

## Changing control and accounting regimes in an african gold mine: emergence of new despotic control

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# Changing Control and Accounting Regimes in an African Gold Mine: Emergence of New Despotic Control<sup>1</sup>

## Abstract

Purpose – To examine whether the framework of management accounting transformations in Hopper et al. (2009) applies to accounting changes in the Ashanti Gold Corporation (AGC) in Ghana over 120 years from pre-colonialism to recent times.

Design/methodology/approach – Mixed data sources are used, namely interviews, observations of practices, historical documentation, company reports, and research papers and theses. The results are categorized within the periods and contextual factors in the Hopper et al. framework.

Findings –The Hopper et al. model was robust. Despotic controls with minimal management accounting but stewardship accounting to the head office in London prevailed under colonialism. Upon independence state capitalist policies descended into politicized state capitalism. Under nationalization the performance of mines deteriorated and accounting became decoupled from operations. However, AGC remained privately owned, it embraced profit centres and budgeting, and was relatively successful commercially. In the early 1980s fiscal crises forced Ghana's government to turn to the World Bank and IMF for loans. Their conditions precipitated market capitalism embracing widespread privatisations. This marked a gradual transformation of AGC into a foreign multinational, organized along divisional lines that today exercises despotic control through supply chain management that renders labour precarious, and neglects corporate social accounting.

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Practical implications – The work challenges neo-classical economic prescriptions and analyses of accounting in developing countries by indicating its neglect of the interests of other stakeholders, especially labour and civil society.

Originality/value – The paper tests and extends the Hopper et al. framework with respect to a large private multinational in the commodity sector over an extended period.

Paper type – Research paper

Key words: Ghana, Ashanti Gold, accounting change, development policies

## 1. INTRODUCTION

This paper details management accounting control system (MACS) transformations in an African mining company and tests whether the Hopper et al., (2009) framework, based partly on Burawoy's (1979, 1985)<sup>2</sup> delineation of 'factory regimes', on management accounting control system (MACS) evolution in ex-colonial less developed countries (LDCs) is applicable.

Studying the historical evolution of MACSs is not new. Management accounting researchers pursuing a political economy approach have traced changing regimes in the USA and UK (Hopper and Armstrong, 1991; Bryer, 2005; Toms, 2005). This is pertinent to LDCs but needs modifying to incorporate different socio-political factors. Throughout, accounting has been integral to development policies, often instigated at the behest of transnational institutions (Hopper et al., 2012). For example, the World Bank (WB) and IMF's structural adjustment programmes (SAPs) were underpinned by beliefs that privatisation and deregulation will produce controls that enhance efficiency and ultimately broader development goals.

Given how socio-political and socio-economic circumstances in ex-colonies bear on MACS transformations, a linear, deterministic analysis is inappropriate. In the

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<sup>2</sup> Burawoy (1985) offers a coherent analysis of production, management controls and state politics based on research on mines in Zambia, which shares with Ghana a legacy of British colonialism. He criticises economists and sociologists for neglecting LDCs - 'the hidden abode of production' - and, when they do, their over-emphasis on market relations and neglect of labour processes, class struggles, and state politics.

dialectical analysis in Hopper et al. (2009) controls are temporary means to accommodate conflicts. Their contradictions lead to their decay and financial crises, which herald experimentation and eventually another control regime. The cycle of accommodation, decay and experimentation recurs. Given local contingencies, individual and collective agency, and institutions' changing approaches to control, meta-analyses relying on general and deterministic analytical categories may be doomed to empirical failure (Thompson, 1993) but patterns are discernable, albeit not inevitable. Micro-analyses of controls need linking with macro-theorisations of context, whilst recognizing that outcomes of struggles can be indeterminate.

Hopper et al., (2009)'s framework was used, as it incorporates micro and macro factors bearing on MACSs at different stages of development<sup>3</sup>. This drew on case studies by the authors, supplemented by a review of related MACS research. However, their core cases did not span firms in the primary sector nor foreign-owned multinationals. Hence the desire to test the framework in a mining company over all development regimes.

Gold mining remains central to Ghana's economy, hence studying its largest gold-mining company, the Ashanti Gold Mine (AGC), central to British imperialism in colonial Ghana and its post-colonial economic and political development, was deemed apt. After Nigeria, Ghana is the largest ex-British West African colony. Like many similar countries, its history has been turbulent, marked by fragile democracies, military coups, political violence, fiscal crises, corruption and bad governance. It needs external capital and consequently must heed IMF and WB economic advice. It was an early Sub-Sahara African adopter of IMF and WB market-based which have been widely touted as a 'success'. However, disputes remain whether this enhanced development goals or merely precipitated new despotic controls.

The paper seeks to examine these issues by testing whether the history of controls in AGC accords with the epochs and underlying factors in the Hopper et al. (2009) framework summarised in the following section. Then the research methods are described. Next, the empirical findings are presented across each epoch with especial attention to

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<sup>3</sup> Hopper et al. (2009) only covers three regimes starting from colonialism. This paper, albeit very briefly, adds another period, pre-colonialism, when gold was mined under a traditional pre-capitalist regime based on kingship.

factors in the theoretical framework. The final section summarises the conclusions from the iteration of the model with the empirics and details areas where the Hopper et al. framework needs extension and refinement.

## **2. MANAGEMENT ACCOUNTING CHANGE: A HISTORICAL EVOLUTION**

**[Insert Figure 1 and Table 1 near here]**

Hopper et al. (2009) acknowledge the contribution of Chandler (1977) to understanding how MACSs, especially budgets and divisionalisation, enabled large commercial organisations to be controlled but, as he acknowledged, this neglected control of labour processes prominent in labour histories (Gordon et al.1982; Montgomery,1987). Hopper and Armstrong (1991) incorporated the latter when tracing the evolution of MACSs in USA factories from when subcontracting was dominant to the emergence of large-scale multi-divisional firms. Their dialectal non-deterministic approach incorporates struggles over the labour process (regarding distribution and securing effort) and how MACSs are not merely determined by markets but also by political programmes of the state.

Hopper et al. (2009) modified this approach to trace factors bearing on accounting transformations in LDCs, including those in ‘British’ West Africa<sup>4</sup> where MACS research is sparse (Goddard, 2010; and Rahaman, 2010) but growing (Andrews, 2013; Hopper et al., 2012; Tauringana and Mangena, 2012). Their model appeared relevant as its delineation of ‘ideal’ and ‘actual’ factory regimes captures factors noted in prior accounting research and African studies (e.g. Hart, 1982; Hopkins, 1976), i.e. it sees accounting as a product of the interplay of politics, culture, state actions, bureaucracy, and MOPs. Also, the framework is holistic and longitudinal – unlike many accounting studies in Africa (Josiah et al. 2010); and it spans complex but interrelated factors in a dialectical and contingent analysis.

Hopper et al. (2009) identified three historical epochs - colonial despotism, state capitalism and market capitalism. Each has a different mode of production (MOP), with

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<sup>4</sup> The paper concentrates on ex-British West African colonies and excludes French ones as colonialism took different forms in each. France got more land but less trade and integrated their governance into that of France whereas Britain largely left local indigenous governance intact and had a small colonial state that collected taxes from the local populace and concentrated on facilitating the trade of resident largely British owned corporations.

remnants of previous cultures lagging onto new MOPs, thus creating complications (Uddin and Hopper, 2003). State and market capitalism are 'idealised' regimes of control, i.e. dominant ideologies underpinning socio-economic reforms commended mainly by external agencies. In contrast, colonial despotism, and politicised state and market capitalisms represent actual outcomes (see Figure 1). Each comes about through force, manipulation, persuasion and authority, within political and economic struggles nationally and within production. Controls, reflecting prevailing managerial strategies of control, veer between coercion and consent following interactions between key factors – the MOP; culture, ethnicity and race; the state; regulation and the law; political parties; industrial relations; and international finance. Contradictions and conflicts fuel struggles which render each epoch unstable and lay the basis for new regimes.

Prior to colonialism West Africa used slavery; agricultural and commodity production was labour intensive; and governance was often tribal, village-based, warlike, and relied on reciprocity and redistribution, with patrimonial authority based on kinship, age and seniority. Politics were marked by ethnic and religious divisions between warring kingdoms.

Subsequent colonial rule is labelled despotic for force prevailed over consent. One racial group dominated by exercising political, legal and economic rights denied to others. The British colonial state was rudimentary and largely left traditional non-capitalist MOPs and governance intact – its primary concern was to support foreign capitalist enterprises within primary commodity sectors. The colonial and company states employed ethnic divide and rule tactics to weaken domestic resistance and create subservient indigenous rulers. State regulation was minimal: company states could control employees, largely from rural areas and surrounding communities. The arbitrary power of the colonial boss (usually white) to exercise coercive controls based on physical and financial penalties, racism, and exploitation of ethnic differences often organized production (Spearpoint, 1937). Trade unions were initially illegal though nascent unionism brought some state regulation of industrial relations. Accounting was rudimentary and insignificant for control, confined largely to financial accounting for stewardship and tracking remittances to head offices in the imperial power: a formal MACS for local control was largely absent: controls were

direct and physical – labour was cheap and lacked power. Not surprisingly, this helped precipitate independence struggles by trade unions and intellectual elites.

After independence, industrialisation through state central planning and public ownership occurred within ostensible democracies. State capitalism resonated with the socialist ideals of many post-independence leaders. Accounting was central to the new, large, and purportedly bureaucratic state organisations, as it offered a rational calculus for planning, a means to co-ordinate plans, and to provide accountability, ultimately by the Minister to Parliament. However, ideals of socialism and accountability withered (though not in presence) in the face of politicized state capitalism. Military coups often ousted democratic governments. Throughout governments often were neo-patrimonial regimes dominated by an urban elite, who maintained the limited remit of the colonial state and used public funds for private gain and to exercise patronage. Commercial rationality substituted political rationalities. Formal bureaucratic systems, including MACSs, often became irrelevant, loosely or de-coupled from operations, but maintained to gain legitimacy from the populace and external financial institutions. Politicised state capitalism brought a cocktail of poor governance, economic grievances, turbulent industrial relations, and ethnic tensions that fuelled popular protest and culminated in fiscal crises (Uddin and Hopper, 2001).

When politicians sought foreign finance, international financial institutions prescribed market capitalism based on privatisations, more open markets, and abandonment of central planning. Proponents presumed that private ownership would diminish political interference, increase profitability and tax revenues, promote economic growth, and improve accountability (World Bank, 1993, 1995a, 1996; Cook and Kirkpatrick, 1995); and competition would induce better financial and managerial practices and governance (Adam et al., 1992; Hanke, 1986; Rees, 1985; Furubotn and Pejovich, 1972). Politicians were in a quandary: to go down this avenue would impair benefits of office; not doing so would diminish external sources of finance upon which they relied. They shifted, albeit sometimes reluctantly, to market capitalism emphasising market exchanges, private ownership, external labour markets, free trade and export zones (sometimes accompanied by weakened trade unions, less industry-wide collective bargaining, and lower employee protection). The presumption was that the state would play

an economic supply role to improve infrastructure and financial regulation and thus attract foreign capital. Again accounting is central, especially MACSs that enhance market-based planning, controls and rewards; better financial reporting and auditing to lubricate capital market transactions; and state organisations adopting more transparent governance and ‘new public sector management’ techniques.

However, market capitalism in societies with a small capitalist class inclined to familial transactions, patronage, and irregular means, can facilitate politicised market capitalism. Here capital dominates labour, privatisations transfer assets to political elites, large income differentials are exacerbated, private ownership becomes concentrated in family elites and multinational companies, and new sources for politicians to make private gains or exert patronage emerge, e.g. through regulatory capture. Thus, market capitalism evolved into politicised market capitalism, whereby enterprises’ accounts become private rather than transparent, meaningful sources of information for capital markets and others; and budgets became ignored or used to exert top-down coercive despotic control. Externally imposed reforms often disappointed (Fyson, 2009).

### **3. RESEARCH METHODS**

The case study of AGC focussed on its MACSs but also industrial relations, incentive schemes, production and marketing strategies, and organisation structures. The initial contact was with the Financial Controller of the Obuasi Mine in March 1999 who, together with the Group Management Accountant at the head office, helped identify suitable interviewees and gathering of documentary evidence. The study had five stages. The first, at the head office in Accra, identified, *inter alia*, head office influence over the mines and corporate policies. The Group’s management accountant, human resource manager, assistant company secretary, and the treasury manager participated in informal, semi-structured interviews lasting approximately two hours aimed at understanding company strategy and head office controls. Questions covered changes in ownership, organisation structures, strategies, planning, decision-making, controls including MACSs, human resources and recruitment; and political and economic influences upon operations.

The second stage was in the Obuasi Mine, the original and oldest mine of the group and its largest division having 80% of group employees and most of its production. Interviews lasting approximately two hours took place with managers at diverse levels to



understand the Mines' operations and management controls. The Financial Controller; General Managers for Mining, Mining Exploration, and Human Resources; the Underground, Surface Mining and Processing Management Accountants; the Purchasing and Supplies Manager; 3 underground managers; 4 mine captains; the Maintenance Manager; and the Maintenance Administrator were interviewed. The focus was on operational decision-making and how the MACS supports this. Questions covered budget development and implementation, recruitment and training, operations controls, the role of trade unions, perceptions of head office control, and political and economic factors.

A visit to various underground mine levels with the general manager for mining and a Canadian expatriate manager responsible for inspection, fostered greater understanding of underground operations. This lasted five hours and the investigator could engage miners in conversation and even operate equipment. Several visits to processing plants, the maintenance unit, and the surface mine were also undertaken, and some management meetings observed. Planned visits to three other mines were abandoned after discussions with their financial controllers: they were small compared to Obuasi, had a similar management structure, and were considered less significant.

The third research stage conducted in early 2000 involved interviews with two Bank of Ghana (Central Bank) and two Ministry of Finance officials to discuss the government's economic recovery programme. The Ministry of Finance officials often referred to a WB consultant closely involved in Ghana's economic recovery programme so he was interviewed to discuss WB and IMF policies; assistance, accountability and transparency issues; and privatisations in Ghana. Questions covered the drivers and the process of the economic reforms, and their impact, particularly on the mining sector.

The fourth stage involved six follow up interviews in 2003 with two managers from the Head Office and four managers from the Obuasi mine. Each had been interviewed previously, so this provided an opportunity to explore subsequent organisational changes. Questions again covered the structure and strategy of the company, budgeting and other financial controls, industrial relations, *inter alia*.

The final stage in 2006 involved searching the AGC archives at the London Guildhall and the University of Birmingham libraries. They contained information about the structure, operations and financial performance of AGC, including its memorandum

and articles of association, board and annual general meetings minute books, and confidential inward and outward correspondence from 1900 to the 1970s.

The data was initially analysed by preparing tables listing issues frequently raised in interviews (Potter and Wetherell, 1995; Yin, 2008). Evidence from documents (such as the archives), and observations at the research site were also matched to these themes. This helped understandi controls at each stage of development. For example, we saw a pattern of coercive labour controls across different periods. The final analysis involved converting and coding all data on the context and themes to create a deeper and more meaningful theoretical narrative. The coding scheme was developed bottom up to capture and contrast the empirics with a top down analysis based on the socio-economic and socio-cultural factors in the Hopper et al., (2009) framework (see Figure One and Table One).

The coding scheme was constantly reworked to capture nuances of the data and to link them to the different factory regimes and their MACSs. For example, we realised that some socio-economic factors such as race and ethnicity were more significant during the colonial period. We also began to note some exceptions to the Hopper et al., (2009), such as volatile gold prices and the influence of global capital markets. Finally, the consistency between data sources, data codes, and the theory were rechecked before finalising the results of the analysis reported here.

## **4. MACS AND REGIMES OF CONTROL**

### **4.1. Pre- and Early Colonialism**

Ancient Ghana derived power and wealth from gold, mined by indigenous people, often slaves. Successive wars brought vacillating but organised states amongst traditional tribes but an Ashanti confederacy governed much of the region by the nineteenth century. The MOP was traditional and feudal: rulers traded gold by bartering with traders from various European countries but by 1872 only the British remained. Following wars, the Ashanti were defeated and the Ashanti Kingdom entered the British Empire in 1900.

Europeans had observed women and children panning for gold along riverbanks and coastal shorelines and perceived indigenous mining techniques as crude but their attempts to impose Western methods failed (Ayensu, 1997). Three Ghanaian entrepreneurs established the Ashanti mine after buying mining concessions from Ashanti Chiefs. The British defeat of the Ashanti and the exile of their king paved the way for an London Stock

Exchange listing (Ayensu, 1997) which failed to attract European capital (Dumett, 1998). The owners continued labour intensive mining but insufficient resources for large-scale mechanised mining within a capitalist MOP induced them in 1895 to sell their interest to a British firm, Ashanti Goldfields Corporation (AGC). We know little about accounting in the mines in this period.

#### **4.2. Colonial Despotic Controls**

AGC quickly monopolised mining by persuading the chiefs to transfer concessions to them and the Colonial Administration ratified this (Dumett, 1998). The expansion of operations owed much to major British investments in railway and harbours and their defeat and annexation of the Ashanti kingdom (Dumett, 1998). Colonialism brought 'colonial despotism' (Burawoy, 1985). AGC did not employ formal controls, including MACSs, to control labour. Coercion, not consent, prevailed, "...floggings, beatings, cuffs about the head and body, not to mention verbal abuse, were administered as a matter of course for "slow work", tardiness, malingering, or failure to carry out assigned tasks" (Dumett, 1998: 180). Miners offered little resistance to the harsh capitalist MOP, partly because they lacked organised labour unions, which were illegal (Crisp, 1984). The colonial state tolerated a local company state that exercised despotic controls to maximise surpluses and regulate labour processes, as in Zambia (Burawoy, 1985). It rarely intervened, and ignored the harsh treatment of African miners and their deplorable living conditions (Silver, 1978).

Although formal MACSs were not used during early colonialism, accounting was not absent. Dumett (1988: 509) studied correspondence between the London headquarters and the mines from 1904-1949, and concluded that the functions of managing director and consulting or chief engineer were combined in one man, who divided his time between the London office and Obuasi. His orders were carried out at the mines by two assistant managers who controlled the shift bosses and foreman, who supervised three separate underground work crews, totalling 1,596 people by 1911. Neither forward centralised planning nor accounting procedures were prominent. Knowledge of the local geology, the chemical treatment of ore, and how to superintend a large indigenous work force were rudimentary. The records revealed a rough-hewn management monitored by directors, mostly lacking mining experience, and London office staff, who constantly

hected the local engineers to increase profits and reduce costs. No formal cost accounting system or cost accountants are apparent but correspondence between AGC mine managers and head office in London revealed that mining engineers constantly assessed and monitored costs on an *ad hoc* basis (Dumett, 1988). Moreover, accounting reports enabled head office in London to control remittances and compute dividends, which had consequences, for example, in the early 1900s shareholders recommended a major management restructuring following low dividends (AGC, 1897-1934). Nevertheless, from 1898 to 1939 AGC grew steadily and consistently yielded significant dividends (Taylor, 2006)

From inception, miners were recruited from rural areas, predominately from the Christian South. Adapting to a capitalist MOP created problems. Miners perceived the tight physical targets and working conditions as inhumane and their indigenous cultural values received scant attention. Miners' families remained in their villages, which compounded problems. As a manager noted, "Most miners felt very lonely ... because that was the first time they had left their family. In fact, for most this was the first time they had travelled outside the community. It was a long time before they were able to come and take the family to join them."

Despite no recognised trade unions, miners started to resist by refusing to work for low pay or sign six and nine month contracts tying them to one company, or perform tasks like going underground (Crisp, 1984). Reduced wages and the introduction of full-day Saturday shifts brought a strike in 1905. To counter this, the mine's British management forcefully recruited miners, especially for underground jobs, from the predominantly Moslem North. They were also cheaper (Ayensu, 1997). Now Southerners filled supervisory positions, which precipitated ethnic conflicts that still persist. Despite Financial Time's reports of coercive recruitment in 1922, the colonial administration in Accra colluded. It informed its political officers that, "Strict orders have arrived from His Excellency the Governor that 1,000 labourers are to reach the mines by Christmas at least ... Do your utmost to get them down on time" (Crisp, 1984: 47). However, miners' resistance continued (Crisp, 1984) and, as in Zambia, workers' strikes in Ghanaian mines, including AGC, forced the colonial state to require companies to create a rudimentary

internal state to govern industrial relations. However, this did not eradicate despotic controls or racial employment policies.

Initially, the state used tribal structures: from 1938, employees had to bring disputes with management initially to their tribal headman (Robotham, 1989). Then in 1941 the state encouraged miners to form official trade unions. This brought more formal labour controls, e.g. the ID system to track maintenance boys (Crisp, 1984). The trade union became an intermediary between mining companies and workers, and helped contain resistance within a rudimentary bureaucratic industrial relations structure, as in Zambia (Burawoy, 1985). This diminished arbitrary 'hire and fire' powers and coercive controls but restricted local trade union officials' activities and shifted power to higher echelons. Nevertheless, the stability gained from recognising trade unions soon degenerated and miners constantly confronted management and the government (Crisp, 1984). 1939 to 1956 marked a period of decline for AGC marked by declining gold prices (inflation adjusted) from \$US595 per oz. in 1939 to \$US220 in 1970. Labour intensification ensued.

The Ashanti employees' union struck in 1945 and 1946 over abolished deferred payments; wages; working hours; more jobs; better machinery; and lower rents and better housing. However, the union lost control of strikes in the late 1940s and mid-1950s as, "workers made the running and the union officials became the reluctant articulators of their grievances" (Crisp, 1984: xvi-xvii). Silver attributed "the increasing militancy of rank and file mineworkers ... [to] the widening gap between these workers and their union; the co-optation of the union by mining capital and the state, thus creating a capital-state-union alliance against the workers; and the increasing necessity for the state to intervene, often in its most repressive form, to put down the insistent revolt of the mineworkers" (ibid, 1978: 67). The state intervened by getting police to crush the revolt and using tribal headmen to organise unskilled labour against skilled labour, which exacerbated ethnic or occupational divisions (Robotham, 1989).

Capital shortages during World War II brought some mine closures (Crisp, 1984). Some black miners, paid less than their white counterparts, replaced white headmen who had returned home to enlist. This marked the beginning of the enskilling of black miners and the birth of the 'black bossman' (Robotham, 1989). The all-mines strike action of 1947 prevented management reversing this when white people returned from the war.

Management began to exercise new controls. In 1950, South African consultants began implementing Scientific Management. Robotham (1989: 43) comments; “an entire reorganisation of the managing system now took place starting with the establishment of Planning Department. Time and motion studies soon followed and standard complements for each job were devised and rigidly adhered to". Systematic work routines were established, e.g. standardised stoping and workplace conditions; planned equipment, material usage, and maintenance; and productivity bonuses. AGC used Taylorism continuously, like Zambian mines (Burawoy, 1985).

It is unclear whether MACS changes accompanied this. The remit to the consultants mentioned budgeting improvements. Company documents refer fleetingly to budgets during the 1930s and later, but searches of company records at the Guildhall and University of Birmingham libraries could not corroborate this. Moreover, Dumett, (2000: 587) argues that whilst rudimentary management functions evolved continuously from the 1920s it was not until the 1960s (when Lonrho took over AGC) that ‘the modern organisational structure of gold mining emerges’. The tentative suggestion is that a crude MACS for management purposes existed, maintained by engineers in the field, to constantly swap cost calculations with head office managers in London. However, possibly due to the uncertainty of mine operations and the simple organisation structure of the mine, no formal MACS to compute costs or for control was apparent. Nevertheless, financial accounting enabled mine managers and head office to communicate, and for London officials to exert some control-at-a-distance.

### **4.3. State Capitalism and Politicised State Capitalism**

The 1940s to 1950s saw an upsurge in independence movements. The Trade Union Congress (TUC), which the Ghana mineworkers’ union (GMWU) had joined, was instrumental in this struggle (Crisp, 1984). When the British granted Ghana independence in 1957 strong links between the new political leaders and trade union leaders prevailed. Dr. Nkrumah’s government embarked on state capitalism policies that embraced grandiose socialist planning, direct political interventions, and nationalisation of foreign companies. The state made massive investments in SOEs and infrastructure, mainly in major cities, to promote industrialisation. Most Ghanaian SOEs operating today are legacies of this policy (Boateng, 1997).

The 1958 Industrial Relations Act legally recognised trade unions and made collective bargaining binding on employers and employees. The TUC gained a monopoly of trade union activities and membership was compulsory for civil servants. Trade unions had to register with the government to gain political rights, which linked their political activities to the official machinery. Trade union activities deemed contrary to the government's interests were made illegal.

By 1966 all Ghana's gold mines except AGC had been nationalised within the State Mining Corporation. This did little to revive their production, which progressively declined, partly because of 'excessive state control' (Hilson, 2002: 22). Ostensibly legal-rational structures of accountability within state capitalism became politicised. Dr. Nkrumah intervened in large SOEs, granting employment to political loyalists, dismissing those not so inclined, and he annexed popular movements (including the TUC) (Silver, 1978). He made the loyal General President of the GMWU a director of the newly created Ghana State Mining Company in 1961, and in 1963, Chairman and Managing Director.

However, AGC was not nationalised, possibly because of the relationship between its European owners and Nkrumah's government (Ayensu, 1997). Despite the continuing decline of gold prices until 1970 [when it increased from \$US220 to \$US840 per oz (inflation adjusted) within four years] AGC experienced strong production growth and remained profitable (Taylor, 2006). Miners enjoyed a relatively stable environment and their living standards rose (Silver, 1978). Also the state's regulation of industrial relations, trade union recognition, and protection of miners from arbitrary hire and fire changed controls at the point of production at AGC, e.g., floggings, beatings, cuffs about the head and body, and verbal abuse were eradicated. The arbitrary power of colonial bosses (usually white) to control miners' life outside work diminished. The internal state (formal collective bargaining) was strengthened during state capitalism, as Burawoy (1985) noted in Zambia.

The next two governments - the military National Liberation Council (NLC) of General Ankrah and the civilian Progress Party (PP) government of Dr. Busia - held power from 1966 to 1972. Their economic policies favoured private sector participation, not least to allay burgeoning government debts (Boateng, 1997). Following their 1966 coup, the NLC military government sought new investors for AGC. In 1968 a fifty-year lease was

acquired by the controversial Lonrho company, arguably cheaply for £3m. The government gained 20% of AGC's equity with an option to purchase 20% more at a nominal price. Lonrho was headed by 'Tiny' Rowlands, a perceived champion of independence movements in British colonies (Ayensu, 1997) with a reputation for bribery and corruption. He was widely disdained in the City of London.<sup>5</sup>

When Lonrho gained majority control in 1968, financial controls increased. AGC became one of 21 management regions within Lonrho with several profit centres. Accounting controls became integral for the mine's management. A Finance Committee chaired by the finance director reviewed their performance using quarterly and summary monthly financial reports. Financial statements were prepared in London - managers in Ghana had little input. Subject to meeting budget and reporting and control requirements, local AGC managers could determine internal controls and exercise considerable operational autonomy but, according to a senior manager, financial matters remained the prerogative of managers in London where the accounting department resided. Physical budgets, with output the main consideration, were emphasised, alongside cost reductions driven by direct controls over miners (Robotham, 1989).

Hostilities between management and miners escalated during the NLC and PP governments. When, in the early 1970s, government and management rejected miners' demands for the same severance pay as in nationalised mines and, for the first time, removal of certain managers, the miners went on the rampage. AGC's attempts to control them failed: as Silver observed (1978:73), "Capital attempted to resist these labour encroachments, but being repeatedly unable to carry out its labour control function, was increasingly forced to turn to the state for overt assistance, in the form first of police, and finally, of the military".

In 1972 Col. Acheampong overthrew the PP government and assumed power, supported by the GMWU. The military government refused to comply with the IMF and WB policies and established a quasi-socialist policy (Economist Intelligence Unit, 2002). In 1972, the government acquired a 55% interest in AGC by decree, i.e. it expropriated

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<sup>5</sup> Later, following a sanctions-busting scandal concerning Rhodesia the UK Prime Minister, Edward Heath, described Lonrho as the unpleasant and unacceptable face of capitalism.



35% of AGC shares and made it a Ghanaian company with its head office in Accra. Lonhro, now a minority shareholder, managed the mine for a fee.

After the partial nationalisation of AGC in 1972 a tug-of-war for control between the state, its trade union and Lonhro ensued. The government used its controlling interest to influence decisions and appoint the deputy-managing director (a Ghanaian mining expert and government representative on AGC's board) but Lonhro's expertise and substantial investment enabled it to appoint the Managing Director. Political turbulence and economic problems affected internal controls. Gold production peaked at 731,000 ounces in 1973 but output declined rapidly over the following decade to 282,000 ounces. Taylor (2006) claims that from 1975 to 1986 AGC nearly entered terminal decline. The position on state-owned mines was bleaker. During and since Nkrumah's time they were plagued by low investment and exploration, poor maintenance, political patronage and had become uncompetitive and loss making with several mines closing. Their poor performance cannot be simply attributed to low, albeit volatile,<sup>6</sup> gold prices, Several sites were exhausted and high taxes, a lack of foreign exchange, a tightly controlled economy, and an overvalued currency made buying spare parts or investing in new plant difficult. The government meddled in decisions, especially management appointments. The shift of the head office to Accra brought management control closer to the mine but it was still divorced from operations, being 200 kilometres away, which impaired production, for example, delays in getting urgent replacements for broken equipment.

Budgeting was production oriented as the market could absorb any output. Each mine manager ascertained ore reserves: head office then derived each mine's production target. A manager described the system as "crazy". Another noted, "Then somebody sits in Accra and says produce one million ounces of gold, at a particular grade and cost without actually consulting people working at the mine. ... If we did not achieve this, the market was disappointed". Mine managers had little control over financial decisions and ambitious production targets: budgets bore little relation to past operations. One commented that: "When they came out with the figures, you got so frightened because they were usually high. Having done this it is great but you have 'killed' somebody." Robotham, (1989: 67)

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<sup>6</sup> Prices per oz. in \$US (inflation adjusted) decrease from 1974 \$840 to \$453 in 1976 and then increased to \$2016 by 1980.

observed that; “The structure of authority in the mine was extremely authoritarian, the general principle governing operations being that the essence of management is control.” and “The mines resorted to ineffectual cost-cutting, exercises which were often counterproductive. Equipment was run down and the whole programme of maintenance and tight management control established in the fifties was allowed to fall into abeyance” (ibid: 52). Politicised state capitalism brought unrealistic physical production targets set centrally that became decoupled from operational decision-making. Cost planning and control became marginal, and an over-reliance on labour-intensive production and cutting labour to save costs proved disastrous as production fell and targets went unmet, partly through growing labour resistance.

Col. Acheampong’s military government in 1972 ordered AGC’s miners to rejoin the GMWU. Within 2½ years miners’ wages increased by 300% (Silver, 1978) and the government helped indigenous Ghanaians become managers in AGC for the first time (Ayensu, 1997). However, the military government violently destroyed the internal state at AGC. When miners organised a twenty-five minute sit-down strike in 1972, the Minister for Labour ordered miners to turnover strike organisers, and threatened to charge future organisers with economic crimes and trial by military court (Silver, 1978). Miners received the government’s appointment of an opponent of the miners’ strike as GMWU General Secretary with suspicion. Miner’s resistance initially was subdued but grew as economic conditions worsened. Strikes occurred in 1977 over wage increases, payment of bonuses and demands to remove some managers. Management granted a substantial wage increase but used covert actions involving informants to garner information about imminent strikes. Following warnings about a planned strike in December 1977 the government quickly dispatched soldiers to the town. Although this strike never occurred, management realised the difficulty of controlling miners with the GMWU weakened and the internal state destroyed. Silver (1978) summarised the dilemma of management and the military government thus; “Capital needs a union strong enough to be able to control labour, but not so strong as to threaten capital. The military wants the mineworkers sufficiently happy that they do not join the professionals and students in opposing the regime, but fears the inflationary consequences of paying the wages which alone would keep them happy”.

Mounting company debts led management to tighten controls over labour to reduce costs (Silver, 1978) but this failed because miners resisted: “68% of the time no work was done ... largely due to the labour arriving late for work and closing early” (Silver, 1978: 80). Theft of gold, long commonplace and institutionalised into miners’ culture was rampant - estimated at 25% of output. The appointment of ex-army and police personnel to head security and using informants proved unsuccessful as security personnel collaborated with miners to perpetuate thefts. Management then employed boys aged 12 to 15 to wash gold naked, to prevent them pocketing gold, but thefts continued. Management argued that thefts were immoral but miners claimed it was a reaction to inhumane working conditions - working 7 days a week for low pay (Silver, 1978). Further measures to halt thefts such as using aggressive supervisors provoked violent responses: miners sabotaged mining equipment, mixed waste with ore, fiddled supervisor’s production figures, and even used physical violence. A European supervisor who tried to halt a theft was severely beaten and lost an eye. Consequently, supervisors often ignored thefts (Silver, 1978).

European supervisors found exerting tight labour controls used in other African mines difficult in Ghanaian mines (including AGC) (Silver, 1978). Miners often resisted and consequently, “a ‘technical’ management problem having to do with efficiency and technique, is in reality a struggle over control of the workplace” (Silver 1978: 82). Previously management sacked strike leaders instantly but now this might provoke violent clashes, and their attempts to infiltrate the miners and buy some off failed. Silver (1978: 82) illustrated the severity of the problem: “one expatriate manager ... reported that he no longer sends the department vehicles to the Transport Department to be serviced, since the Transport Department has become a ‘black power shop’, effectively taken over by workers who defy management’s control, and laugh at their fulminations”.

Officially, management controls were as prior to ‘nationalisation’ but in practice were marked by corruption, ethnicity and personalised relations. Supervisors had problems controlling subordinates with close relationships with higher management (Robotham, 1989). Miners complained they had to bribe officials such as the shift bosses for promotion, the medical officer for sick leave, and the welfare officer for accommodation. The economy entered dire straits. During Acheampong’s regime export earnings fell by 52% and domestic savings and investment by 12% (World Bank Report, 1995a; Ho Won, 1993).

Mining production declined from 710,000 oz to 285,300 oz. (Mineral Commission, Ghana). Between 1970 and 1983, inflation rose from 3.7% to 123% and GDP declined on average 2% annually (World Bank, 1995b quoted in Hilson, 2002).

#### **4.4. Market Capitalism and Politicised Market Capitalism**

Flight Lieutenant Jerry Rawling's Provisional National Defence Council military government assumed power in 1982. Rawlings ruled Ghana for nearly 20 years, first as military leader and then as civilian president. His initial socialist policies faltered during 1982-83 when Ghana experienced a severe drought and export revenues fell. Political violence and economic problems forced the government to turn to international aid agencies for assistance, especially the IMF and WB, who made financial aid and technical expertise conditional on adopting market-based SAPs (Ray, 1986; Pelow and Chazan, 1986; Gyima-Boadi, 1993).

The 1983 Economic Recovery Plan focused on eliminating price distortions, ensuring a balanced economy, reversing agricultural sector decline, curbing inflation, enhancing exports, and improving social infrastructure and living standards of the average Ghanaian. The second phase relaxed and liberalised price controls and stimulated direct foreign investment, e.g., through tax incentives. Privatisations were stipulated in SAPs issued in 1984 and 1986, especially in mining and banking. The third phase focused on minimising government interventions into markets, encouraging domestic savings and foreign investment, privatisations, and improving the balance of payments. The recovery programme had favourable outcomes: by 1992, GDP growth averaged 5% per annum and gross national savings rose to 6.6% of GDP by 1994.

The IMF and WB believed mining could boost export revenues and AGC got a loan of £159 million in 1985 from a consortium of banks led by the International Finance Corporation (IFC) for improvement and mechanisation programmes. A manager noted its high interest but as it "was the only source of funding available at the time, the company had no other choice". Foreign exchange earnings from mining increased from US\$108 million in 1985 to US\$710 million in 1999. Predictions that miners would oppose IMF/WB intervention did not materialise (Robotham, 1989: 59). New mining and investment laws in 1986 let AGC retain 45% of export earnings, which released funds to repay loans and invest, for instance in sixty scrapers. Gold production increased, rising sevenfold from

1987 to 1999, reversing the decline from 1980 to 1986 (see Table 2). In 1993, output was 1261,424 oz. and in 1998 exceeded 2 million oz., accounting for 38% of Ghana's exports. AGC's mines accounted for over 50% of production (Hilson, 2002) (see Table 2). The expansion programme improved financial performance. Operating profits increased from 1991 to 1995, and dividends were paid until the late 1990s (see Table 3). In 1995, AGC received another IFC loan for new workings at Ashanti.

However, government interference in AGC's activities continued. For example, in the early 1990s the mine's European General Manager was deported and replaced by the Deputy Managing Director, a Ghanaian. Furthermore, the government appointed union leaders and members of workers' defence committees. Informants' alerts of union activities and strikes often brought military intervention.

In 1994, AGC floated its shares on the London and the newly created Ghana Stock Exchanges. The government became a minority (20%) shareholder. Overseas investors became majority shareholders but the government could still appoint AGC's Chairman and veto major decisions like potential mergers. In 1996, AGC's shares were listed on the New York Stock Exchange - its first African company. In 1998, Lonrho was demerged: AGC went into Lonrho plc, subsequently renamed Lonmin plc in 1999.

The 1994 ownership change brought a new organisation structure. The chief executive, a Ghanaian, was supported by expatriate finance and operating managers. AGC was organised into seven autonomous operating mines, each with its own board of directors, with two senior staff representatives and three from the union, reporting to the chief executive at head office in Accra. Newly appointed financial controllers reported to a new head office position - Chief Operating Officer. Mines gained more autonomy: although the executive board still set output targets, each mine controlled the means of achieving them.

Economic crises brought further delegation and decentralisation of internal controls. Management accountants responsible for operations (underground mining, surface mining, and processing) moved from the Finance Department to their respective operating departments. Previously, as an underground miner commented, "We hardly go to the Finance Office. We do not feel comfortable going there since it looks like a place for the big men." Nevertheless, workers came to recognise the management accountants as

they interacted with them daily. A miner commented: “The management accountant is closer to us hence we call him by his first name. We think he is part of us and understands our problem more than those in the Finance Department. On the other hand, we call the Chief Finance Officer by his last name because he is far above us. He is on a different level and we do not necessarily speak the same language. He deals with top management while the management accountant deals with us”.

Relocating the management accountants improved their understanding of mining and miners’ language, which they believed improved budgetary control. The management accountant for processing commented, “I am not a technical person but I go to the plants every day just to see what they are doing. My mere presence there tells them we care about what they are doing.” Accounting and accountants became significant for miners, engineers and other personnel. Mining engineers had to master ‘costing’, now the dominant business language: even mine captains (the lowest supervisory level) became accountable through monthly performance reports revealing the units, total cost, and cost per unit of their operation. The cost accountants interpreted performance reports for them and compared their results with those of other mine captains. A management accountant observed how, “Most managers are now accepting responsibility for budgeting for their operations and top management is emphasising cost control”. Previously, budget proposals only required limited justification – now cost control was a major managerial preoccupation. AGC’s weekly newsletter (July 27, 1999) exclaimed, ‘Fighting cost at all cost is a duty of all employees ... Fight it till the last drop’.

Cost consciousness rose. Mine managers started to demand reasons for variances. A manager remarked that, “The Chief Finance Officer is now very influential in every decision. Even the Managing Director comes to consult him almost every day.” A management accountant said, “Now at every meeting, they want the accountants to be there. If you are not there they start panicking. The gold price has given us power and made us important.” A senior account manager observed how, “In the past the mine captains and managers neglected cost and other accounting reports. Now they run to the accountants for explanation for figures.” This brought cost cutting initiatives to reduce bureaucracy, streamline operations, and remove or reform activities perceived as non-value adding. An annual report commented that, “Improvement in cost at the mine was achieved through

closure of the high cost surface operations as well as effective cost control measures” (2002: 13).

Others were not as enthusiastic. The new financial controls created confusion and conflicts between staff departments and miners used to physical production targets dominating operations. Budgetary involvement and effective use of budgets were hindered by lower level, often indigenous, employees’ lack of accounting knowledge. A management accountant commented how, “Whites historically dominated the company at the top and senior management level, with Ghanaians mostly in positions of very junior employees. Most locals had little or no formal education and now occupy some positions in middle and senior management. Most therefore lack managerial knowledge and skills, especially in planning and control, and this is reflected strongly in the preparation of budget proposals”. Insufficient accounting training for local managers led some to treat budgeting ceremonially.

Moreover, many lower level employees and miners believed that tight controls fell only on them, gold mines had ample resources, and top managers were plundering gold mines. This impeded securing realistic financial budgets for, as a manager commented, “Their budget proposals are ‘wish lists’ based on the premise that the Company can afford anything they demand”. Cost reduction strategies brought redundancies amongst miners and lower level employees (AGC’s employees declined from 12,850 in 1998 to 9,841 by 2001 – see Table 4), as in other privatised mines (Akabza and Darimani, 2001). Top management’s attribution of frequent budget cuts to market conditions were not universally accepted. A manager complained that, “The budget department and top management justify budget cuts [by blaming] low budgeting skill levels, negative employee attitudes towards budgets, rapidly increasing costs, and the declining gold prices. Most managers believe they are not given the opportunity to defend their budget proposals and those in support areas think their activities are not considered important enough to warrant detailed scrutiny ... by top management and the budget department, hence some cuts are clearly unjustifiable.” However, fears of job insecurity and a weakened union muted miners’ resistance. Controls remained highly disciplinary, especially for unskilled Northern black workers, and their differential application across ethnic groups engendered conflicts that weakened solidarity.

Stealing gold persisted. A manager recalled how, “Some miners went to the extent of swallowing the gold and getting it out when they go to the toilet. Sometimes we had to take suspected miners to the hospital. They would then be forced to go the toilet and the gold retrieved.” Introducing metal detectors precipitated a strike. A miner observed that, “Before this time, no one really cares about his salary because once you go underground you are sure you can come out with some gold to sell. There was a ready market for it, so we made so much money. Then, management introduced these metal detectors. We demonstrated that we do not want ‘pim pim’” (the sound made by detectors). In hindsight, some interviewees accused employees and management of complacency in the belief that the company’s wealth was everlasting. A manager recalled how, “Controls were there on paper but were very often relaxed as money was no problem”. However, industrial relations and pay became more prominent as controls tightened and diminished miners’ illegal income.

Trade union activities and GMWU influence declined following the sale of Government shares in 1994. Workers recognised their dependence upon international capital and the union became less confrontational. Nevertheless, trade unions were recognised and a strengthened internal state emerged whereby employees’ jobs were graded with appropriate pay scales and fringe benefits negotiated periodically through collective bargaining contracts. Management tried to facilitate negotiation, transparency, and cordial relations by co-opting the unions, granting them two board representatives.

Nevertheless, management used covert actions. An industrial relations unit in each mine monitored miners’ behaviour and discipline, and reported imminent strikes. Miners viewed industrial relations officers with suspicion, seeing them as spies and controllers. The miners’ union fight for improved conditions after flotation had little success - the final offer of salaries indexed to the US dollar failed to meet their demands. Miners believed that union leaders had ‘sold them out’, and they voted to remove them. A miner at this meeting recollected that, “It was a hostile environment. Some miners threatened that if the existing leadership is re-elected they will beat them up and burn things in the mine. We all knew that top management is supporting these leaders and we made sure they were booted out of office. Everybody thinks they have betrayed us and about 90% voted for a new



leadership.” The mistrust between miners and their leaders, and redundancies in 1998 and 1999 in AGC and mining companies elsewhere weakened miners’ power.

As Table 2 reveals, gold production declined at the Obuasi mine after the 1994 flotation but was offset by increased production elsewhere to 1603,821 oz. in 2003. However, as Table 3 reveals, after the flotation until a cash crisis in 2001, AGC reported decreased profits (except for 1995): in 1996 AGC’s dividend peaked at 65%. Gold prices fell drastically (from US\$359 in January 1997 to US\$283 by December 1997) when several European Central Banks (including the Bank of England) reduced their gold reserves. At the end of 1997, operating costs per oz. exceeded the average gold price, with obvious negative effects on profits (Table 3). Overall 1980 to 2000 was marked by declining gold prices (inflation adjusted as at 2012) from 2016 \$US per oz to 349 \$US but they increased to \$US1608 by 2011. Due to the shift from underground to surface mining and poor cost control, operating costs rose from US\$241 to US\$317 per oz. from 1994 to 2003 but labour productivity rose from 82 oz. per employee in 1984 to 166 oz. per employee in 2000 (Taylor, 2006).

Falling gold prices, falling profits and poor financial decisions brought a financial crisis in the late 1990s. When margin calls on a hedging programme ‘backfired’, massive losses occurred from 1999 to 2001. Large lay-offs of miners reduced losses in 2002 and 2003 (see Table 4) but no dividend was declared due to huge negative company reserves. Shares that had traded at US\$16 on the New York Stock Exchange fell sharply and international stock markets suspended trading for several months in late 1999. The government used its veto powers to scupper a bid of US\$665m by Lonmin, which held 32% of AGC’s shares. Moreover, Goldman Sachs, the largest hedge fund creditor of AGC, opposed a quick sell-off. In February 2000, AGC arranged interim finance of US\$100m with Barclays Bank until a \$326m refinancing package was finalised. This renewed a US\$270 m. revolving credit facility and retained hedge protection without potential cash calls for three years.

However, neither gold production nor financial profitability improved (see Tables 2 and 3). The share price plunged to \$8 in 2003 as financial crises deepened. AGC could not pay creditors, which precipitated further takeover attempts. On 26th April AGC was merged with Anglo-Gold in 2004 (many claimed it was actually a hostile take-over, Daily

Telegraph, 17th August 2003). AGC disappeared as the crown jewel of Ghana to the disappointment of Ghanians (myjoyonline.com).

Prior to the merger AGC had made a progressive commitment to social corporate reporting (CSR) in an agreement with the Ghanaian government. Subsequently, AngloGold projected an image of a company committed to CSR and corporate governance in their “Code of Business Principles and Ethics” in highly visible areas like health, education and community support but its commitment to high ethical standards has been questioned (Rockson, 2016), e.g. regarding labour and corporate governance. Allegedly, its utilisation of CSR has been instrumental to gain legitimacy from investors, consumers, government regulators and nongovernmental organizations - indeed Rockson found managers knew little of the CSR commitments. He argues that discrimination in wages, tax evasion or avoidance, and non-disclosures, casts doubts about this multinational’s corporate governance credentials, and whether it is a good corporate citizen.

AngloGold adopted retrenchment strategies utilising human resource management practices like “flexible employment”<sup>7</sup> and “double breasting”<sup>8</sup> whose origins stem from SAPs (Rockwell, 2016). The GMWU opposed “contract labour” implemented under a guise of “rationalization of labour”. Nevertheless, a supply chain strategy of contracting out services and labour emerged. Rockwell found that the company was increasingly not recruiting workers over long periods, as in the past, but were being employed on a “yearly performance based renewable contract basis” with re-engagement depending on whether they had met managerially set targets. Work has become increasingly precarious and increased employment insecurity and casualization have weakened the trade unions.

After ten years of major losses, with trade union and government agreement, the Obuasi mine was closed for two years for maintenance. Only 700 of the 6,000 workers remain and only contractors who had met management determined targets will be retained. In 2011 AngloGold Ashanti won the Most Irresponsible Company Award by the Berne Declaration and Greenpeace in Davos, Switzerland, mainly for its contribution to environmental degradation.

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<sup>7</sup> “Flexible employment” relates to the “informalisation” and “casualisation” of work

<sup>8</sup> “Double breasting” reduces union densities by dealing with unionised and non-unionised employees separately.

## 5. DISCUSSION AND CONCLUSIONS

The research examined whether controls in AGC followed the development stages in Figure 1 and the social, economic and political factors in each regime of control in Table 1 as framed in Hopper et al. (2009) were major factors. Unlike the cases upon which this framework was built, this research traces transformations of controls in a major multinational, in Africa, engaged in mining not manufacturing, over a century from pre-colonialism to today. The results are consistent with the Hopper et al. framework though, as detailed below, political factors brought minor differences for AGC remained under private ownership during the initial period of state capitalism; and the framework needs extension to incorporate contemporary managerial strategies of control under market capitalism, and to recognise how terms of trade and volatile commodity prices have contributed to government indebtedness.

Prior to colonialism indigenous gold production under a traditional, feudal MOP occurred. In contrast, from inception, AGC was a private company driven by profits, financed by foreign capital markets, subject to British financial reporting requirements, with a capitalist MOP. Accounting during colonialism was largely for stewardship. Local managers supplied *ad hoc* reports to the London head office which made financing, dividend, and planning and control decisions. Minimal formal accounting occurred within operations, though engineers constantly estimated and discussed costs with head office. There was no formal MACS though there was evidence of emergent budgets.

White ‘Europeans’ dominated management. They exerted personal, physical, direct, and coercive and physical controls over indigenous miners habituated to a rural traditional culture.<sup>9</sup> They recruited workers from different tribes, regions and religions to different positions and exploited ethnic differences to diminish resistance by miners. Being a company state AGC’s control extended beyond work. The colonial state offered workers

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<sup>9</sup> Miners largely come from rural traditional villages and, as some managers alluded, supervision had to be sensitive to their culture, and issues around theft may relate to differing values about property rights. The major study in Hopper et al. (2009) was a study of a textile mill in a rural Sri Lankan village where the traditional culture rendered attempts to impose capitalist MOPs ineffective (Wickramasinghe and Hopper, 2005). However, this mill was state-owned for most of the period, loss making, and workers could augment their resistance with support from politicians whereas AGC was privately owned, driven by profit-making, and political support for miners waxed and waned.

little protection: regulation of AGC was minimal and it primarily served AGC's interests by providing infrastructure and when necessary, putting down any resistance. Trade unions were illegal but, as resistance grew during late colonialism the colonial state had recognise trade union activity, which resulted in the company state receding and a rudimentary internal state governing industrial relations emerging.

Like many LDCs upon independence, Ghana adopted state capitalism. However, AGC was never fully nationalised, although other gold mines were. This was attributable to the personal, and possibly dubious relationships of senior AGC managers with political leaders, consistent with neo-patrimonial political regimes. However, the existence of state-owned mines alongside a private mine (albeit partially nationalised for a short period) permits comparative analysis. The state mines were not studied directly but it is widely accepted they descended into politicised state capitalism marked by corruption, patronage, clientelism; decisions driven by political not commercial criteria; and ineffective MACSs formally bureaucratic becoming unrealistic and decoupled from operations. The state mines consistently made losses and several closed, whereas AGC remained largely profitable and productive.

In 1968, during a period of more market oriented governments from 1966 to 1972, Lonhro gained a majority shareholding in AGC and a lease to manage its mines. They immediately instituted profit centres and delegated budgeting (though cost cuts were demanded centrally). Nevertheless, a production orientation predominated at the operational level. Labour militancy increased and AGC needed military support to suppress this. In 1972, a military socialist government assumed power by a coup and took majority control of AGC. Politicised state capitalism heightened. Like the state owned mines patronage within a turbulent and factional political arena overrode legal-rational accountability and controls. The military government destroyed the rudimentary internal state and set increasingly unrealistic targets. This resulted in the MACS becoming decoupled from actual operations. AGC entered a parlous state threatening its existence. Generally the nationalisation of mines produced politicised state capitalism as described by Hopper et al. (2009). Given AGS's relative success under private ownership the failure of nationalised mines cannot be simply attributed to economic factors. However, after

independence politicians brought greater indigenisation of supervisory and managerial positions, ended harsh physical controls, and brought AGC under Ghanaian company law.

Ghana's economy deteriorated rapidly: in the early 1980s fiscal crises ensued as noted elsewhere by Hopper et al. (2009). Ghana became one of the most heavily indebted and lowest per capita-income countries in the world. The government had to turn to the WB, IMF and commercial banks for assistance, which heralded in policies based on market capitalism. Ghana had to adopt SAPs that, *inter alia*, demanded widespread privatisations. AGC benefitted from loans for greater mechanisation.

In 1994 AGCs' shares were floated on international markets with the government retaining a minority holding. This marked the beginning of AGC becoming a multinational. AGC's mines became profit centres within a divisionalised structure controlled by budgets augmented by decentralised management accountants responsible to line managers. As noted elsewhere, e.g. Hopper and Uddin (2005), privatisation brought improved MACSs and tighter cost control, which fell especially on mineworkers. The decentralisation of management accountants made responsible to production units increased cost consciousness amongst most but not all managers who were aware of weak market prices and more difficult geological mining conditions. Miners were less convinced but resistance was muted as retrenchments, increased job insecurity and ethnic divisions had weakened their union. Wages and conditions of employment were now governed by triennial collective bargaining and though unions had board representatives many miners believed the company had co-opted the union. However, especially when profits declined, work intensification increased alongside relatively unsuccessful attempts to reduce thefts that had become a norm amongst miners. Whether this is attributable to non-capitalist cultural beliefs about property rights, a reaction to perceived exploitation, or just simple larceny, or a combination of all, is debatable.

When gold prices sharply declined and hedging strategies failed, AGC made acute losses. It was sold to a South African mining company in 2004. AGC was now part of a major multinational enterprise located outside Ghana. Although the new company, AngloGold Ashanti, formally maintained its commitment to CSR policies agreed with the government, their adherence to these deteriorated. A new form of despotic control emerged through supply chain management whereby many services and much labour became

contracted out. Casual rather than permanent employment predominated within a much reduced workforce. Renewal of employment depended on achievement of targets imposed by management. Alongside this, critics have accused the corporation of tax avoidance, corporate reporting misdemeanours and undue environmental contamination (Rockson, 2016). Consistent with Hopper et al. (2009) market capitalism, induced by SAPs from the World Bank and the IMF, precipitated new despotic market-based controls whereby international capital dominates labour, now rendered precarious within segmented labour markets and subcontracting, and reinforced by reduced employment opportunities due to deteriorating mining conditions and mechanisation. This could be seen as a return to subcontracting noted by Hopper and Armstrong (1991) in the USA in the nineteenth century. However, this was adopted due to owners' ignorance of operations and the power of craft labour. In AngloGold labour was now weak, managerial understanding of production strong, and accounting controls measuring employees' relative productivity and pricing facilitated the rendering of work as precarious. This more recent turn of managerial strategies of control under market capitalism is not covered in the Hopper et al. (2009) framework.

However, although Ghana's governments, now democratic, are prone to corruption and neo-patrimonialism little evidence was found of their collusion, unlike the cases in Hopper et al. (2009), especially Wickramasinghe et al (2004) in Sri Lanka and Uddin and Hopper (2001) in Bangladesh. Rather, weakened trade unions and a government dependent upon, and worried about discouraging foreign direct investment had an inequitable power relation with foreign capital, which resulted in weak regulation to the detriment of CSR concerns (Rockson, 2016).

As Dumett (1985) suggests,<sup>10</sup> the evolution of controls at AGC is consistent with Chandler's (1975) thesis of corporate development, whereby organisational growth relies on the adoption of delegated budgets and divisionalisation. Hence the evolution of MACS at AGC can be seen as a consequence of increasing size and complexity in the face of market forces. However, exclusive reliance on such Western centric, market-based

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<sup>10</sup> Dumett made these comments when arguing that African business history is over-concentrated on early colonialism, national developments, and labour relations rather than corporate investigations. Similarly, Chandler explicitly stated that his thesis neglects labour history which he recognised as important to corporate development but beyond his immediate research aims.

explanations masks ideological issues, promotes managerialism, legitimates past and present practices as inevitable, and diverts attention from disenfranchisement of employees and civil society. Of course, markets are important: as the case notes, MACS were most powerful when gold prices and hence profits were low, and from inception, profit for private foreign owners predicated controls, except for an interlude with a harsh, often venal, and ineffective military government that partially ‘nationalised’ AGC. But markets and controls do not evolve naturally. They were shaped by international capital.

Being poor, Ghana relies on foreign capital and exports of a few key commodities with volatile prices. The Hopper et al. framework tends to attribute developing countries’ massive debts to weak governance. This has validity as the AGC case illustrates but after examining a foreign-owned nascent multinational in the primary sector (unlike the cases in Hopper et al. which tend to be indigenously owned, often family controlled manufacturers) draws attention to the economic fragility of developing countries dependent upon commodity production with volatile market prices, deteriorations in the terms of trade, and multinationals’ contributions to government coffers diminished through tax avoidance schemes. Governments must try to reconcile interests. Sometimes miners’ and political leaders’ interests overlapped resulting in a modicum of reform, other times governments repressed miners with violence and removed internal states to satisfy foreign companies or maintain their authority. Restoration of private ownership and market forces brought greater commercial viability for AGC but viewed from the miners’ perspective, market reforms have brought little: controls changed but remain essentially despotic: neo-colonialism has arguably replaced colonialism. Further work on how accounting within new supply management practices by multi-nationals in LDCs renders workers precarious is needed.

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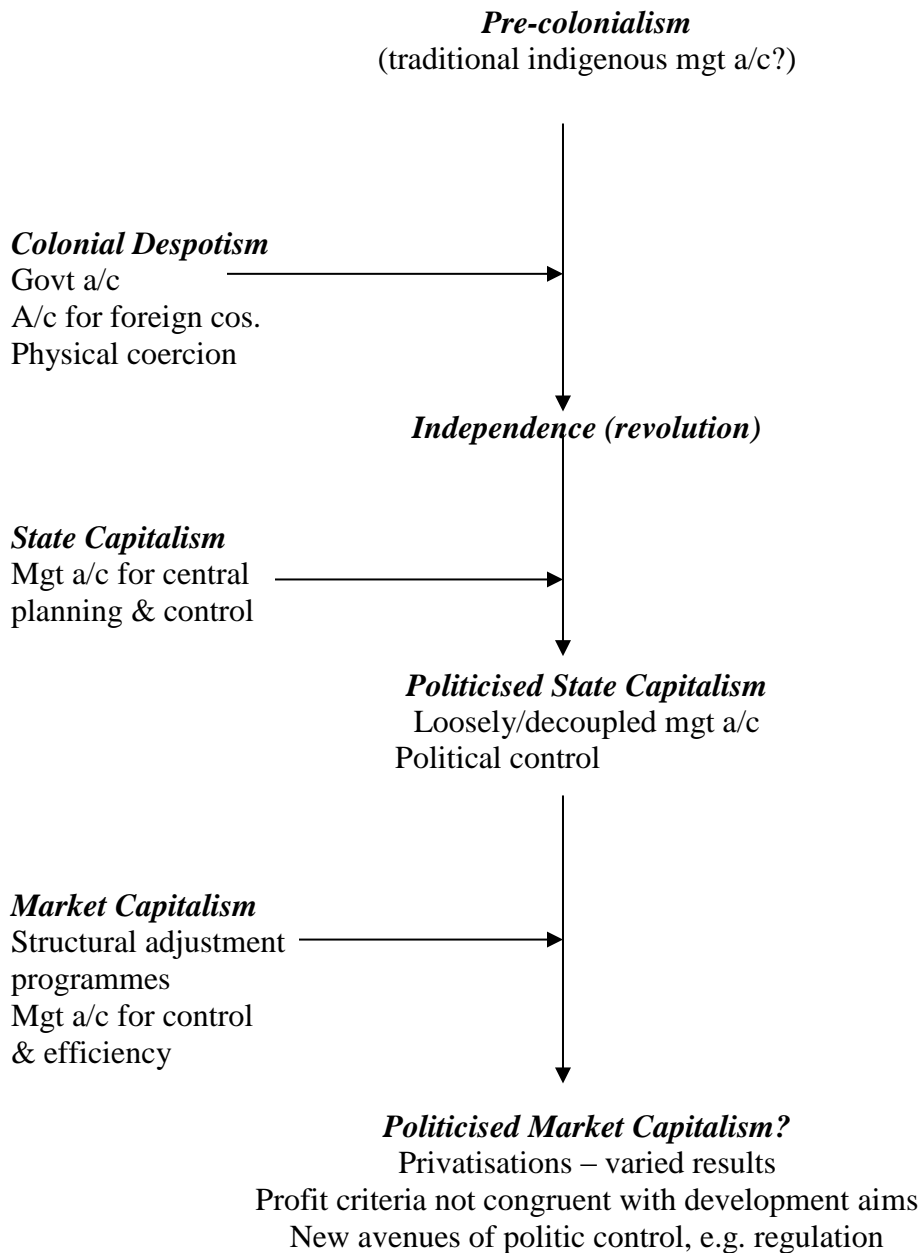


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**Figure 1: Transition of Regimes of Control in Less Developed Ex-colonial Countries (Hopper et al 2009)**



**Table 1: Regimes of control in ex-colonial LDCs: contextual factors and MASs  
(Hopper et al., 2009)**

Factory Regimes	Mode of Production	Culture, Ethnicity and Race	State, Regulation & Law	Politics	TU & labour markets	International Finance & capital market	MASs
<b>Colonial Despotism</b>  (Actual Regime)	Non-capitalist  Colonial capitalist enterprises in primary sector	Mainly traditional, Closed & stable communities. Divide & rule based on ethnicity	Company states.  Minimal state regulation	Imperialism	TUs illegal & weak., Weak labour markets. Nascent unionism & state regulation of industrial relations.	Colonial capital. No capital market.	Coercive control based on racial & ethnic differences involving physical violence  Accounting for HQ regulations & control
<b>State Capitalism</b>  (Ideal Regime)	Industrialisation  Capitalist accumulation by SOEs.  Fair distribution  Continuation of small merchants & traditional agricultural production.  Closed economy	Growth of modernistic, urban cultures incorporating rational progress, science & education, meritocracy, individualism & nuclear family. Nationalism emphasised not ethnicity	Bureaucratic state central planning.  Legal-rational authority. Intervention & welfare oriented.  Strong regulation & account-ability to Parliament.	Economic development based on industrialisation.	TUs recognised.  Growth of collective bargaining on industry basis	State banking, Central bank regulation  Emerging but weak capital market  Deficit financing for development.	Bureaucratic rational-legal accounting  Enterprise budgeting within national central state planning  Creation of formal wage bargaining & internal labour markets
<b>Politicised State Capitalism</b>  (Actual Regime)	State extraction of surplus.  Hegemony of political criteria in commercial & production decisions.  Power with political elite linked to trade unions.  Distribution follows power & patronage	Cultural fragmentation & diversity.  More open & less stable sub-cultures.  Increased urbanisation alongside strong traditional cultures, Divisions heightened.  Ethnicity partly basis of party & political organisation	Legal-rational structures of regulation maintained but captured or ignored by politicians.  State patronage, often for party advantage.  Weak enforcement	Factional & volatile.  Often charismatic/dynastic leaders of parties rather than ideological.  Sometimes non-democratic.  Production & state politics often converge	Powerful political party unions.  Multi-unionism.  Top down leadership.  Leaders from political elite.  TU membership & power in public enterprises.	Weak politicised, & poorly regulated capital markets,  Bank failures  Fiscal crises of state lead to aid dependency & reliance on IMF/WB.  External financing often for Cold War reasons	Accounting for external legitimacy.  Ritual ceremonial practices only  MAS irrelevant for internal controls  Decisions for day-to-day activities captured by political players
<b>Market Capitalism</b>  (Ideal Regime)	Market-based exchange relations & distribution  Private ownership of enterprises.  New public sector management	Greater individualism & individual economic self-betterment.  Consumerism & materialistic choice, Considered irrelevant.	Reduced state power,  Oriented to attract international capital.  Stronger capital market & regulation, especially of utilities	Democratic & transparent government	Strong external labour markets.  Weakened Trade Unions.  Lowered employee protection.	Globalised capital, Stronger capital markets  Greater financial regulation & enforcement.  Lessened political intervention	Market based controls  Tight production targets  Economic performance measurement  External reporting for capital markets

<b>Politicised Market Capitalism</b>  (Actual Regime)	Domination of capital over labour  Wider income differentials  Fractions of capital, ownership diffuse/financial institutions/multinationals/local families.  Crony capitalism.	Mediation of 'modern' market cultures with traditional & politicalOften the basis of political & social decisions	Regulatory capture by political-economic elites  Weak enforcement  Decisions politicised	Democratic parties based on charismatic leaders from socio-economic elites  Factionalism based on regions, religion & ethnicity	Segmented labour markets between core & periphery,  Trade unions co-opted into political parties.  Lower labour protection a power.	External financial agents especially IMF/WB strong influences on policy.  Family/crony capitalism alongside more multinational capital.  Politicised regulation & privatisation.	Private accounts, top-down physical budgets  Return of coercive control but no physical violence  Weak compliance of external regulations – financial & non-financial  Toothless trade unions with low bargaining power  Internal sub-contracting
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**Table 2: AGC Gold production (in ounces)**

	<b>Obuasi Mine</b>	<b>Other Mines</b>	<b>Total</b>
<b>1991</b>	580,000	-	580,000
<b>1992</b>	650,000	-	650,000
<b>1993</b>	785,000	-	785,000
<b>1994</b>	823,000	-	823,000
<b>1995</b>	937,000	-	937,000
<b>1996</b>	860,000	169,000	1,029,000
<b>1997</b>	858,000	311,000	1,169,000
<b>1998</b>	885,000	615,000	1,500,000
<b>1999</b>	743,000	817,000	1,560,000
<b>2000</b>	640,000	1,100,000	1,740,000
<b>2001</b>	528,000	1,132,000	1,660,000
<b>2002</b>	537,219	1,084,700	1,621,919
<b>2003</b>	513,163	1,090,658	1,603,821

*Source: Compiled from AngloGold Ashanti and Ashanti Goldfields financial statements*

**Table 3: Financial performance of AGC**

Year	Turnover (US\$m)	Op. profit (US\$m)	Op. profit (%)	Profit attr. to s.holders (US\$m)	Dividend payout (%)	Gold price per ounce (US\$)	Op. cost per ounce (US\$)	Tax to govt (US\$m)	Royalties to govt (US\$m)
1991	210.6	70.7	34	57.9	19	362	N/A	3.9	N/A
1992	238.6	81.6	34	60.6	32	344	N/A	15.8	N/A
1993	275.1	96.5	35	90.2	16	360	N/A	0.3	N/A
1994	319.2	119.9	38	97.8	21	384	241	0.5	9.5
1995	405.6	105.9	26	101.6	32	384	295	0.9	11.5
1996	458.7	81.4	18	60	65	388	332	0.1	10.5
1997	531.3	83.6	16	53.7	41	331	336	2.4	10.6
1998	600.3	99.5	17	40.7	27	294	294	-	12.6
1999	582.1	96.3	17	-183.9	-	279	285	2.7	12.2
2000	582.2	89.1	15	-141.1	-	279	284	8.8	13.7
2001	554.4	76.6	14	-62.7	-	273	276	6.8	13
2002	552.2	74.3	13	56.2	1.06	303	302	3.7	14.6
2003	564.9	56.5	10	49.2	1.03	363	317	4.1	17.6

*Source: Compiled from AngloGold Ashanti and Ashanti Goldfields financial statements*

**Table 4: Employees in the mining sector and AGC**

Year (Pre-merger)	1994	1995	1996	1997	1998	1999	2000	2001	2002
AGC employees	9,946	10,499	12,199	12,010	12,850	11,200	10,429	10,189	9,941
Mining sector employees	21,268	22,515	21,017	20,336	21,252	17,848	16,524	16,344	14,299
AGC % of mining sector employees	47%	47%	58%	59%	60%	63%	63%	62%	70%

*Source: Minerals Commission, Accra, Ghana*