014) states that corruption can retard economic growth. Corruption has made many African economies to be frail and to benefit less from globalisation which is an important phenomenon in post-colonial era. Globalisation has shaped the world views in as far as political, cultural and economic issues are concerned. Many businesses and organisations continue to benefit from each other and from Africa as well through integrated trade and technologically enhanced form of communication. Business Dictionary (2017) defines globalisation as a process whereby business or other organisations develop international influence through technology, and integrated movement of finances, trade, communications, goods and services.

Globalisation has increased competition amongst businesses, an element that has placed a lot of pressure on under-developing economies. Kivine and Kaipainen (2002) argue that globalisation has intensified competition in all fields. Thus, many businesses in developing economies compete at the same scale as those in developed economies. This makes the local business leaders in developing economies to shift their focus from corporate social responsibility to developing larger market share, with increased share price. Hence in South Africa many business leaders are share price driven and do as little as they can to benefit communities residing in mining areas. Farouk (2014:1) maintains that mining is largely untransformed and
therefore, it does not benefit the majority of South Africans. Hence, many mining communities are still faced with lack of basic facilities such as clinics, schools and recreational facilities. Cairncross, Kingsting, Liefferink and Van Wyk (2013:7) agree that some areas surrounding the mines do not have recreational facilities for adults and children, and furthermore mining communities continue to live in shacks where there is no electricity or water taps.

Bester and Cronje (2014:201) argue that instead of contributing to society, mining companies are likely to escape their corporate social responsibility because the mines’ owners and shareholders are residing far away from the communities wherein mining takes place. It is therefore through cooperation with the government and communities, that some of the communities’ needs can be addressed. Baicher (2005:1) observes that if South Africa has to prosper, business leaders must stand out and make a difference. They should contribute to the socioeconomic development of the communities in which they operate. Therefore, this paper investigated the transformative role that the leadership of the mining houses can play in relation to rural mining communities in South Africa.

Moraka and Rensburg (2015) stipulate that many South African mines do not have the in-house document that addresses transformation of the host communities and of their work-force. Therefore, the researcher opted to focus on this aspect of research because there is paucity of research in relation to the transformative role that business leadership has to play in positively changing the lives of the South Africans. Transformational leadership has been the dominant focus of contemporary leadership research, and although positive effects of transformational leadership have been established, it should however be noted that little is known of the transformational process, such as the way in which it emerges and the way in which it affects processes. Bass and Riggo (2006) argue that it has become the approach of choice for much of the practitioners. This paper investigates the role that business leadership in South Africa can play in enhancing the livelihood of rural communities residing in the mining area. This aim is achievable through the investigation of the transformative role of business leadership in South Africa as well as investigating the perceptions that mining communities have in relation to the transformative role of business leadership.

2. Literature Review

A previous study conducted in the Rustenburg mining community in South Africa on corporate social responsibility, discovered that CSR programmes had little impact on the root causes of social problems surrounding the areas, and that the root causes related directly to business practices of the mining companies (Hamann & Kapelus, 2004:87). Therefore, this study will investigate how business leaders can play a transformative role in communities. Holland (2014:1) states that mining operators should generate community benefits that are meant to transform finite mineral resources into a positive and sustainable legacy for local communities; they should generate benefits that will continue after the life of a mine. Communities generally have the perception that mines are there to benefit them as well, and not only the shareholders. Odendal (2011) consents that local communities are increasingly seeking economic benefit from mining activities in their regions through equity stakes, infrastructure development, and job creation and improving the communities’ ability to supply services and goods. However, when the mines develop their Social Labour Plans, they do not consult the communities. Sguazzin (2017) argues that mining companies do not consult the communities when they develop programmes that are geared towards enhancing the livelihoods of the communities.

It is therefore imperative that the mines develop both short-term and long-term benefits for local communities. Holland (2014:1) agrees that mining operators should not only generate community benefits in the short-term, but to convert finite mineral resources into a positive and sustainable legacy for local communities. Local communities often suffer the negative environmental catastrophes created by the mining operations. Munnik (2010:3) maintains that mining has serious consequences on the movement of the people, their health and the environment wherein they live. Therefore, mining leadership should compensate communities and mitigate against environmental and health hazards that the communities experience. Kisting (2015:1) contends that the mining sector has the financial resources, the technical know-how and the country has the knowledge and human resources to mitigate potential environmental and health hazards. Therefore, it can be argued that business leadership has the capacity and resources which if well applied can benefit the majority of South African population.
The role of business leadership in uplifting the local communities in mining areas: A South African perspective... through effective corporate social responsibility. Nevertheless, Lane and Kamp (2013:166) argue that companies do make significant disbursements to meet the demands of both governments and local communities, but the problem is that companies see how a large proportion of their investment is being wasted and thus not making the level of social impact it required. Misuses of proportioned funds have created tensions between communities, government and the business leadership.

The impact of business leadership in transforming the lives of the ordinary South Africans who live next to the mines has not yet been fully realised. The majority of South African population that live in the mining proximity still faces the same challenges that the other communities face; challenges in relation to lack of housing, limited access to clean water, lack of resources in the education and health systems. Curtis (2009:2) observes that many rural communities are now in open conflict with the mining companies because they see few benefits from the mining activities. Holland (2014:1) agrees that many mining companies have historically failed to benefit the communities, and that their actions have generated cynicism and distrust amongst the community members.

Communities are generally dissatisfied with the benefits that they receive from the mining sector. An element of dissatisfaction amongst the communities manifests itself in the number of service delivery protests taking place in the mining areas. In some instances, some mining operations are temporarily shut down during such protests and strikes from mining employees. Kgalemang and Forrest (2014:1) reported that Mecklenburg open-cast mine in Burgersfort area was closed for six months following violent protests aimed at the mine and its employees.

Hartford (2012:1) argues that there has been a popularisation of miners’ strikes and service delivery protests in communities which had a primary and direct beneficiary interest in the mines. Scheepers (2015:1) reported that community dissatisfaction in South Africa has taken three forms namely, service delivery protests against the local governments, xenophobic attacks against foreign nationals and dissatisfaction with mining companies. He further reported that Sekhukhuneland communities residing next to the mines in Burgersfort in Limpopo Province, regularly protested against service delivery but also focused on mining houses and their alleged lack of infrastructure development, local employment and even share-holding.

The relationship between business leadership and the communities and as well as the government is complex and it is marred by an element of mistrust. Hughes (2011:6) argues that there is a negative relationship of mistrust, antipathy and scepticism between government and business which is underscored by historical, ideological and political fissures. The government on the one hand perceives mining business as being exploitative, and business leadership on the other hand argues that the government sees it as a cash cow. Makholwa (2015:1) states that it has been two decades since South Africa began its journey to economic transformation, and yet major stakeholders are yet to find a common ground on the best way to uplift black people and redress the past socio-economic injustices.

Black South Africans are of the opinion that the true economic transformation has to be led by the business leadership. Haffajee (2015:1) reported that South Africa witnessed the economic freedom march, whereby 50 000 young members of Economic Freedom Fighters (EFF), marched from the chamber of mines in the centre of Johannesburg to Johannesburg Stock Exchange (JSE). One of their demands was that the mines should play a meaningful role in the development and upliftment of the mine’s workers and the communities where mining takes place. It should however be noted that the mining sector plays a vital role in the economy of South Africa.

Smit (2013:1) is of the opinion that mining in South Africa is the driving force of the economy and that it has shaped the socio-political and cultural developments of the country. Mines create employment for the majority of South Africans and other people from neighbouring countries. Mines account for 18% of Gross Domestic Product and over 50% of South African foreign exchange earnings. Mines also generate an annual income of about R330 billion and it accounts for 20% of all investments in the country. Smit (2013:1). Nevertheless, Kantor (2013:1) argues that South African mining is in a crisis due to prolonged industrial actions that sends panic in the markets.

Some of the industrial actions in the mines are caused by the fact that many companies in the
mining sector are slow to transformation and have not met their transformation responsibilities in the 10 years to 2014; forty-seven percent of the mining companies’ projects are nearly complete. Thus, with regard to procurement and enterprise development, forty-two percent of companies met the target of procuring capital goods from historically disadvantaged communities (African News Agency 2015:1). It is therefore imperative that the mining sector show commitment to transformation. Most mining companies have lucrative transformation documents which are not implemented. Hence, the government has developed a Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, which is also referred to as a Mining Charter.

The Department of Mineral Resources (2015:i) states that the Mining Charter is the government led interventions that seek to achieve social cohesion. The department further stated that the intention of the Mining Charter is to transform the mining and minerals landscape through the following interventions amongst others, therefore mines are expected to:

- Restore the dignity of mineworkers through provision of appropriate housing and living conditions.
- Contribute to the development of communities through community development programmes.
- Procure goods and services from historically disadvantaged South African companies.
- Facilitate a meaningful and sustainable transformation in ownership patterns to include transfer of ownership to historically-disadvantaged South Africans.

Carrol (2012:1) consents that South Africa has some deep-seated social problems which need to be tackled with determination and unity, so that the country can achieve the lasting cohesion and prosperity. She further stated that the power that companies have collectively is greater than the impact that one company can make individually; progress can be made if companies can work together as partners with the government for social development.

Government has set out ambitious goals for poverty reduction, economic growth, economic transformation and job creation in its National Development Plan (NDP) for 2030. It has in the process implicated the business leadership, which is expected to play a major role in achieving the objectives. The core elements of a decent standard of living are identified as follows in the NDP:

- Housing, water, electricity and sanitation
- Safe and reliable public transport
- Quality education and skills development
- Safety and security
- Quality health care
- Social protection
- Employment
- Recreation and leisure
- Clean environment
- Adequate nutrition

The question that remains is whether the business leadership is fully committed to play a transformative role as expected by the South African government (South African Government News Agency, 2015:1).

3. Conceptual Framework

The paper revolves around socioeconomic factors that affect employees within organisations as well as community members. Chase (2015) defines socioeconomic factors as social and economic experiences and realities that influence a person's personality, attitudes and lifestyle. Socioeconomic factors may include one of the following: education, income, occupation, culture, religion, place of residence and poverty status. These factors play an important role in determining the level of transformation in South Africa. Gerdtham and Johansson (2001) maintain that socioeconomic factors like health, education and income have both direct and indirect effect on a person's state of happiness and transformational perceptions. The American Psychological Association (2015) states that socioeconomic factors are conceptualised as the social standing or class of an individual or group.
Closely related to an element of socioeconomic factors and transformation is the concept of corporate social responsibility (CSR). CSR refers to a way in which organisations manage their business practices with the aim of producing the overall positive impact in society (Baker, 2015). Organisations should therefore not only exist for profit making but also to contribute positively to the livelihood of communities. Kotler and Lee (2005) agree that corporate social responsibility is a way in which organisations show commitment to improve the well-being of communities and employees through discretionary business practices.

CSR involves issues relating to environmental sustainability, social development of communities, adherence to the ethical standards and observance of laws governing the companies. United Nations Industrial Development Organization (2015) defines CSR as a way in which companies achieve a balance of economic, environmental and social imperatives or "Triple-Bottom-line"; whilst addressing the expectations of the stakeholders, CSR integrates social and environmental concerns of society in the daily operation of the business.

4. Theoretical Framework

Theoretical framework undergirding the study is transformational change theory. Transformational change theory encompasses a wide range of approaches in the field of social transformation. Gass (2013:1) states that transformational change is a systems approach to a holistic change. He further stated that transformational change requires from its practitioners a high level of commitment and skill in collaboration; it also enables them to reflect on their practices. Scheele (2015:1) defines transformational change as the process of altering the basic elements of an organization's culture, including the norms, values and assumptions under which the organization functions. Transformational change affords the practitioners an opportunity to perceive their roles and responsibilities in the organization differently. Business leaders in South Africa need transformation in their outlook to societal challenges and the way in which they can mitigate against such challenges. Government alone cannot address socioeconomic problems facing the country.

Daszko and Sheinberg (2005) argue that it is through transformation that practitioners tend to possess profound knowledge for future challenges by continual questioning, challenging, exploring, discovering, evaluating and testing the organisations' thinking processes. Thus, business leadership should constantly reflect on the role that they play in impacting society so that they can constantly improve on their contribution. Transformation is more that moving from good to better, it involves a paradigm shift.

In Table 1, on the following page, Daszko and Sheinberg (2005) presented the following types of changes in the organisations.

Henderson (2002:189) states that transformational change requires altering the basic elements of an organisation's culture. He further stated that transformational theorists argue that involvement in the change process produces commitment, which is a personal decision to align values and beliefs to those of the organisation. Therefore, it can be said that transformational change facilitates a high degree of commitment in the place of conformity. It is through transformational change that business leadership could be highly committed to transforming the local communities by not only choosing to conform to the laws and regulations of the country but to show empathy.

Socioeconomic factors are factors that involve or relate to both social and economic issues; they are the economic factors that determine a person's social status in the community. Chase (2015:1) defines socio economic factors as social and economic experiences and realities that influence a person's personality, attitudes and lifestyle. Socioeconomic factors may include one of the following: education, income, occupation, culture, religion, place of residence and poverty status. Gerdtham and Johannesson (2001:1) maintain that socioeconomic factors like health, education and income have both direct and indirect effect on a person's state of happiness. American Psychological Association (2015) stated that socioeconomic factors are conceptualised as the social standing or class of an individual or group.

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5. Research Design and Methodology

The qualitative research approach was used to conduct a document analysis. The qualitative research approach is sometimes referred to as the interpretative approach. The choice of the design is informed by the intention of the researcher to examine complexities of the business leadership in relation to mining communities in their natural settings. Leedy and Ormrod (2014:97) state that qualitative research studies complex human situations or complex human creations that occur in natural settings.

### Table 1: Three Types of Changes

<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Transitional</th>
<th>Transformational</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation for change</td>
<td>Better, faster and cheaper</td>
<td>Fix a problem</td>
<td>Survival, environment, world changes, breakthrough</td>
</tr>
<tr>
<td>Degree of change</td>
<td>Incremental</td>
<td>Transition from old to new; A to B</td>
<td>Revolutionary, necessary</td>
</tr>
<tr>
<td>Thinking</td>
<td>Improve</td>
<td>Change management, strategic planning</td>
<td>Radical shifts in mindset, thinking or actions</td>
</tr>
<tr>
<td>Actions</td>
<td>Manage and control processes</td>
<td>Design the plan; implement plan</td>
<td>Whole system change, complete overhaul of mind-set, paradigms, culture, communications, strategy, structures, actions, systems and processes</td>
</tr>
<tr>
<td>Destination</td>
<td>Improvements can be limited to improving the wrong things</td>
<td>Projects completed</td>
<td>Continually transforming, no end state</td>
</tr>
<tr>
<td>Change requires</td>
<td>Improvement of skills, practices and performance; often limited to focusing on individual performance rather than the whole system to make significant differences</td>
<td>Controlled process; projects managed and assigned</td>
<td>Senior leadership committed to new thinking, learning and actions; coaching from outside</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Improvements limited</td>
<td>Changes limited</td>
<td>Sustainable change with leadership and continual learning, new actions and new systems</td>
</tr>
</tbody>
</table>

Source: Daszko and Sheinberg (2005)
Therefore, the researcher conducted an extensive literature review that also included studying the trends in the integrated reports of mining companies in South Africa with the purpose of identifying their corporate social responsibility programmes. Other sources were consulted so as to establish the concerns of communities in relation to the role that business leaders in the mines play in changing the socio-economic status of the local communities.

6. The Role of Business Leaders in Transforming Local Communities in the Mining Areas

The role that business leaders can play in communities has to be defined within the confines of global economics. This is because globalisation has an effect on various businesses and their focus. Brink (2001) observed that globalisation has an effect on both developing and developed economies. For example, globalisation has a direct effect on the focus of business leaders and on economic growth, income status and macro-economics. Thus, the current global environment and its inherent complexities, makes it difficult for business leaders to maintain a healthy balance between wealth creation and social cohesion. More often than not, business leaders tend to tilt the scales towards wealth creation. However, this article argues that business leaders are expected to lead a moral aspect of their companies through developing socio-economic status of local communities. They should supply the resources and training that will have a long lasting impact on communities; this will help the communities as benefits will last as compared to the past wherein business leaders ’role was not perceived along long lasting impact. Fedderke and Pirouz (2002) maintain that the role of business leaders in the mining sector has to be reviewed.

Business leaders have to ensure that relationships are maintained not only with the customers, suppliers and government, but also with the local communities. This is because globalisation has created inter-dependency and synergies across relationships with various stakeholders. Noren (2004) maintains that countries and people have become inter-twined and thus, mutually dependent; companies are part of the process so as to progress and develop. Thus, companies cannot choose to develop at the expense of developing local communities that reside especially close to the mining areas.

7. Conclusion

Increased competition in a globalised economy should not make South African mining leaders to abandon their corporate social responsibility. This is because communities residing near the mines are often overlooked when programmes are developed; communities have to be extensively involved and consulted when programmes are developed. This will help the mines to eliminate a high level of dissatisfaction amongst the communities.

Mining leadership should strive to create a balance between high dividends amongst the shareholders and programmes that benefit the communities. Government alone cannot be able to finance programmes that can benefit all the communities. Government need a visionary and corporate social responsibility oriented leadership that will assist with the development of communities, especially those that resides near the mines. At the same time, government has the responsibility of addressing corruption that erodes essential resources and discourages direct investments from other investors across the globe.

A solid and purposeful partnership between government and businesses should propel transformation in socio-economic status of the communities. Thus, socio-economic transformation in South Africa cannot be achieved if the mines still believe in giving out as minimum as they can to communities. Mining leaders should develop programmes that have a lasting benefit to local communities. Short-term benefits are eroded when mines close or when people are still not empowered.

8. Recommendations

This paper recommends that business leaders should perceive their role as transformative in relation to local communities. This will help the business leaders to be considerate of the needs of local communities. They will also know that corporate social responsibility is a moral fibre of every business. Businesses do not only exist for wealth creation but also for making a difference in the lives of local communities. Thus, this article advocates for transformative businesses.
References


