Mitigating Social Unrest During Restructuring or Turnaround

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It can be tempting, and convenient, for mining companies to abandon their corporate social responsibility initiatives when experiencing financial distress. However, Allan Nackan cautions that this could spiral into costly shutdowns, production losses, and even violence.

Protests, arrests, shutdowns. In the world of mining and oil & gas, these symptoms of social unrest are par for the course—and a reality that can be particularly devastating for companies facing a restructuring or turnaround.

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In communities around the world, in both remote regions and developed nations, mining and oil & gas companies are often perceived as the bad guys that shirk environmental laws—failing to support local communities.

In vulnerable areas, this negative perception can manifest into community protests, labour walkouts and, sometimes, regional violence—unrest that, when left unaddressed, can escalate into shutdowns and costly production losses. For companies teetering on the brink of financial ruin, these losses can often be too much to sustain.

And to be clear—this is no longer just a problem in far-reaching places around the globe. It's a problem right here in Canada. Last year, for example, there were First Nation protests in Nova Scotia over a proposed mining project on sacred land. And more recently, the Kinder Morgan pipeline dispute in British Columbia. As you can see, the problem is also right in our own backyard.

While adhering to local regulations and charters are integral to averting potential unrest and its associated costs, it's rapidly becoming clear that legal compliance alone is no longer enough. To effectively mitigate costly unforeseen risks—and proactively address emerging concerns in communities, workforces, or within other stakeholder groups—companies need a holistic approach to stakeholder engagement.

Maintaining a sense of calm

To keep social unrest at bay, it's essential for companies to solidify their social license to operate and reaffirm their commitment to corporate social responsibility (CSR). There are several ways to do this:

Recommit to risk management

During times of financial distress, it can be tempting for organizations to pull back from their community engagement efforts. However, this approach puts companies at greater risk of labour protests, production losses, reputational damage—and increased financial difficulty.

While every situation is unique, and it's virtually impossible to meet every demand presented by workers or the community at large, simply engaging in constructive dialogue—and attempting to find a solution that works for both the company in question and its stakeholders—can go a long way toward minimizing any damage.

Make it a C-level priority

Mining and other companies in the extractive industry often publish slick CSR reports describing the ways in which they're approaching labour, community, and environmental concerns. Too often, however, this becomes a public relations exercise instead of a genuine interest to address stakeholder needs.

To be effective, stakeholder engagement efforts should not only be prioritized, but they should give careful consideration to *real* community needs and allocate funds as effectively as possible—with the ultimate goal of mitigating local risks. To drive this sort of change, those at the senior level will have to undergo a major mind shift—and begin to view CSR as more than a series of checkboxes.

Take a community-based approach

Commitment to stakeholder engagement should involve more than a glossy report outlining a community outreach program. Instead, it should include an on-site, community-based approach—and a plan that strives to uncover all stakeholder groups, determine each group's specific needs, and assess how programs can provide them with real, sustainable and measurable economic benefits.

To do this, companies need local knowledge on the ground. One way to acquire this is by working with local community liaison officers. These liaisons can conduct regular meetings that bring together executives and members of the respective communities. Not only does this inclusive forum allow companies to establish a relationship with stakeholders, but it ensures that even the most benign complaints are heard and addressed.

Educate

The mining industry, for example, is a serious driver of economic growth, particularly in developing economies where

it often represents a region’s major source of employment, foreign direct investment, and foreign income. However, the industry rarely gets acknowledged for these contributions.
To eradicate negative connotations, mining companies must invest in sincere community outreach and real stakeholder engagement, by reframing the narrative and emphasizing their contributions to economic growth, skills development, and community sustainability. To do this, though, they need to link their programs to measurable social outcomes.

Embracing risk engagement

These adjustments will allow organizations to move beyond risk management and transition to risk engagement—a risk mitigation approach that aims to work proactively with stakeholders to identify and pre-empt small, less-obvious risks before they escalate into full-blown headaches. Not only will such an approach allow distressed businesses to exceed legal compliance requirements—and win the favour of regulators, investors, and boards—but it could also help them avoid social unrest just long enough to get back on their feet.

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