

DOES THE APPLICATION OF CORPORATE SOCIAL RESPONSIBILITY SUPPORT AN
HIGH PERFORMANCE ORGANIZATION IN ACHIEVING BETTER RESULTS?
THE CASE OF MINING MULTINATIONALS IN PERU

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ABSTRACT

Recent literature indicates that the application of corporate social responsibility (CSR) can lead to better organisational performance. It is therefore logical to propose that CSR is not just as a philosophy but can be a methodology suitable for business purpose, in the sense that a good application of CSR techniques supports an organisation (HPO) in achieving sustainable high performance. The research described in this article investigates whether an organization that applies CSR more fully achieves better organisational results than an organization which uses CSR less in its business dealings. A comparison of two mining companies in Peru, using a CSR-HPO framework, shows that the mining company which practised CSR better indeed achieves higher organisational performance and is well on its way to becoming an HPO. A direct consequence of this finding is that it makes both social and economic sense for organizations to work on their CSR practice and behaviour, in order to become and stay an HPO.

INTRODUCTION

The concept of corporate social responsibility (CSR) has evolved considerably since it first emerged, which has led to the emergence of a variety of practices (Commence, 2006). A framework that developed in the 1990s and which gained quite some acceptance among business, government and other groups is the three-component view of CSR, the triple bottom line (Elkington, 1997). This view encompasses three dimensions of business activity ranging from the social (e.g. community programmes), to the economic (e.g. employment), to the environmental (e.g. waste reduction). This framework is sometimes called the People, Profit and Planet part of the stakeholder theory, as the core of the stakeholder theory is the responsibility of business to the various groups inside and outside of the organisation who have an interest in it. People stand for social well-being, Planet for ecological quality and Profit for economic prosperity (Bergmans, cited in Cramer, 2003). For businesses the “profit” part in “people, profit and planet” makes CSR an interesting proposition (Juščius and Snieška, 2008). A positive relationship between CSR and profit was indeed identified by Orlitzky et al. (2003) in their meta-analysis which aggregated the findings across 52 studies on CSR covering 34,000 companies worldwide. Becchetti et al. (2005) investigated whether inclusion in the Domini social index (a market-cap weighted stock index of 400 publicly-traded companies that have met certain standards of social and environmental excellence) affected corporate performance. They found partial support for the hypothesis that CSR redirected the focus of corporate activity from the maximization of shareholders to that of stakeholders’ interests. They observed that workers in social responsible firms produced ‘larger cakes’ (higher total sales per employee) with a smaller portion of these cakes going to shareholders. They also found negative consequences (both in terms of productivity and return on equity) when firms exited from the Domini index. An updated version of this research by Becchetti et al. (2007) reaffirmed a significant negative effect on returns after exiting from the Domini index. Bird et al. (2007a) confirmed a positive relationship between an aggregate score for CSR activities and corporate performance, but remarked that this finding was not replicable to the relationship between each individual CSR activity and corporate performance. Frooman (1997) and Johnson (2003) found that firms that failed to meet the minimum standards on related CSR areas were punished in terms of their future performance. Bird et al. (2007a) found that the market punished firms that failed to meet minimum standards in the areas of diversity and the environment, while the firms that reaped the greatest market rewards were those that exceeded the minimum standards in their employment-related activities. Roberts

and Dowling (2002) stated that good corporate reputations are critical not only for their potential for value creation, but also because their intangible character makes replication by competing firms considerably more difficult. Bird et al. (2007b) used long time series of data that allowed them to identify the direction of causation between CSR activities, corporate performance and corporate free cash flow, and to test whether the 'slack resources' or the 'good management' theory was dominant. The research results confirmed a relationship between CSR activities and corporate performance. Odemilin et al. (2008) concluded, after reviewing the CSR practices of twenty UK organizations, that strategically investing in CSR increased profits. Finally, in a recent study of American information technology professionals, Jin and Drozdenko (2010) found that there were clear positive relations between having core values, being ethical, practicing CSR and improved organizational results.

If we then conclude that the literature indicates that CSR can potentially lead to better organisational performance, it is logical to propose that CSR is not just as a philosophy but can be a methodology suitable for business purpose, in the sense that a good application of CSR techniques supports an organisation to achieve high performance (Pelozo and Falkenberg, 2009). Arena (2007) made this proposition explicit by arguing that a high performance company (HPO) is the one that demonstrates a true commitment to innovation, sustainability and corporate health. She pointed to the fact that corporate responsibility is about innovation, goes beyond "doing good" and indeed pays off. According to Arena's research, being responsive and taking responsibility for companies' past, present and future behaviour is the essence of corporate responsibility; it is seen rather as an ongoing process than as an outcome or as an end goal. She highlighted that HPOs produce better triple bottom line returns than any other kind of business because they stand for something greater than the products they sell or the wealth they generate for shareholders which is usually vital to humankind and it permeates most everything these companies do. Taking Arena's contention to the next logical level, it can be proposed that an organization that applies CSR more fully should achieve better organisational results than an organization which uses CSR less in its business dealings. The research described in this article investigates whether this proposition holds true in practice, in the context of HPOs. The research question was: *Does the application of CSR support a HPO in achieving better results?* To answer this question, the CSR and HPO frameworks were related and applied at two mining companies in Peru. The reason for conducting the study in the Peru mining industry is that there is not much known about how to achieve high performance in Peru and limited effort has gone into studying the

mining sector from a managerial and behavioural approach. We expected that our research would expand the dimensions of analysis of the mining industry and provide initial insights about its performance in the Peruvian context. In the middle of increasing social and environmental awareness of local communities, we also considered that inclusion of aspects from the field of CSR would add value to the analysis and enrich the understanding of those aspects contained in the HPO framework that enhance stakeholders' relationships. The conclusions and recommendations of this study could benefit the case companies and its employees and investors, and local authorities in Peru. In addition, the research results can increase interest in CSR as being a concept beneficial for creating sustainable high performance. This might help further acceptance of the concept which then will help stakeholders in general.

The article is structured as follows. In the next section the HPO framework is described, followed by a detailed discussion of the relation between the HPO framework and the CSR concept. Then, the context of the case study and the two case companies are described and the research approach and results are given. The article finishes with a conclusion and a discussion of the limitations and possibilities for further research.

THE HPO FRAMEWORK

The past decades there has been a noticeable increase in interest in identifying the factors that underlay sustainable high performance (Collins and Porras, 1994; O'Reilly III and Pfeffer, 2000; Collins, 2001; Hess and Kazanjian, 2006; Porras et al., 2007; Gottfredson and Schaubert, 2008; Tappin and Cave, 2008; Spear, 2009). However, much of this research has been performed in Western countries, making the outcome potentially less relevant for non-Western territories, like South America. An extensive literature review by De Waal (2010a) yielded 290 studies into high performance, conducted between 1966 and 2007. Of these studies only one was done solely at South American organisations. Sull and Escobari (2005) compared ten successful and ten less successful Brazilian companies, to evaluate what makes a high performing organisation in the Brazilian context. A possible way to move the high performance research forward in the South American context is using the HPO framework developed by De Waal (2010a+b) as this framework was developed based on data from organizations all over the world, including South America.

The HPO framework is based on a descriptive literature of 290 HPO studies (De Waal, 2010a). In this framework, HPOs are defined as organizations that achieve results (both financial and non-financial) that are better than those of their peer group over a period of time of at least five to ten years. For each of the 290 HPO studies De Waal identified the elements the authors of these studies gave as being important for becoming a HPO. Because every author used a different terminology in his study, the elements were grouped into categories within each factor. Subsequently, a matrix per factor was constructed in which each category constituted a characteristic. For each of the characteristics the 'weighted importance' was calculated, i.e. the number of times it occurred in the various studies. Finally, the characteristics with the highest weighted importance were chosen as the HPO characteristics that potentially made up a HPO. These characteristics were subsequently included in a survey that was administered worldwide and which yielded more than 3200 responses. In this survey the respondents indicated how good their organizations were on the HPO characteristics (on a scale of 1 to 10) and also what their organizational results were compared to their peer group. This competitive performance was calculated with two formulas: (1) Relative Performance (RP) versus competitors: $RP = 1 - ([RPT - RPS] / [RPT])$, in which RPT = total number of competitors and RPS = number of competitors with worse performance; (2) Historic Performance (HP) past five years versus competitors (choices: worse, the same, or better). These subjective measures of organizational performance have been shown to be a good indication of real performance (Dawes, 1999; Devinney et al., 2005; Glaister and Buckley, 1998). With a statistical analysis (both correlation and factor analysis) the factors which had the strongest correlation with organizational performance were extracted and identified as HPO factors. In the first step of the statistical analysis a principal component analysis with oblimin rotation was performed. This yielded the grouping of 35 characteristics in five distinct HPO factors. The factors were then put in a non-parametric Mann-Whitney test to identify which ones had a statistically significant correlation with competitive performance. The correlation was as expected: the high-performing group scored higher on the five HPO factors than the less well-performing group. This means that organizations that pay more attention to these HPO factors achieve better results than their peers, in every industry, sector and country in the world. Conversely, organizations which score low on HPO factors rank performance-wise at the bottom of their industry. The five HPO factors and the underlying characteristics are given in Table 1. A detailed description of the literature review can be found in a white paper of 255 pages, which can be downloaded from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=931873. The results of the worldwide

survey can be found in De Waal (2010b). The significance of the HPO study is that now the factors for high performance are known, they can be used as the framework to identify, during research at successful companies, the actions these companies undertook to become and stay successful.

<p><u>Continuous improvement</u></p> <ol style="list-style-type: none"> 1. The organisation has adopted a strategy that sets it clearly apart from other organisations. 2. In the organisation processes are continuously improved. 3. In the organisation processes are continuously simplified. 4. In the organisation processes are continuously aligned. 5. In the organisation everything that matters to performance is explicitly reported. 6. In the organisation both financial and non-financial information is reported to organisational members. 7. The organisation continuously innovates its core competencies. 8. The organisation continuously innovates its products, processes and services.
<p><u>Openness and action orientation</u></p> <ol style="list-style-type: none"> 9. Management frequently engages in a dialogue with employees. 10. Organisational members spend much time on communication, knowledge exchange and learning. 11. Organisational members are always involved in important processes. 12. Management allows making mistakes. 13. Management welcomes change. 14. The organisation is performance driven.
<p><u>Management quality</u></p> <ol style="list-style-type: none"> 15. Management is trusted by organisational members. 16. Management has integrity. 17. Management is a role model for organisational members. 18. Management applies fast decision making. 19. Management applies fast action taking. 20. Management coaches organisational members to achieve better results. 21. Management focuses on achieving results. 22. Management is very effective. 23. Management applies strong leadership. 24. Management is confident. 25. Management is decisive with regard to non-performers.
<p><u>Workforce Quality</u></p>

<p>26. Management always holds organisational members responsible for their results.</p> <p>27. Management inspires organisational members to accomplish extraordinary results.</p> <p>28. Organisational members are trained to be resilient and flexible.</p> <p>29. The organisation has a diverse and complementary workforce.</p>
<p><u>Long term orientation</u></p> <p>30. The organisation maintains good and long-term relationships with all stakeholders.</p> <p>31. The organisation is aimed at servicing the customers as best as possible.</p> <p>32. The organisation grows through partnerships with suppliers and/or customers.</p> <p>33. The organisation is a secure workplace for organisational members.</p> <p>34. Management has been with the company for a long time.</p> <p>35. New management is promoted from within the organisation.</p>

Table 1: The five HPO factors with their 35 characteristics

As the HPO framework was developed based on data from over sixty countries, it contains characteristics that potentially are applicable in various settings and contexts. This ties in with the observation made in the growing research stream on globalization that the transfer of management techniques from one country to the other is leading to similar patterns of behaviour across these countries and thus to similar characteristics of importance for high performance (Davidson et al., 1976; Bowman et al., 2000; Deshpandé et al., 2000; Stede, 2003; Zagersek et al., 2004; Costigan et al., 2005). This holds also true for CSR as for instance Quazi and O’Brien (2000) found. Thus it is worthwhile to investigate the link between CSR and HPO.

CSR AND HIGH PERFORMANCE ORGANIZATIONS

In order to answer the research question, *Does the application of CSR support a HPO in achieving better results?*, the CSR concept and HPO framework have to be related. This has been done on a high level by Stainer (2006) who linked the ability of organizations to make better decisions using CSR principles to higher stakeholder satisfaction and improved organisational reputation which resulted in increased added value. However, according to Margolis et al. (2007) a more detailed link is needed to be able to examine how organizations can successfully engage in CSR. When looking at in Table 1, it can be seen that the desired detailed link can be made. There are potential links between CSR and the HPO characteristics

30, 31, 32 and 33 of the Long-term Orientation factor, because in each of these characteristics the organization is dealing with a stakeholder. The links are now discussed in detail.

30. The organization maintains good and long-term relationships with all stakeholders

This is the characteristic in the HPO framework which closest links to the CSR approach. Indeed, the stakeholder theory is one of the key theories in the debate on business' role and responsibility in society and addresses the issue of CSR in the sense of the capacity of a corporation to respond to social pressures. The main claim is that corporations are not simply managed in the interests of their shareholders but that there is a range of groups, or stakeholders, that have a legitimate interest in the corporation as well (Crane and Matten, 2004; Reynolds and Yuthas, 2008). Freeman (1984) emphasized that the socially responsible behaviour of corporations should be a rational strategy to minimize conflicts and optimize synergies in their complex network of relationships with the stakeholders. Jones (1995) argued that firms who treat stakeholders in a trustworthy manner will develop a competitive advantage since they are able to reduce costs, that is, good stakeholder management translates into good business. Therefore, management should be able to handle the bargaining process with stakeholders' multiple interests very well.

31. The organization is aimed at servicing the customers as best as possible

CSR shows first and foremost in a fair pricing of the product and service delivered but also in taking interest in the customer beyond the product/service exchange (UNIAPAC, 2004). At the same time, consumers are becoming more interested in buying products from socially responsible companies. Then, "companies perceived to be behaving badly with regard to the environment or human rights standards are increasingly at risk of falling sales. This is particularly true for consumer products companies operating in the field of fashion textiles and sportswear [and] other industries including food and oil" (Cramer, 2004). Besides the CSR requirements of consumers, there are also the CSR demands of investors seeking for socially responsible investments. This phenomenon may be summed up as the economics of reputation.

32. The organization grows through partnerships with suppliers and/or customers

Through globalisation of the economy, companies are increasingly involved in a network of international chains of suppliers and customers. It has therefore become important for an

organization to establish alliances and partnership within the value chain and to be part of a value creating network. Partnerships between two or more parties driven by the purpose of developing synergistic solutions to their challenges are part of current trends (Pearce, Robinson 2007). Partnerships enable companies to build up knowledge in different areas and conduct business responsibly. According to Schmitz (2004) “pressure on lead firms of global value chains can be applied to improve working conditions amongst suppliers. Value chain analysis thus helps to identify leverage points for organizations concerned with improving labour standards.” When local firms have a more arm’s length relationship with MNCs, the CSR codes of multinational enterprises may extend to supply chains, and therefore require that local partners also meet certain CSR requirements. In this sense, CSR practices conducted in the complete value chain enable better performance that benefits the society (Lim and Phillips, 2008).

33. The organization is a secure workplace for organizational members

In terms of labour issues, when subscribing to CSR principles the organisation is committed to providing high-quality working conditions while improving employees’ productivity and reducing potential liabilities and operational costs. This goes hand in hand with the importance of an integrated and continuous environmental strategy to processes, products, and services in order to increase the overall business efficiency and reduce potential risks not only to workers, but also to communities and the environment (Freeman, 1984). Social responsibility entails not only decisions leading to higher cost of labour and intermediate outputs, but also a potential enhancement of involvement, motivation and identification of the workforce with company goals that may generate positive effects on productivity. All employees should feel safe, fulfilled and motivated in their workplace and firms should actively work to create such an environment. Employee's safety, health and working environment are therefore fundamental corporate responsibilities (ILO, 2004; Grosser and Moon, 2005; Bond, 2009). After all, labour units are also stakeholders.

In addition, main elements of corporate governance such as transparency, accountability and values that are enhanced by the CSR approach are contained in characteristics 15, 16 and 17 of HPO factor Management Quality:

- *15. Management of the organization is trusted by organizational members* - This is possible in an environment where management is ethical, creates and maintains individual relationships with people at all levels, has belief and trust in others, shows people respect

and exhibits fairness in the way people are treated (Collier and Esteban, 2007; Fenwick and Bierema, 2008; Muller and Kolk, 2010).

- *16. Management of the organization has integrity* - It is important that management is honest and sincere so as to lead by example. The demonstration of commitment, enthusiasm and respect in accordance with ethical standards is strongly encouraged in order to support the ethical level of the organization. The display of public commitments needs to be honoured so as to enhance an internal environment of credibility and instil more motivation in the organizational members (Fenwick and Bierema, 2008; Muller and Kolk, 2010).
- *17. Management of the organization is a role model for organizational members* - This is related to creating clear, strong and meaningful core values which are put in practice, showing decisiveness and acting boldly when needed, in particular, with fundamental social responsibilities linked to employees. These elements increase the visibility of the management leadership and will encourage the organizational members to follow the leader (Maak and Pless, 2006; De Waal, 2008).

To answer the research question, it has to be investigated whether a higher score on the seven HPO characteristics which are related to CSR (no. 15, 16, 17, 30, 31, 32 and 33) yield higher organizational results. To test this, the HPO framework was applied at two case companies that are described in the next section, together with their Peruvian context.

CASE COMPANIES

The importance of Peru in world mining goes back to the 16th century, when Spanish colonial rulers first started exploiting Peruvian mines. According to IDRC (2002) and the Peruvian Ministry of Energy and Mines, Peru is the world's number 2 producer of silver, number 3 producer of lead, zinc and tin, number 5 in copper, and number 8 in gold. Mining has represented a major part of Peru's exports for over 350 years and still plays a central role in the Peruvian economy as the main provider of foreign exchange funds. Peru produces and exports different minerals (silver, lead, gold, copper, zinc and iron as the main ones within a set of more than 25 minerals) from mines located mainly in the central and southern parts of the highlands and the coastal region. In the past two decades, mining export has accounted for 45 to 50 percent of total exports, and its share of gross domestic product has ranged between 8 and 9 percent. At the same time, mining is only a minor direct provider of employment; in

2004 this industry employed only 1.3 percent of the working population. This is because of technological developments which cause mining to require less and less personnel. In 2006, Peruvian mineral exports brought in \$14,465 million, an increase of 56 percent over the previous year, representing 61.7 percent of Peru's total exports. The international boom in metal prices has been a major incentive for new mining investments in Latin America and especially Peru. Notwithstanding its economic importance, the mining sector has been and still is responsible major environmental degradations. Indeed, mining was catalogued as the most contaminating activity in Peru since the eighties. It is estimated that around \$977 million investment is needed to mitigate the environmental pollution caused by operating mining factories (Kuramoto and Glave, 2002). As in other mining regions worldwide, the past years have been marked by conflicts all around Peru between mining companies and the surrounding communities, which have complained about the negative impacts of mining activities on the natural resources and the health of the people. In general, local communities state that they have seen few or no tangible benefits from mining activities carried out in their communities, and they increasingly demand a more participative process in the decision-making with regard to mining. The national authorities publicly acknowledge the environmental problems created by the mining industry. However, although the Peruvian regulatory framework for the mining sector attempts to be mainly environment driven - through the adoption of for mining companies compulsory Environmental Impact Assessments - in practice a lack of enforcement by the executive branch exists, allowing mining companies to operate with minimal oversight (Barretto et al., 2006). Another issue related to the mining sector is poverty. Paradoxically, the regions with the greatest investment in mining are also among the poorest in the country. Mining companies often work in areas where the state has a limited presence and mining activity is seen as a source of wealth for improving the local living conditions. The regions of Cajamarca and Ancash that are home to the case companies described further on in this section are among the poorest regions.

Cajamarca, in the northern highlands, is considered in Peru's ranking of poverty as the poorest fifth out of 25 regions, with 77.4 percent of its residents living in poverty and 50.8 percent in extreme poverty. It is also home to Minera Yanacocha, the world's most profitable gold mine and Latin America's largest gold mine, which accounts for nearly 10 percent of Peru's export earnings. Yanacocha is owned by Denver-based Newmont Mining (51.35 percent), Peru's Buenaventura Mining Company (43.65 percent) and the World Bank's

International Finance Company (5 percent)¹. Yanacocha mines for gold in an area of approximately 100 square km in Cajamarca, under a concession granted by the state in 1993. The mining activity takes place in three large river basins: the Jequetepeque, Cajamarquino and Llaucano rivers, which are surrounded by 120 communities in a region of the Andean mountains that is home to several thousand people. Minera Yanacocha has been in the headlines since 2000 when almost 50 villagers were poisoned when a truck that was carrying mercury from Yanacocha spilled its load near a remote Andean village. This created strong opposition of local communities to its operations because the communities claimed negative impacts on water sources and the environment of Cajamarca city. A serious conflict brought operations at Yanacocha to a halt in August 2006. Local citizens claimed water shortages, pollution and damages to sacred sites, while managers of the mine argued that Peruvian authorities had not raised objections against the company regarding quantity or quality of water in the area. During three days, local residents blocked the roads leading to Yanacocha, preventing the company's trucks from getting in or out, and demanding the clarification of a peasant farmer's death, measures to be taken to protect local water supplies, and increased social investment programmes. Losses of the closed mine were estimated to be 1.8 million dollars a day, while the state lost 615,000 dollars a day in taxes. With the intervention of top level government authorities, to broker talks between the community and the company, an 11-point agreement was reached and signed by representatives of the local area, the government, and the mining company. This agreement included a promise to build water purification plants, as well as a commitment to carry out studies of the local water supply. In June 2007, one of Yanacocha's projects for a water reservoir was designated to be a top environmentally responsible site. In July 2007, a feasibility study for alternative water resources for the province of Cajamarca, financed by Yanacocha, was delivered to the regional water authority.

The other mining region is Ancash located in the central highlands. It is Peru's eight poorest region and home to Antamina company which ranked second in mining exports in 2006. Antamina is owned by BHP-Billiton (33.75 percent), Noranda Inc. (33.75 percent), Teck Cominco (22.5 percent), and Mitsubishi Corporation (10 percent). The Antamina mine is located at an altitude of 4300 meters, approximately 285 km north of Lima, the capital of Peru. As stated in a BHP-Billiton 2004 report, the construction of the mine required a total investment of about US\$2.3 billion. By 2005, the mine was the world's seventh-largest

¹ Institutions such as the International Finance Corporation (IFC) or the World Bank consider a company's social responsibility as a determining factor in evaluating loans for mining and industrial projects.

producer of copper and the third-largest producer of zinc. Management of the mine stated that “being a new mine, from the outset Antamina has been able to apply modern approaches to community relations.” Antamina has obtained national recognitions linked to the CSR field, among which the Social Responsibility Prize, awarded by SASE and Universidad del Pacífico (years 1999, 2000, 2001 and 2002), and the Sustainable Development 2007 prize the second consecutive year, awarded by the National Society for Mining, Oil and Energy.

RESEARCH APPROACH AND RESULTS

In order to collect the data from the two case companies we distributed the HPO survey among the top management of both mining companies in Peru. In July 2007 contact was made with both companies, who each designated an executive as contact-person to follow up the process. In mutual agreement it was decided to send the survey to a sample of 10 executives in each of the two selected mining companies. The sample included executives from various areas as production, financial, human resources, legal, corporative issues, environment, logistics, external issues and social development. The sample was restricted to managers as top management did not want to interrupt normal operations of the mine, felt the topic to be of foremost importance to management, and stated that management would have the best view on the issues. A Spanish version of the survey was filled in by all ten managers of Yanacocha (100 percent response rate) and four managers of Antamina (40 percent). Because of the limited sample and relatively low response rate in the case of Antamina, the results of the research have to be considered to be exploratory and descriptive.

The results of the HPO survey show that the average score of the 35 HPO characteristics was 7.26 for Yanacocha and a tentative 8.38 for Antamina (due to its reduced sample). The mean score for each of the five HPO Factors is given in Figure 1.

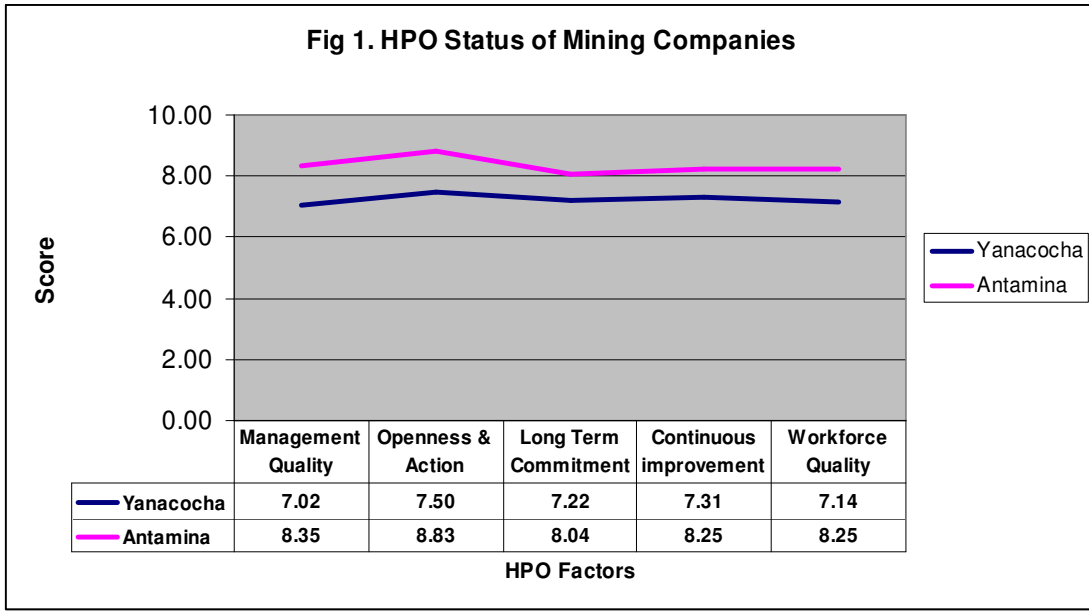


Figure 1: HPO scores for Yanacocha and Antamina

Figure 1 indicates that Antamina’s HPO status is higher than Yanacocha’s for all five factors. Figure 2 shows that the scores on the seven HPO characteristics related to CSR are also higher for Antamina.

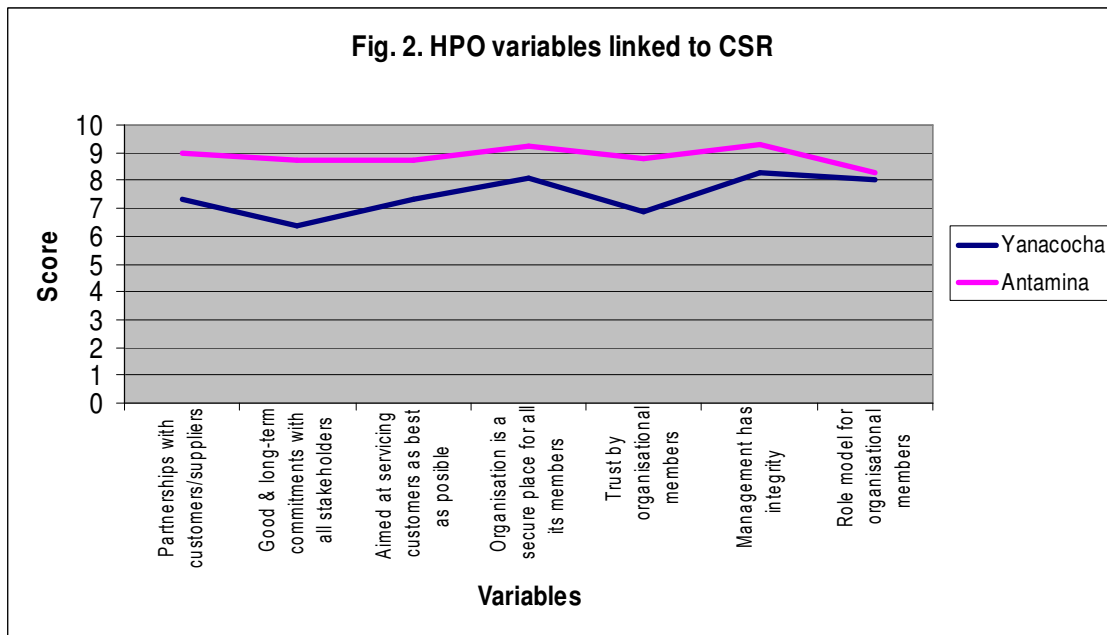


Figure 2: Scores for the HPO characteristics related to CSR, for Yanacocha and Antamina

For the first six characteristics Antamina's performance is indeed better than Yanacocha's performance, with a relatively large difference in scores for the characteristics dealing with the relationships with stakeholders. This seems to be congruent with the relative less conflictive situation with local stakeholders faced by Antamina, as Yanacocha was at the time of the research still struggling with the after-effects of the local communities' protest against a mercury spill which took place in 2000. In relation to what Barrero et al. (2007) stated, timing could be Yanacocha's problem here, given that the company seemed only to implement CSR programs after that crises had arisen, as opposed to using CSR to prevent the problems from arising in the first place. A different situation was present at Antamina who appeared to have more aptly managed its relations with local communities, as the awards in the field of CSR won by the company suggested. As we were unfortunately not able to conduct interviews, additional information on the detailed scores could not be collected.

In aggregate terms, the seven characteristics of the HPO framework, that can be considered as proxy to the CSR behaviour of the case companies, have a mean score of 7.5 for Yanacocha and 8.9 for Antamina. Based on the reports of recurring conflictive situations linked to mining activities, it could be expected that characteristics linked to CSR would get a lower score. However, internal perception of managers of both companies translated into relative good scores indicating that although they were aware about the difficulties with some external stakeholders, they were making conscious efforts to improve stakeholder management. Another explanation for the relative high scores is that the mining companies in recent years have to perform according to international standards and the Peruvian legal framework. This was the results of public calls made to mining companies to do more in order to shift the emphasis from restoration to prevention, strengthen mechanisms for compliance and improve access to information, in order to ensure meaningful community participation (Bastida, 2005). Mining in the context of sustainable development are therefore now working more on ensuring that mineral wealth creates lasting benefits for local communities and the broader population, by integrating environmental and development concerns that meet the needs of the present without compromising the ability of future generations. As mining has been stigmatised in social terms, mining companies are acutely aware of the social and environmental issues that put their performance at risk. In a context of poverty, the lack of presence of the state and increasing social awareness means people are putting pressure on

these companies to do the state's job in areas such as infrastructure for health and transportation. It therefore becomes urgent for mining companies to adopt practices in its organizational behaviour that are linked to social responsibility and that may help and enable the company to manage its relationships with external stakeholders, especially with local communities so as to be seen as a real good neighbour. Therefore, the mining companies are trying to build trust based on long-term commitments that yield benefits for local communities. A positive relationship with local stakeholders contributes to reducing potential operational risks in long-horizon activities as mining (Imbun, 2006).

The HPO literature predicts a correlation between the HPO status of an organization and its financial performance (Collins and Porras, 1994; Collins, 2001; De Waal, 2008, 2010), thus Antamina's financial results are expected to be higher than those of Yanacocha. When looking at the financial performance over 2005 and 2006, Antamina's net profits of US\$ 862 (2005) and US\$ 1698 million (2006) were indeed higher than those of Yanacocha being US\$ 535 (2005) and US\$ 568 million (2006) (Campodónico, 2007). This finding ties in with the answers on the question on the survey on competitive performance. While Yanacocha indicated that its performance was equal to its competitors during the past few years, Antamina clearly stated that it performed better than all its main competitors.

CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

The review of both the CSR and HPO literature shows that there is a clear connection between the two concepts. CSR aspects are an integral part of the framework, specifically of the factors of Long Term Orientation and Management Quality. The factor Long Term Orientation deals with the stakeholders of the organization and in that respect it is not surprising that the influence of CSR is biggest in this factor, in the form of the characteristics: the organization maintains good and long-term relationships with all stakeholders, the organization is a secure workplace for organizational members, the organization grows through partnerships with suppliers and/or customers, and the organization is aimed at servicing the customers as best as possible. Next to the external nature of this CSR influence, CSR also has an internal impact. In this case on factor Management Quality and specifically the characteristics: management of the organization is trusted by organizational members, management of the organization has integrity, and management of the organization is a role model for organizational members.

The theoretical relation between the CSR and HPO concepts has been explored at two mining companies in Peru. As the mining industry is the topic of fierce debate on the environmental impact and consequences on stakeholders, this industry is extremely suitable to study further. The comparison of the two mining companies, Antamina and Yanacocha, showed the former to have higher HPO scores, higher scores on the aforementioned CSR related characteristics, and higher financial performance. The central assumption of the HPO concept - there is a direct correlation between a high HPO score and high competitive performance - seems to be verified at these two companies. Therefore, the research question *Does the application of CSR support a HPO in achieving better results?* can be answered in an affirmative way. Although the research does not provide a direct answer to Bird et al. (2007b) considerations whether it is organisational performance that determines the level of CSR activities undertaken within a organisation or it is the CSR activities that determine the level of organisational performance, a direct link between the two is none the less established. In practice this means that it makes both social and economic sense for organisations to work on their CSR practice and behaviour: an organization that applies the CSR concept more fully can expect to achieve better organisational results than an organization which uses CSR less in it business dealings.

The exploratory and descriptive nature of this study means its conclusions and recommendations cannot be extended to the whole mining sector. The analysis is mainly a snapshot of the current performance and CSR situation of the two case companies. Since the analysis is based mainly in the internal perception of organisational members, no feedback from external stakeholders has been considered except information available as secondary. This means the findings of this study are primarily based on managerial self-perceptions with all the drawbacks of this method. A bigger sample would be needed for confirming Antamina's score and a larger size of the companies in order to determine a more precise score of the real first top tier of the mining industry that could be catalogued as a benchmark for big mining companies in Peru. In addition further research should look for benchmarking information of other mines worldwide to give broader perspectives on this issue.

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Antamina's website in English: http://www.antamina.com/En_index2.html

Yanacocha's website: <http://www.yanacocha.com.pe>

National Society of Mining, Oil and Energy's website: <http://www.snmpe.org.pe>