

Conflict Management and Corporate Culture in the Extractive Industries: A Study in Peru



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The **Corporate Social Responsibility Initiative** (CSRI) at the Harvard Kennedy School of Government is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance and strategy, public policy, and the media. It bridges theory and practice, builds leadership skills, and supports constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors.

The views expressed in this paper are those of the authors and do not imply endorsement by the Corporate Social Responsibility Initiative, the John F. Kennedy School of Government, or Harvard University.

<http://www.hks.harvard.edu/m-rcbg/CSRI>



The **Centre for Social Responsibility in Mining** (CSR M) is part of the Sustainable Minerals Institute (SMI) at The University of Queensland (UQ). CSR M's focus is on the social, economic and political challenges that occur when change is brought about by resource extraction and development. CSR M works with companies, communities and governments in mining regions around the world to deliver better outcomes.

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Shift is an independent non-profit center on business and human rights that works with companies, governments, international organizations and their stakeholders to put the UN Guiding Principles on Business and Human Rights into practice. Shift is staffed by a team that was centrally involved in shaping and writing the Guiding Principles, and chaired by their author, Harvard Kennedy School Professor John Ruggie.

<http://www.shiftproject.org>

EXECUTIVE SUMMARY

This report aims to build knowledge about how corporate cultures in mining companies influence how well those companies manage conflict with local communities. It is the product of a joint research project undertaken by the Corporate Social Responsibility Initiative at Harvard Kennedy School and the Centre for Social Responsibility in Mining at the Sustainable Minerals Institute of The University of Queensland in Australia. The research project recognized that factors external to mining companies can have a significant influence on the success of conflict management efforts; however, it started from a working assumption that the culture within a company also plays a substantial role. The project sought to test this assumption by identifying some general lessons that might be of use to mining and other extractive companies.

The research was conducted in two phases. Phase One engaged with experts in the extractive industries at the global level to identify aspects of corporate culture that appear critical to the effective management of conflict with communities. This report focuses on the results of Phase Two of the research, which took those global-level findings and tested them within the more focused context of the mining industry in Peru. Peru was selected since it is both a major center of mining and a country in which the lack of socio-economic advancement for mine-affected communities has led to protest, destruction of property and suspended mine development. The project involved a combination of desk-based research and interviews involving five participating mine sites: Antamina, La Granja, Pierina, Tintaya and Yanacocha/Conga. Interviewees included individuals from senior management, technical departments (exploration/construction/operations), procurement, government relations/ communications, legal, human resources, security, social/community relations and social development.

From the interviews, a number of factors emerged that appeared to be leading determinants of the participating sites' ability to manage conflict with communities effectively. These factors, or themes, generally corroborated findings from Phase One of the research. These included:

- Company attitudes to community relationships and conflict management
- Modes of engagement with communities
- The internal influence of Community Relations staff
- Corporate structures and hierarchy
- Staff attitudes: hiring and training
- The role of formal processes
- Assessing social performance
- The role of the Legal function

There was a strong recognition across all five sites of the importance of good community relationships and the effective management of conflict for success in mining in Peru. In some instances, this view had been informed by experiences of major conflict at the sites in question; in others, by the broader reality of frequent social conflict related to mining in Peru. This recognition was apparent across different functions and departments, and up to the most senior levels. However, there were real differences in how this recognition affected company practices.

Most sites had elevated the leadership level of the Community Relations function or were about to do so; evidence from the research underlined that this elevation in formal status is but one step. The fundamental shift in approaches — and progress in managing conflict — only really occurred when both senior management and technical staff were prepared to *act* on advice coming from Community Relations. This required an ability on the part of the Community Relations team to ‘translate’ the rationale for addressing community needs into terms that made sense to senior management and technical staff. It also required the Community Relations staff to build trust in their skills and judgment within the company, much as they had to do with communities. As such, it showed the task of stakeholder engagement to be as much inward-facing as outward-facing.

This said, the research demonstrated the challenges for Community Relations staff of working on non-scientific issues in a workforce of colleagues trained in scientific disciplines and engineering, and how these challenges can be mutually reinforcing. With limited ability to point to clear metrics matched against quantifiable standards or benchmarks, Community Relations staff typically had to reinforce the case for paying attention or adopting particular responses to community concerns on an ongoing basis.

Most sites had instigated some formal cross-functional collaborative meeting(s) on community relations issues. The sites that appeared most successful at conflict management over time had gone further. Collaborative meetings involved technical departments (exploration/construction/operations) as well as other functions (legal, safety, security, environmental, social development etc). Meetings were not just forums for sharing information so that Community Relations could do a better job, but included joint decision-making that shaped the actions of all company participants, including assuming shared responsibility for outcomes. Successful sites also typically included social performance metrics in performance assessments for staff outside the Community Relations function, reinforcing an alignment of interests and incentives to manage community relationships effectively.

At those sites that reported the greatest sense of internal alignment and shared responsibility for community relationships, Community Relations staff felt relatively empowered to engage early in addressing community concerns and more confident of being given the resources (time, financial, human, equipment, vehicles) to do so. In contrast, sites where interviewees reported less shared responsibility for outcomes also saw the greatest risk of community conflict arising from ongoing misalignment between the objectives and actions of technical staff and those of Community/Social Relations staff.

In practice, the relative influence of the Community Relations/Social functions at the sites was evidenced in part when tensions arose between ‘social time’ and ‘technical time:’ that is, between the time that Community Relations staff need to address community concerns before an activity proceeds, and the timeframe that construction or operations staff are working within, based on technical or financial objectives. While considerations of community relationships and conflict management clearly influenced day-to-day operational decision-making at some of the sites, there was limited evidence that these factors held much sway when it came to really critical decisions for the company, such as the timing of a new project phase or activity. In the large majority of instances where operational activities had been delayed — allowing more time to address social issues — this was due to technical hold-ups rather than any prioritization of the social process.

The various sites included in this report used a broad range of approaches to building relationships and trust with communities through engagement. Some approaches were focused

on ‘educating’ communities on technical ‘facts,’ while others were built around two-way dialogue or shared, participatory processes. Based on interviewees’ own perceptions of what was proving successful, the optimal approaches appeared to be those that were least ‘owned’ by the company alone, and least ‘transactional’ in their objectives (that is, not timed around or predicated primarily on a desire by the company to extract an agreement from a community).

While the model of ‘dialogue tables’ was challenged by some interviewees, it became apparent that they used the term to denote bilateral engagements established by the company to negotiate a solution to a problem with a community. In contrast, interviewees who reported success with dialogue tables viewed them as platforms co-owned with communities and other stakeholders, and facilitated (at least at key points) by a neutral third party trusted by all involved.

The research also highlighted the need for any mining company to have not only the right people and management processes in place, but to understand how the two interact. Without good processes to retain institutional knowledge, keep track of commitments to communities, and regularize successful methods for engagement, the success of a company in managing community relationships could become dependent on individual staff and change rapidly if those staff left. That said, the possibility for bureaucratic processes to exacerbate tensions and conflict with communities was also apparent. In a context where the time in which communities want responses on significant issues is frequently shorter than the time desired by any large company to consider the issues properly, the interviews highlighted a need for innovative procedural approaches that can narrow or offset that disconnect.

The interviews confirmed wider research evidence that companies in the industry do not generally measure and aggregate the actual costs they incur as a result of conflict with communities. While some ‘headline’ costs may be apparent, they are also often viewed as unlikely to occur. Meanwhile more routine costs are overlooked, including management time, poor staff morale and retention, or harm to the company’s reputation that seeds future crises or affects the chances of gaining future contracts, permits and partnerships. This under-appreciation of costs was seen to raise the risk of undervaluing the role, skills and contribution of Community Relations staff.

There was limited evidence from this research of the extent to which corporate structures and hierarchy might have an effect on efforts to build a corporate culture at site level that enables effective conflict management. However, there appeared to be some degree of trade-off between a mine with a strongly hierarchical structure on the one hand and strong cross-functional collaboration to manage community relationships on the other.

When it came to the role of the Legal function, findings from the first phase of the project – that in-house counsel could be quick to take a defensive or confrontational approach when faced with escalating conflict from communities –were not corroborated by the evidence in Peru. In general, legal personnel themselves took the strong view that almost any outcome was better than a lawsuit, and tended to be actively supportive of strong community relations functions and dialogue-based approaches to dispute resolution.

The authors, the Project Team, the Corporate Social Responsibility Initiative and the Centre for Social Responsibility in Mining are profoundly grateful to the companies that took part in this research for their readiness to share their insights, experiences and ongoing efforts to address this challenge. At all the sites involved, many staff, including those in leadership roles, were committed to building positive relationships with communities. The issue was not whether there were efforts underway to achieve success in this regard, but to what extent the companies’

prevailing corporate cultures — their values and the practices, systems and processes that both reflect those values and drive them into the organization — were supporting or hindering that objective. It was apparent that at those sites that had gone furthest in embedding attentiveness to community relationships into their corporate cultures, and internalizing its relevance in the work of all functions and departments, staff had greater confidence in their ability to mitigate the risks of conflict and sustain good relationships with communities over time. The issues identified in this report appeared to be significant factors in arriving at that sense of relative confidence.

I. INTRODUCTION AND BACKGROUND

A. PROJECT OBJECTIVES

This report is the product of research undertaken to build knowledge about how corporate cultures in mining companies influence how well those companies manage conflict with local communities. For these purposes, corporate culture was defined as a company's authentic values and the practices, systems and processes that both reflect those values and drive them into the organization. Conflict management was defined as the means that mining companies use to address tensions and disagreements between themselves and communities affected by their operations. Such tensions may range on a continuum from minor friction to full-blown violence. The research project recognized that factors external to mining companies — such as their broader political context, legislative framework and pre-existing community dynamics — can have a significant influence on the success of conflict management efforts. However, it started from a working assumption that the culture within a company also plays a substantial role. The research focused on testing this assumption to identify some general lessons that might be of use to mining and other extractive companies in managing community relationships and conflict effectively. The findings may also be of relevance to others, such as governments or civil society groups, who engage with mining companies on these issues.

B. PROJECT PHASES ONE AND TWO

The research was conducted in two phases. Phase One built directly upon two years of research into the formal mechanisms that can address grievances and disputes between communities and companies.¹ This work by the Corporate Social Responsibility Initiative (CSRI) at Harvard Kennedy School had highlighted a need to understand better the broader set of dynamics within a company that affect how well these particular mechanisms can function in practice. CSRI hosted an international roundtable in June 2009 to examine this question with a focus on the extractive sector. The roundtable was attended by 20 individuals with expertise in community relations and dispute resolution in relation to oil and gas or mining projects. Discussions were based on three research papers related to the nexus of corporate culture and effective conflict management.² Participants considered the combined implications of this research and their own extensive

¹ Rees, C. (2008). *Grievance Mechanisms for Business and Human Rights: Strengths, Weaknesses and Gaps*. Corporate Social Responsibility Initiative, Working Paper No. 40. Cambridge, MA: John F. Kennedy School of Government, Harvard University; Rees, C. and Vermijs (2008). *Mapping Grievance Mechanisms in the Business and Human Rights Arena*. Corporate Social Responsibility Initiative, Report No. 28. Cambridge, MA: John F. Kennedy School of Government, Harvard University; Rees, C. (2008). *Rights-Compatible Grievance Mechanisms: A Guidance Tool for Companies and Their Stakeholders*. Corporate Social Responsibility Initiative, Cambridge, MA: John F. Kennedy School of Government, Harvard University

² Kemp, D. and Bond (2009). *Mining industry perspectives on handling community grievances: summary and analysis of industry interviews*. Centre for Social Responsibility in Mining, Brisbane, Australia: The University of Queensland, Australia; Sherman, J. (2009). *Embedding Rights Compatible Grievance Processes for External Stakeholders within Business Culture*. Corporate Social Responsibility Initiative, Report No. 36. Cambridge, MA: John F. Kennedy School of Government, Harvard University; and Herbert Smith LLP (2007). *The inside track – how blue-chips are using ADR*. London, England.

experience for companies looking to improve their performance in conflict management. The main themes and views were reflected in a public report of the roundtable.³

In Phase Two of the research, CSRI worked in close collaboration with the Centre for Social Responsibility in Mining (CSRSM) at the Sustainable Minerals Institute of The University of Queensland in Australia.⁴ This phase took the findings from the roundtable under Phase One and tested them in a single geopolitical context through a combination of desk-based research and interviews. Peru was selected as the focus, since it is both a major center of mining⁵ and a country in which the lack of socioeconomic advancement for mine-affected communities has led to protest, destruction of property and suspended mine development.⁶

C. PHASE TWO METHODOLOGY

Five mine sites in Peru agreed to take part in this second phase of the project. They were Antamina, an open pit copper-zinc mine owned by Xstrata, BHP Billiton, Teck and Mitsubishi; Rio Tinto's La Granja copper exploration project; Barrick's 100 percent owned and operated Pierina open pit gold mine; Tintaya, an open pit copper mine 100 percent owned and operated by Xstrata; and Yanacocha, with its complex of five gold mines, owned by Newmont Mining, Minas Buenaventura and the International Finance Corporation. These five sites represent different stages of the mine lifecycle, from advanced exploration through to operations and toward closure. The desk-based research for Phase Two encompassed publicly available information about the general social, economic and political context for mining in Peru, as well as issues specific to each participating site. Interviews were conducted with personnel from a broad range of departments at the five sites, including senior management, technical departments (exploration/construction/operations), procurement, government relations/communications, legal, human resources, security, social/community relations and social development. Prior to conducting the interviews, the project team held a half-day workshop in Lima with senior representatives from the participating sites as well as three other mines. Discussions helped highlight particular issues that participants felt could be best explored through the interviews.

The interviews were conducted between May and July 2011, with most undertaken at the site level. They were conducted on a confidential basis, either in English or Spanish, with simultaneous interpretation where necessary.⁷ An interview protocol was used that covered a number of issues emerging from the 2009 roundtable discussion (see Annex C). Interview responses were analyzed, and a brief report of each site visit was prepared and shared with the relevant participating company on a confidential basis, anonymizing comments made. In turn,

3 Rees, C. (2009). *Report of International Roundtable on Conflict Management and Corporate Culture in the Mining Industry*. Corporate Social Responsibility Initiative, Report No. 37. Cambridge, MA: John F. Kennedy School of Government, Harvard University.

4 The CSRI team and overall project was led by Caroline Rees (CSRI and Shift) with the support of Rachel Davis (CSRI and Shift) and David Plumb (on loan to CSRI from the Consensus Building Institute). The CSRSM team was led by Deanna Kemp with support from Rebekah Ramsay and Magaly Garcia-Vasquez. CSRSM had been a significant contributor to discussions also in the first phase of this work.

5 Peru is the world's second largest producer of silver, copper and zinc, the fourth for lead and the sixth for gold. See Ministerio de Energia y Minas (2010). Boletín Mensual de Variables Mineras 2010. Available at: <http://www.minem.gob.pe/minem/archivos/file/Mineria/PUBLICACIONES/VARIABLES/2011/BOLETIN%2015.2.2011.pdf>

6 Oxfam America. (2009). *Mining conflicts in Peru: Condition critical*. Available at: http://www.oxfamamerica.org/newsandpublications/publications/briefing_papers/mining-conflicts-in-peru-condition-critical/Mining-Conflicts-in-Peru-Condition-Critical.pdf; Bebbington et al (2007). *Mining and Development in Peru with Special Reference to the Rio Blanco Project, Pinura*. p.3 Available at: <http://www.perusupportgroup.org.uk/pdfs/Mining%20and%20Development%20in%20Peru.pdf>

7 All interviewees were informed of the purpose of the research, that records of the interview would be confidential, and that nothing they said would appear in any report in a manner that could identify them as the speaker without their permission. All interviewees provided their individual consent to participating in this way.

these reports provided the material for this public report of the research. Further details of the methodology are provided in Annex B.

D. REPORT STRUCTURE

This report is divided into four sections; this Introduction and Background section is the first. Section II sets out a range of issues that emerged from the interviews. These are grouped together under eight cross-cutting themes. In each case, the issues are presented in terms of the perspectives of those interviewed and then followed by a brief section in which the authors draw out some conclusions.

Section III pulls together a number of key overarching conclusions from the research that appear particularly relevant to understanding how corporate culture informs the effectiveness of conflict management. Some of the themes and conclusions reported may be particular to, or accentuated in, the Peruvian context. However, the frequent correlations with findings from the first, global phase of this project suggest that most will be relevant to the extractive industries more generally.

Section IV of the report indicates a number of areas where further research may be particularly fruitful. These reflect in part the limitations of this project, which deliberately focused on the company ‘voice’ in order to explore the internal company dynamics that affect conflict management with communities. Finally, Annex A provides a brief overview of the context of mining in Peru, Annex B sets out more fully the methodology for this phase of the research, and Annex C reflects the general issue areas covered in the interview protocol.

II. CROSS-CUTTING THEMES

This section of the report sets out a number of cross-cutting themes that emerged from the interviews. In each case, the theme reflects a number of related issues that were considered by interviewees as significant for the effective management of community relationships and conflict. Interviewee perspectives were often based on different experiences, reflecting both relative successes and failures, and at times comparing their experiences at the five sites in this research with prior experiences at other mines. They are relayed in some instances in the direct, anonymized words of the interviewees themselves. Each sub-section ends with some conclusions from the authors.

The themes identified are:

- Company attitudes to community relationships and conflict management
- Modes of engagement with communities
- The internal influence of Community Relations staff
- Corporate structures and hierarchy
- Staff attitudes: hiring and training
- The role of formal processes
- Assessing social performance
- The role of the Legal function

A. COMPANY ATTITUDES TO COMMUNITY RELATIONSHIPS AND CONFLICT MANAGEMENT

A1. Issues Raised

Senior managers at the various mine sites emphasized that mining in Peru was impossible without considerable attention paid to community relationships. The managers typically argued that this ‘social’ aspect of mining is as fundamental to success as the technical side of the process. In most instances, this **shared view of the importance of community relationships** was echoed by a broad cross-section of personnel. As one interviewee put it:

“Probably the highest risk for us is ‘social’ or community relations – not only for us, for any mining project, I guess. Once you have passed the...technical assessment, your main risk to put the project in place will be social – for any project in Peru...Talking about communities in Peru, your first mistake could be your last one.”

In the words of another:

“We are always looking to improve community relations. It has become a strategic interest and it is just as important as operations or other aspects.”

This said, **in the experience of many, it had been a crisis that had led the company to take this view** — sometimes one as dramatic as the permanent shut-down of part of a project. The view at one site was that it had *“paid dearly for short-shrifting the social component”* in its early years and was still *“haunted”* by the legacy of that period. This experience was echoed at some other sites as well. These incidents had typically been a trigger for an increase in the resources available to the Community Relations function. They had also led in some instances to the establishment of new structures for dialogue and decision-making within the company, and sometimes (though not always) between the company and communities.

Nevertheless, there were **divergent views between – and sometimes within – sites as to where responsibility for successful community relationships and conflict management should ultimately reside**. At one site, some interviewees felt it depended on the personal views of whoever was in charge – some managers saw conflict as an irritant, some saw it as something important for them to manage, and others blamed either the community or Community Relations staff when it occurred.

“We [only] have general guidelines, so all of this gray zone is still in the hands of the leader; at this point leadership is still a key.”

The general approach to managing conflict at this site appeared still to be somewhat narrow and reactive, focused on containing conflict to avoid disruption to operations.

Other sites reported a more coherent approach to conflict management across different functions and departments. At some, this seemed to amount to **a real sense of shared responsibility for outcomes**.

“At the end of the day, [Community Relations] know how to deal with the community and they know what their concerns are and we should follow their lead...[but] it is [also] the role of all departments, even if they don’t work directly with communities, they [also] impact the community and they are part of this organization...what they do impacts the whole.”

All the sites had in place some form of internal **cross-functional committee to discuss community relationships and conflict management**. In some instances these committees had been operating for a relatively long time, while in others they were newer innovations. There seemed, however, to be differences in their objectives. Some were largely forums for sharing information with Community Relations staff, while others were a vehicle for joint decision-making that could and did shape the actions of other relevant functions/departments.

At those sites that appeared most strongly to favor the **‘action-shaping’ rather than just ‘information-sharing’ model of collaboration**, the cross-functional committees routinely included individuals from key technical departments. At one site, interviewees reported joint, cross-functional efforts to find creative solutions that could benefit both the company and communities in the long term, rather than taking a strictly compliance approach to meeting social standards. As one interviewee on the technical side put it, *“we can’t leave Community Relations out there on their own as a shield that we hide behind.”*

At a second site, interviewees highlighted a system of daily meetings of the senior management team and monthly reviews by function/department as well as meetings held in response to complaints from communities. They considered that the value of such a high frequency of meetings lay in the **opportunity to ensure internal alignment before taking action**. One interviewee commented that he was initially frustrated by so many meetings, but then saw that if other functions/departments were not aligned internally with Community Relations, the technical side of the operation suffered. *“When people see that these [community] issues affect their results, they’re the first to call meetings.”*

At other sites, the technical departments were not usually included in cross-functional meetings about community relations and related social issues. Instead, the main participants were from the environmental, legal, security and safety functions. At one site interviewees reported that Operations staff *“[don’t] know what Community Relations does.”* As a result, when there was a problem, the view was that Community Relations *“didn’t do their job.”*

A2. Conclusions

It is clearly an essential step for any mining company that aims to address conflict management effectively to build a shared view across different functions/departments that company-community relationships matter fundamentally to the company’s own success. However, this is only one step. On its own, it does not address a sometimes ingrained assumption that it is solely or primarily the responsibility of Community Relations staff to achieve good relationships with communities and prevent conflict.

At the roundtable held in Phase One of this research project, the question of allocating responsibility for community relationships was compared with the allocation of responsibility for health and safety performance. As participants observed:

“[The site safety manager’s] role was not to assume full responsibility for making the site safe, but rather to educate, train and support others, across all relevant functions and with appropriate procedures, in how they could ensure site safety. This paradigm seemed particularly

relevant to the community relations function and the need for them to shift from being seen as firefighters to being used as service-providers, helping other departments ensure good conflict prevention and management with communities.”⁸

The evidence from the interviews in Peru supported this conclusion. It suggested that achieving internal alignment of policies and practices across functions and departments – including technical departments – is a necessary precursor to achieving strong and resilient relationships with communities, and thereby mitigating the risk of conflict.

It is unclear from this research whether the integration of technical staff (whose actions may frequently lie at the source of tensions with communities) into cross-functional decision-making processes is typically a result of, or a catalyst for, this shift towards shared responsibility; however, there appears to be a strong correlation. At those sites that reported the greatest sense of internal alignment and shared responsibility for community relationships, Community Relations staff felt relatively empowered to engage early in addressing community concerns and more confident of being given the resources (time, financial, human, equipment, vehicles) to do so. By contrast, sites where interviewees reported less shared responsibility for outcomes also saw greatest risk of community conflict arising from ongoing misalignment between the objectives and actions of technical staff and those of Community/Social Relations staff.

B. MODES OF ENGAGEMENT WITH COMMUNITIES

B1. Issues Raised

Many interviewees talked about a historical or cultural ‘paternalism’ toward communities on the part of their company, while some spoke of an **effort to move from paternalism towards a more partnership-based approach to community relations**. Staff at two sites reported a concerted effort to move away from **past practices of “throwing money” at communities**. This was now seen as a short-sighted ‘quick fix’ approach that appeared arrogant or distant to some communities, yet some interviewees reported challenges in moving away from this practice since it had created a **legacy of expectation among communities**.

“Everybody knows what the game is. It’s not personal. It’s about money. [The community’s attitude is,] ‘We’re not here to settle a score, we just want a new school.’...That’s the way we [the company] are interacting. That’s the shame of it all, because the relationship got off on that type of foot. You make noise, you get in the way, you cause a problem, we give you money, we get what we want, you’ve got what you want, and then once that money runs out, it starts all over again.”

Even where money was not immediately involved, many reported a history of staff making **multiple, and often unrecorded, commitments to communities** to achieve their acquiescence at various stages of the mining project. When these commitments did not translate into action by the company, communities felt they had been lied to, and distrust increased.

“The problem is that previous commitments and promises made [were] not fulfilled [...] and now that legacy has meant that the staff who are here now have to deal with those commitments.”

⁸ Rees, C. (2009). p 11

Some sites had fairly recently introduced formalized systems for agreeing and recording all commitments to communities so that fulfillment could be tracked. In parallel, the sites were trying to process past commitments on which they still had to deliver.

Various interviewees saw the **empowerment and capacity-building of communities** as central to any move away from paternalistic relationships. One view was that strong and empowered communities are important also as a conflict reduction strategy.

“The approach from the past was ‘the weaker the other, the better for us,’ because we can take advantage, because we can work with the government and take their land...Our approach is different. We need a strong counterpart to get what we really want and to create value for the company. Because there is a lot of value involved, there is social capital, human capital involved. So the better they are, the better we are.”

Interviewees at some sites discussed examples of **shared, participatory processes as a means to empower and work with communities** and address certain issues of concern to them – notably environmental impacts. One site reported that it had long had a participatory environmental monitoring process in place, and its social investment foundation worked jointly with community-appointed committees on the execution of projects. At another site, a previous system of Environmental Committees involving community representatives had been discontinued, with one exception. The main reason given for the discontinuation was the burden placed on community representatives when it came to explaining to skeptical community members that the site was in fact meeting environmental standards. The one remaining committee appeared to have a distinct nature, having been established by the federal government in response to protests at the early stages of the mine’s operation. It involved technical experts from the federal government as well as members of local civil society, and addressed community complaints through a quasi-adjudicative function. Interviewees saw it as a widely trusted and successful institution.

Two sites also reported having **formal ‘dialogue tables’** with communities, which they saw as broadly successful: one involved all communities directly impacted by the mine as well as some NGOs, while the other involved a particular community and the federal government. Interviewees at the first of these sites reported that the dialogue table had transformed views across different functions and departments in the company, embedding a shared belief that patient, respectful dialogue would produce better outcomes, over time, for the company as well communities. In the words of one interviewee:

“In the end, what we need is to generate confidence. More than anything else, this is about relationships and trust.”

This site had been able to start new projects locally because of the support of the communities. Interviewees attributed this to the quality of this dialogue and the way in which it was seen to inform company decisions and actions.

At a third site, there was a pervasive view among personnel that such dialogue tables were of limited value: that they could bring some benefit as a short-term intervention to address a dispute, but that the longer they existed the more they fell victim to wider political interests and manipulation.

“When you start building dialogue tables, you start bringing to the table different players that are not necessarily in line with the interests of the two parties. It makes it extremely hard and it becomes political. Most of the time, when it starts with a technical problem it becomes a political problem during those dialogue tables.”

Interviewees reported various other approaches to engagement with communities, of which many were implemented in parallel. At some sites, staff emphasized the importance of **spending time ‘face-to-face’ with communities**. This was seen as an imperative also for senior management (including management based in Lima). One senior interviewee reflected that if he did not take time to go into the communities and talk, he could not expect his staff to do so.

One site reported expectations that staff in different functions get involved in some recreational events with local communities, and saw this as an important way to start to build better relationships beyond working interactions. At another site, interviewees also viewed **general, non-transactional engagement with communities as important for building a foundation of trust**. They saw this as a prerequisite for being able to talk constructively about sensitive and potentially problematic issues. Interviewees described a process of listening, getting to know people, and understanding their aspirations and challenges as well as their opinions and perceptions about project-related issues.

Various interviewees recognized the **challenges of engaging with certain groups within communities — notably women**. At one site, the following was observed.

“Most of the interaction with the communities is in town hall meetings, [where] participation is biased to men. There are women, but usually they do not participate a lot... We don’t have specific dialogue spaces to address women directly. This is something that is missing.”

Another site had begun sponsoring a number of traveling information ‘tents,’ where community members from certain areas talked to more remote communities that were distrustful of, or actively opposed to, the company’s presence. The company committed to answer any questions it received through this process at the manager level. The tents reportedly attracted women and children in particular. These engagement efforts were seen by interviewees as having helped company staff begin direct dialogue with some of these communities.

A recurrent theme among interviewees was the **juxtaposition of ‘facts’ as understood by the company with community ‘perceptions’** and the importance of avoiding judgment about ‘right’ and ‘wrong.’ Several interviewees reflected the importance of avoiding assumptions about who was ‘right.’

“When you get the initial information...[community perceptions] seem unjustifiable from our point of view. But when you delve into it and understand it, there is always something we haven’t done right or we haven’t communicated it or we’ve left aside.”

B2. Conclusions

Roundtable participants in Phase One of this research project discussed the nature of ‘trust’ in the context of corporate-community relations. Participants expressed the view that “the key was not trust in the company, nor trust in a particular grievance mechanism, but trust in the process of relationship building. The company does not and cannot own that process. It is necessarily two-sided, whether it is relationship building to prevent future disputes, or the harder task of relationship building in the shadow or aftermath of a major dispute.”⁹

This view was borne out by the reported views and experience of interviewees in Peru with regard to modes of engagement with communities. A broad range of approaches to building or

⁹ Ibid. p 8

rebuilding relationships and trust through engagement was clearly being tried by the various sites in this research. Some sites had highly developed and structured processes, while one site had not yet developed any clear strategy. Some approaches were focused on ‘educating’ communities on technical ‘facts,’ while others were built around two-way dialogue or shared, participatory processes. Based on interviewees’ own perceptions of what was proving successful, the optimal approaches appeared to be those that were least ‘owned’ by the company alone, and least ‘transactional’ in their objectives (that is, not timed around or predicated primarily on a desire by the company to extract an agreement from a community).

However, an instinctive and understandable urge to resort to ‘proving’ facts in an effort to determine ‘right’ from ‘wrong’ and control the engagement process remained the default position of some staff in practice. These approaches are clearly more intuitive and attuned with conventional company processes (based often on scientific findings and control-based systems) than are approaches that involve relinquishing and sharing control and placing value on perceptions. Yet experience did not suggest that conventional approaches generally succeeded. As one interviewee observed, little progress can be made in persuading communities of ‘facts’ if they do not trust the individuals relaying them.

While the model of ‘dialogue tables’ was challenged by some interviewees, it became apparent that they used the term to denote bilateral engagements established by the company to negotiate a solution to a problem with a community. Poor experiences had led to a sense that these processes — or the individuals involved in them — had failed in some regard. By contrast, interviewees who reported success with dialogue tables viewed them as platforms co-owned with communities and other stakeholders, and facilitated (at least at key points) by a neutral third party trusted by all involved. This is an important distinction. Where there is limited trust between company and community and/or multiple relationships and complex issues in play, it may well be that engaging a third party who can set shared parameters for discussion, create space for issues and interests to be aired, and enable the parties to engage in joint problem-solving is necessary to arrive at real solutions. However, this mode of engagement also requires that the company relinquish what it perceives as ‘control’ over the engagement process, and becomes an equal partner at the table.

C. THE INTERNAL INFLUENCE OF COMMUNITY RELATIONS STAFF

C1. Issues Raised

At all the sites, interviewees saw the **relative seniority of the head of the Community Relations/Social function** as a significant driver of the function’s influence within the company. In two cases, the seniority of the individual heading this function had been elevated relatively recently. In one instance, this was seen as already having generated real changes in practice. At a third site, the Social function had fully equivalent status to the technical side of the project. Indeed, staff talked about the ‘Social Project’ and the ‘Technical Project’ as two halves of the whole. This also brought with it expectations that the Social Project staff provide equivalent rigor in their processes, and evidence of the value they offered to the company, quite apart from the value to the communities. In the words of one interviewee:

“How does all of this create value for the project and for [the company]? We are not a foundation, that is not our purpose, and we do not pretend to do that through the social project. This social project creates value by creating security of tenure...by creating social peace. It will give you land access, it will provide the conditions for this technical project to be realized.”

Interviewees at this site reported that the weight given to the Social function remained the subject of constant and challenging internal debate. This was generally seen as constructive, pushing for more rigorous understanding of the social aspects of the project, rather than diminishing its importance. However, it also highlighted that the case for this elevation and attendant resources had to be constantly reiterated.

In practice, the relative influence of the Community Relations/Social functions at the sites was evidenced in part when **tensions arose between ‘social time’ and ‘technical time:’** that is, between the time that Community Relations staff need to address community concerns before an activity proceeds, and the timeframe that construction or operations staff are working within, based on technical or financial objectives. Frequently, ‘social time’ requires a longer period before an activity begins than does ‘technical time.’ This tension was generally recognized as being intrinsic to the nature of mining.

“There’s always this tension of you have to move at a certain speed to be economic, viable. But you also can’t move too fast because then you get into this situation of – well, to move really fast you just pay [off the communities], which teaches behaviors you live with for the rest of your life.”

At one site, interviewees reported a progression from past approaches that had favored the timeline set by the technical teams to current processes with deeper involvement by Community Relations in strategic decisions and risk planning. This change had been informed by experiences where community conflict had arisen after permitting processes were rushed. These experiences had led to a greater readiness to look for alternative technical approaches, even when more costly in the immediate term, to mitigate risks of conflict with communities. However, there was reportedly still no formal system or process for identifying the best approach where such tensions in timelines arose.

Interviewees at two sites underlined the **need to invest in community relationships well before a project is ‘green-lighted’ to proceed on technical grounds.** In one instance, the example was raised of training community members for semi-skilled jobs. Though it was these jobs, rather than unskilled jobs, that offered greatest development opportunities to communities, they required that the company invest in training people before a project or activity was given final technical and financial approval. In practice, the parent company only released funds for training once a project was proceeding, at which point it was too late for locals to acquire the skills for the jobs immediately available. This was seen as weakening the foundations for good community relationships and increasing the risks of conflict.

One interviewee suggested that his company’s adherence to technical timeframes contrasted with the **treatment of timeframes for meeting commitments to communities:** *“For construction we never change schedules; for commitments [to communities] we do so all the time.”* An interviewee at another site noted that the delays required for internal decision-making could appear like prevarication to communities.

“[D]ecisions here go all the way up...to the director, sometimes even to [the parent company] and it is hard for the community to understand that I cannot make the decision.”

At another site, where a technical delay had enabled more time for engagement with communities, interviewees emphasized that it was how they managed the relationships with communities that influenced success, as much as the time they had to do it in. The implication of

these comments was that an ability to respond promptly and effectively to communities could be as important as having additional time for the engagement process.

Various interviewees highlighted the **particular kinds of stress under which Community Relations staff work**. Many conveyed a sense of **having to fight in all directions for trust, both with communities and internally within the company** — whether due to limited recognition of their work when conflict was absent or a predisposition to blame them if conflict arose. Even at the site where the ‘Social Project’ had been given equal status with the ‘Technical Project,’ the internal debate to justify that setup was ongoing. One interviewee underlined that cross-departmental relationships and trust were paramount.

“...you can’t repeat the messages like a parrot, because if people don’t trust you it doesn’t matter...there is a lot of convincing to do internally for people to get it and actually make the right decisions.”

Another interviewee at the same site noted similar **challenges gaining trust from the parent company**.

“It’s a matter of support and help, not saying ‘why?’ Because the social world is the world of the ‘whys.’ When you propose something you say ‘100% local local employment’, – ‘why?’; ‘we need to invest a couple of millions because of roads or canals’ – ‘why?’ That is typical when you don’t have the common understanding [of the issues at stake], so you have pushback [against] your initiatives.”

The challenge of community relations work was sometimes reflected as **a task in constant ‘translation.’** As one interviewee noted:

“If I put it in terms of software, communities talk in graphics, we in Community Relations work in Word, and our [technical] colleagues only understand Excel. I have to be proficient in all three programs and convert between them.”

The interpreter role appeared to lead sometimes to Community Relations staff being seen by both communities and their colleagues as ‘siding’ with the views of the other.

C2. Conclusions

Although the Roundtable discussions in Phase One of this research project had concluded that community relations staff were typically led by more junior individuals than those in other functions, this was much less so the case at the sites in Peru.¹⁰ In many instances, the ‘upgrading’ of the Community Relations leadership role was a direct result of costs to the company from past conflicts with communities, and the resulting recognition that this function needed greater internal weight and attention. However, the evidence underlined that this elevation in formal status is only one step. The fundamental shift in approaches — and progress in managing conflict — only really occurred when both senior management and technical staff were prepared to act on advice coming from Community Relations. This required an ability on the part of the Community Relations team to ‘translate’ the rationale for addressing community needs into terms that made sense to senior management and technical staff. It also required that Community Relations staff build trust within the company in their skills and judgment, much as they had to do with

¹⁰ Ibid. p.2

communities. As such, it showed the task of stakeholder engagement to be as much inward-facing as outward-facing.

At the same time, even where Community Relations staff had these skills, it was clear that there still must be a level of receptivity within the company that was not always evident. At all sites, there appeared to be a broad sensitization among staff about the significance of community relationships, and at most there were good levels of knowledge of the key issues of concern to communities. However, only at certain sites was there confidence that the day-to-day actions and decisions of technical departments would be shaped by this knowledge in practice. At those sites, there appeared to be the greatest integration of technical staff into internal meetings about community relations issues, and the greatest sense of shared responsibility for outcomes across departments.

There was least evidence across the sites that when it came to really critical decisions for the company, such as the timing of a new project phase or activity, risks linked to community relationships might substantially influence decisions. In the large majority of instances where operational activities had been delayed — allowing more time to address social issues — this was due to technical hold-ups rather than any prioritization of the social process. It was apparent that one way to reduce the tension between technical timelines and the ‘social time’ needed for community consultation might lie in treating commitments to communities with the same rigor as operational needs were treated. Yet this too would require a view from all parts of the company that these commitments constitute a priority and must be translated into action.

D. CORPORATE STRUCTURES AND HIERARCHY

D1. Issues Raised

The sites in this research had varying structures and relationships with parent companies. Some were wholly owned, while others had a number of corporate shareholders. Most had top management based in Lima but traveling with differing frequencies to the site, while for one of the sites the General Manager was based locally.

In one instance, interviewees highlighted difficulties in **managing differences between local corporate culture and the culture of the mine’s corporate parent or shareholders**. Interviewees felt that the latter was sometimes pushed upon them but did not always work in the local context. At another site, differences in outlook between Lima staff and those at site were highlighted.

“I think people in Lima solve the problems with other perspectives, other ‘lenses’. They are concerned with the politics of the company and have a policy-focused approach to [community] problems, but we have a different approach [on the ground].”

At another site, interviewees identified a **tension between strong hierarchical structures and effective cross-functional decision-making at site**. The dominant ‘vertical’ decision-making structures within the technical department were seen as undermining the openness of technical staff to ‘horizontal’ collaboration with Community Relations at the site. One interviewee, himself on the technical side, saw this as stemming in part from a general lack of support on the technical side of the parent company for community relations work, which permeated downwards to site level.

“What we’re really missing in [the parent company] is the ability to integrate or actually have sociologists, anthropologists in the group, on the team and working effectively in the team. They are not even at the table largely. They’re hired and put over in an office and ‘hey, we’ve got a problem over here, what do you think?’ Or if they are at the table, they’re at the table for a while and say a few things, everybody gets frustrated and kicks them out, and then somebody else will push them back in. So we’re just at that stage of trying to integrate that sort of thinking process into our culture...They are still outsiders, if you will.”

A couple of sites described more **devolved structures for responsibility and accountability**. At one, a number of interviewees described how the parent company’s flat and relatively slim corporate structure combined with a number of distinct factors to help the site address community conflict effectively. These factors were variously seen as including the provision of clear policies by corporate, backed up by supporting guidance materials; the empowerment of the site to take on a high degree of authority and responsibility in implementing the policies, with regular monitoring; the expectation that the site meet social metrics such as a reduction in protests and improvement in social indicators; the requirement that financial models include social contingencies in assessing baselines as well as future projections; and the expectation that social metrics form part of the performance indicators for all functions and in the biannual assessments of their staff. Interviewees also noted that the General Manager was site-based and, along with the Regional Head, had wide discretion to hire and spend. When problems in community relationships did arise, interviewees reported that corporate was quick to respond, but by bringing resources to assist, and not simply to ‘punish.’

D2. Conclusions

The Roundtable participants in Phase One of this research project had noted that “[organizational] culture varies not only between companies, but between company sites, and to some extent across corporate functions or business units. Furthermore, culture [is] often highly dependent on the structure of the company, whether it [is] a hierarchical company led by a powerful personality or a company with much flatter structures. These factors [have] to be taken into account when looking at changing culture for a particular purpose, including more effective conflict management.”¹¹

The evidence from the research in Peru reflected some of these different corporate structures and different cultural challenges associated with them. It is difficult to judge how much the challenges were a result of the structures or were particular to a company for other reasons. That said, there appears to be some degree of trade-off between being a mine with a strongly hierarchical structure on the one hand and strong cross-functional collaboration to manage community relationships on the other. A dominant hierarchy may disempower staff from engaging in collaborative decision-making at the working level, as they default to the sign-off of their own superiors on every issue. Where the hierarchical dynamic extends up to departments in the parent company that are not attuned to social issues, this may perpetuate distinct sets of attitudes that cut across site-level efforts to build a local corporate culture inclusive of social performance.

¹¹ Ibid. p.4

E. STAFF HIRING AND TRAINING

E1. Issues Raised

Many sites saw the issue of staff hiring as important in enabling them to prevent and manage community conflict, though with varying views of whether they were ‘getting it right.’ At various sites, there was a strong sense that it was **important to hire personnel with certain skills and attitudes toward communities from the start**. As one interviewee put it, *“It’s hard asking people who’ve been here for 11 years to change their attitudes.”* This view was echoed at another site, where top management said it had rejected an otherwise strong candidate for a senior technical position because he didn’t demonstrate the right sensitivity to community issues. At one site, some interviewees felt that the Human Resources function, based in Lima, had a **tendency to hire people from the same mold as themselves**, including in ethnic and cultural terms, ignoring the fact that the mine operated in an indigenous area. At another, by contrast, the fact that the General Manager was from the nearest major town and spoke the local indigenous language was seen as both a significant indicator and incentive for positive staff attitudes to local communities. Separate, yet linked to this, was the **issue of ‘local local’ hiring** (that is, hiring from the immediate communities around the site). This was seen at all sites as an important aspect of conflict management, given that jobs were a key expectation among local communities. At the same time, some interviewees noted that it could be – and had been – a source of conflict when not handled well. At least one site faced challenges in **integrating ‘local local’ workers into the corporate culture**. The scale of this challenge had not been foreseen by the company. Local employees were reported to retain strong ties to their communities, with a belief that some could transmit the substance of internal meetings back to communities and to provide assistance to communities when there were protests against the company. One interviewee explained that local hires often spoke Quechua (a local indigenous language) among themselves *“so when they start laughing, others [non-Quechua-speaking staff] don’t know if they’re being laughed at,”* causing friction between the different groups. It was not possible to interview Quechua-speaking workers to gain their perspective on this, nor to assess the extent to which the issue was one of integrating local workers into the prevailing corporate culture, or of adapting the prevailing culture to successfully accommodate local workers. Either way, it illustrated one challenge of local hiring for the management of conflict with local communities.

Not surprisingly, Community Relations personnel typically emphasized **the skills and training needed to manage community relationships and conflict effectively**. At some sites there was a sense even from staff outside Community Relations that these skills were not sufficiently recognized or valued in the wider company.

“It’s a culture loaded up with a bunch of engineers and project types ... How do you give many of those people, particularly the business types who’ve never worked in a context like this, never been overseas, never had to go to work every day and think ‘boy if these people uprise I’m in real trouble,’ [an understanding of what’s involved]?”

In practice, the skills of the Community Relations function at the different sites appeared to vary. At one site the Community Relations function was reported to be working without a community relations management system or strategic plan and without a shared knowledge of the local community or sufficient socio-political analysis skills. No one on the staff spoke the local indigenous language, despite the fact that many community members – notably women – did not

speak Spanish. These deficits weakened the capacity of the Community Relations function to influence company decision-making processes with regard to conflict management.

By contrast, at another site the first General Manager under current ownership had had a background in anthropology, while his successor was from a local town and spoke Quechua. This was seen as positively informing the attitudes of other staff toward social issues and skills. In the same instance, the parent company put a **premium on cross-site learning about community relationship management between company sites**. It was reported that supervisors often exchanged experiences with, and visited, other mining operations, and that managers from all operations within the same commodity group met once a year for four days to share challenges and best practices. Moreover, interviewees commented that the General Manager personally helped **identify those who needed training on social issues at both the manager and superintendent levels**. This could include participation in role-playing workshops together with the local communities, where the participants were required to swap positions.

Some Community Relations staff interviewed had a background in the technical side of mining; at most sites, there was some emphasis on providing these staff with exposure to technical operations, be it on a specific issue such as water impacts or in broader aspects of construction or operations. A number of sites had either already undertaken, or were considering, **cross-posting Community Relations personnel to technical departments**. At none of the sites, however, was there **equivalent cross-posting of technical personnel into Community Relations**. This said, a top manager at one site noted a growing need to develop engineering graduates who understood the social side of mining and to rotate them through social departments. He stressed the **critical difference that the recruitment of staff with social science skills would make to the success of mining** in the years ahead.

E2. Conclusions

Various aspects of this research underlined the significance of staff attitudes towards communities. The challenge was how to promote positive and productive attitudes. It clearly requires that sensitivity to social issues be part of hiring processes across all functions, not just Community Relations. Training then becomes crucial in progressing from staff who are ‘sensitized’ to community issues and concerns, to providing them the knowledge of underlying issues and how their own actions and decisions play a role in causing or mitigating them. Cross-posting technical staff into Community Relations may also help build that knowledge, as well as an awareness of the challenges faced and skills needed in this function. There was little evidence of trying this approach at the sites studied.

It was also clear that converting company personnel’s knowledge of community concerns into action depends in part on other factors. One, clearly identified by interviewees, is the extent to which the pervasive corporate culture (whether at site or set within individual departments/functions) recognizes the skills of Community Relations staff and values their advice in shaping company decisions and actions. This relates to the earlier discussion of the function’s relative influence within the company. A second factor is the performance incentives that ultimately set the ‘default mode’ for staff decisions and actions across the company — this is discussed further in the next section.

F. THE ROLE OF FORMAL PROCESSES

F1. Issues Raised

A number of interviewees at one site highlighted the **emphasis placed on staff attitudes to local communities on the one hand and on formal processes to manage community relationships on the other**. Some reported that a previous over-reliance on processes and systems was responsible for enabling major incidents of conflict. The lesson drawn was to place much greater emphasis on staff attitudes.

“We have documentation; we have process maps of things. But still it’s a lot to do with attitude. You can have all the processes you want; and we have a roomful of processes, but if you don’t have the right attitude in individuals, it will not happen.”

Some interviewees went so far as to suggest that staff attitudes accounted for 80-90 percent of success in the area of community relations, relative to formal processes. At another site, an interviewee observed that *“the wrong people can destroy good processes, and good processes can’t turn [the wrong] people into good managers.”*

However, some interviewees at the first site also felt that there was a **lack of organizational learning within the company due to an over-reliance on individuals**. If top management changed, it was suggested that *“we will need to learn again because organizational learning is not quite there. It’s individual learning.”* This implied that systems, or at least formal processes, might in some regards be lacking. As another interviewee put it:

“It’s still largely ad hoc. It’s who’s the project manager...therein lies the big risk...when a new project comes along ‘OK, what’s the social execution plan?’ It’s kind of made up by the guys in the field. And if they’re guys that have some experience in it, it’ll probably go fine, and if they’re not, they’ll probably ignore it and you’ll have some troubles. That’s the next step I think we’re struggling with.”

Indeed interviewees at most sites put particular weight on the **introduction of processes and systems to track commitments made to communities**. In many instances, previous practices had allowed personnel to make promises to communities that were not, or even could not, be delivered, leading to lost trust and incidents of escalated conflict. Here, **systems were seen as an essential complement to, and even driver of, better staff attitudes and practices**. At the one site where there was still no system for tracking commitments, many interviewees saw this as a significant risk factor with regard to community conflict.

The relationship between staff attitudes and formal processes or systems also arose in discussions of grievance handling. One site had a clear, unified system for handling community grievances, with an escalation procedure and a strong emphasis on dialogue. Interviewees saw the **introduction and experience of this system as the source of changes in attitudes across the company** to the value of dialogue. At another site, the lack of any grievance mechanism capable of responding to low-level community concerns was seen as one reason why communities quickly escalated problems to attract the attention of regional management.

At a third site, there were three different approaches to grievance handling, each reflecting a different view of the role of systems. Grievances in the local town, which related overwhelmingly to contractors, were handled through what appeared to be a well-developed, software-based

system with a dedicated office and staff. Grievances in one geographical area of communities were addressed directly by Community Relations staff in the field. The view was that trying to register all the complaints in a system would lead to excessive formalization and slower responses. In another geographical area, however, a separate mechanism appeared to combine a highly personal approach to hearing and addressing complaints with a software-based system that allowed for tracking the complaints as well as the company's responses, helping identify patterns and potential hotspots.

One interviewee suggested that while processes were necessary, there was a **distinction to be made between good processes that were simple, clear and could inform timely decisions, and processes that amounted to lengthy procedures with little clear benefit to outcomes**. The example was given that statistics at the site showed there were on average nine days between a community grievance being raised and some form of escalated conflict emerging, while the company procedures to address them almost always took more than nine days.

F2. Conclusions

Feedback from interviewees highlighted that company processes and systems can play an important role in helping ensure that effective practices to mitigate community conflict persist beyond the job-term of individual leaders. This said, it is also apparent that processes have to be of a certain quality if they are to support organizational learning and culture. Preferably clear, and not too time-consuming, they need to focus on facilitating meaningful decisions and aligned approaches across the company. By contrast, processes that are perceived to provide little more than administrative procedures risk delaying responses to communities and exacerbating tensions and distrust.

G. ASSESSING SOCIAL PERFORMANCE

G1. Issues Raised

It was rare for the sites involved in the research to have conducted root cause analyses of incidents of conflict with communities. An interviewee at one site suggested there was still a **reticence to recognize that actions of the company can create at least excuses, if not actual causes, for community opposition and conflict**. Causes were seen as coming from the communities or third party dynamics. At another site, interviewees described one instance where an analytical framework had been applied to review a particular conflict. Those involved in the process reportedly felt it had been extremely useful; however it was not mandated or systematized for other incidents. As a result, **knowledge of root causes was based on the intuitive understanding of individuals** and only shared on an ad hoc basis with others in the company. At a third site, interviewees reported that root-cause analysis was seen as a very important tool in the company more widely (on safety or environmental incidents, for example), but was not currently used to analyze community conflict. A number of interviewees thought it could be useful in this arena as well.

While most companies reported a lack of root cause analyses of even major conflict incidents, many interviewees also indicated a frustration at the **slow rate of developing metrics for social performance** more generally. In an industry where most personnel have technical backgrounds, the less technical and scientific nature of community relations work was frequently raised as a challenge in terms of measuring its benefits and successes. As one manager with a technical background put it:

“I tend to spend 70 or 80 percent of my time on social issues or HR issues – the ‘soft side’ it used to be, now not so soft – they are the really tough ones ... In safety you can say that it’s almost the same in any place – here or in Africa you have the same rules. Different individuals may perform differently, of course. But talking about social – it’s an art; it is not a science at all. You need to develop experience and understanding every place you go in order to perform socially okay... And when you talk about social, you also talk about human nature or human behaviors. Not only that, [it is also] influenced by external factors. So it makes it all a little bit harder...”

Against this background, the challenge of making the case for up-front expenditure to mitigate impacts on communities and address their concerns was highlighted by many. Citing one experience, an interviewee commented:

“How do you make a business case that you’ve got to put [major investments] up front? ... I mean, NPV will tell you, no matter what, you need to go afterwards, right? Why do this today? Are you crazy?...[In one case] there was this finance guy who said ‘you will need 52 days blockade in a row to make a sound business case. Have you ever in your life seen that?’ No. Never. But this is risk management. You’re alive; you have never died; therefore you will never die, right? It’s never happened in the past, so it will never happen...they think you can put it in those terms.”

At three sites, interviewees spoke about the **inclusion of metrics in staff performance**. One site, where staff reported a strong sense of shared cross-functional responsibility for community relationships, included social metrics for all functions/departments; at a second site, some senior staff had social metrics in their bonus structures. At a third site social metrics were apparently limited to the Community Relations function, whose staff also reported that when problems arose they were blamed.

At some sites, interviewees reflected that there were some **metrics for social performance applied to contractors**, but in practice these appeared to focus entirely on philanthropic projects they undertook in communities, rather than on their core business practices. A number of interviewees underlined that the development of metrics for social issues lagged far behind the areas of safety and the environment.

G2. Conclusions

One interviewee emphasized the view that the effective management of community relationships and conflict is more an art than a science. However, this clearly could lead to false assumptions - particularly among a workforce largely trained in natural and technical sciences - that it therefore requires fewer skills or less experience than other disciplines. The evidence across the sites in Peru, as well as elsewhere, clearly indicates that this is not the case. Community Relations work has important social scientific elements that must be brought to the forefront of decision-making for conflict management.

The risk of denigrating community relations skills is further reinforced by the relatively weaker performance metrics with regard to social issues and community engagement than, for example, environmental impact management. This weakness in measuring good social performance focuses attention instead on measuring the funds spent on social investment projects. Where this is the case, Community Relations may be viewed as a function that disperses funds that the operational departments earn: a net drain on the company.

It will always be particularly hard to quantify the benefits of good community relationships — the financial, reputational and other advantages that flow from the absence of conflict. Easier than measuring success is measuring failure, in terms of the cost of delays, disruptions, legal interventions, staff time and so forth. The experience of sites in this study corroborated wider evidence that although these costs are generally not measured in any systematic way, research shows that they can be substantial.¹² This makes it harder for Community Relations staff to articulate the value of investing time and money in managing relationships better from the start of a project.

Equally, root cause analyses — which are relied on heavily in areas such as safety and even environment — were rarely carried out for social incidents at the sites in this research, making it easier to assign community conflict to external factors. The Roundtable in Phase One of the project concluded that “root cause analysis [is] frequently part of the company’s response systems when it [comes] to environmental incidents, with experts flown in, thorough analyses conducted and lessons disseminated, with the support of senior management. So the reluctance to do likewise for major disputes with communities [does] not seem to represent a consistent principle.”¹³

H. THE ROLE OF THE LEGAL FUNCTION

H1. Issues Raised

The experience of some practitioners at the Roundtable held under Phase One of this project suggested that in-house counsel could be quick to take a defensive or confrontational approach when faced with escalating conflict from communities. This was seen in practice to contribute often to further escalation and to squeeze out the room for Community Relations personnel to pursue dialogue. Some participants observed that engaging in root cause analyses “often cuts against the grain for in-house legal counsel, who may have a reflexive instinct to protect information rather than open it to scrutiny and review.”¹⁴

At the sites studied in Peru, there did not appear to be such tension with the Legal function by the account of those interviewed. In general, legal personnel themselves took the strong view that almost any outcome was better than a lawsuit. Most staff in other functions viewed Legal as taking a supportive role and allowing the necessary space for dialogue with communities, even when conflicts escalated. At one site it was reported that the legal staff spent about half its time on community issues (even absent conflicts or other problems), including training community relations staff on legal issues to equip them to better react to challenges in the field.

Interviewees at one site did report that the company’s Legal department (who were not locally-based) had previously been quick to bring criminal complaints at the behest of Operations staff, even when Community Relations were trying to reach a mutual solution with the community. However, this had changed to the extent that Legal now requested senior-level written consent before bringing any such action, and were generally seen by Community Relations as a helpful resource. At another site, there were some tensions from Community Relations staff feeling that Legal could take too long in responding when a conflict situation arose and Legal feeling that if its staff members weren’t brought into discussions earlier, they had to take time to do their own

¹² Davis, R and Franks (2011). *The Costs of Conflict with Local Communities in the Extractive Industry*. Presented at the First International Seminar on Social Responsibility in Mining: Santiago, Chile. Available at: <http://www.shiftproject.org/publication/costs-conflict-local-communities-extractive-industry>

¹³ Rees, C. (2009) p.9

¹⁴ Ibid. p. 9

due diligence. This appeared to be a matter of fine-tuning communications rather than a fundamental dissonance in approaches to addressing community conflict.

H2. Conclusions

This discrepancy between the first and second phases of this project regarding the role and perceptions of the Legal function may reflect different cultures in different parts of the world, and/or specific company experience in Peru that pursuing legal avenues is rarely beneficial. The findings are not inconsistent, as such, but could warrant further research.

III. GENERAL CONCLUSIONS

Based on the findings from Phase One of this research project, the research team had identified a number of factors that are typically drivers or manifestations of corporate culture and which appeared to influence the effective management of conflict with communities. These factors – set out in Annex C - became the focus of the research interviews in Peru under Phase Two. This section of the report reviews the extent to which these factors were supported by the Phase Two research and additional factors that emerged.

A. FACTORS CORROBORATED BY THE PERU-BASED RESEARCH

The evidence from these interviews confirmed that most of the factors identified in Phase One of the project are relevant to managing conflict. Prevailing company attitudes to the relevance of community relationships for their operations, and staff perspectives on who is responsible for preventing and mitigating community conflict, appeared particularly significant. These two factors in turn contributed to the modes of engagement that the companies prioritized when interacting with communities. The relative internal influence of the Community Relations function in core decision-making processes emerged as another major factor, as did the scope and purpose of cross-functional collaboration. Company leadership also played an important role in setting staff attitudes and actions with regard to community relationships. Companies' ability and willingness to measure the social performance of staff and functions across all relevant areas of the business was confirmed as another leading issue.

B. ADDITIONAL FACTORS HIGHLIGHTED BY THE PERU-BASED RESEARCH

The research also highlighted some additional factors in the relationship between corporate culture and effective conflict management. It showed widespread agreement on the importance of recruiting and training staff who could support effective community relationships. This was obviously paramount in terms of bringing in well-qualified Community Relations staff, but some sites extended this to recruiting key technical and senior management personnel with the attitudes and skills to motivate constructive approaches to community relationships more widely across the company. Doing so appeared to be important not least in empowering staff to be innovative in their efforts to strengthen community relationships. In contexts where set formulae are often too narrow or rigid to respond effectively to community concerns, such innovation may be particularly important.

A general appreciation of the benefits of cross-posting Community Relations staff into technical departments for learning purposes was generally not matched at the sites in this study by an openness to cross-posting technical staff into Community Relations. Some of the most progressive training and development practices involved role play workshops involving both company staff and community representatives. Also compelling was the use of annual meetings

of Community Relations staff from different sites to enable shared learning, mutual support and upwards pressure on standards of practice.

C. INTER-RELATIONSHIPS BETWEEN FACTORS

A particularly interesting facet of the research was the evident inter-relationships that emerged between some of the factors studied. Most sites in this research had elevated the leadership level of the Community Relations function or were about to do so, and most had instigated some formal cross- functional collaborative meeting(s) on community relations issues. Those sites that appeared most successful at conflict management over time had gone further. Collaborative meetings involved technical departments (exploration/construction/operations) and not just other functions (legal, safety, security, environmental, social development etc). These meetings were not just forums for sharing information so that Community Relations could do a better job, but emphasized joint decision-making that shaped the actions of all involved and included assuming shared responsibility for outcomes. These successful sites were also typically the sites where social performance metrics were included in performance assessments for staff outside the Community Relations function, reinforcing an alignment of interests and incentives to manage community relationships effectively.

The research demonstrated the challenges for Community Relations staff of working on non-scientific issues in a workforce of colleagues trained in scientific disciplines, and how these challenges can be mutually reinforcing. With little ability to point to clear metrics matched against quantifiable standards or benchmarks, Community Relations staff typically had to reinforce the case for paying attention to community concerns, or adopting particular responses to them, on an ongoing basis. This reinforced the difficulties of constantly ‘translating’ between communities and colleagues, and the demands of engaging with internal stakeholders throughout the company - as much as with external community stakeholders - to gain trust and traction.

The research also highlighted the need for any mining company to have not only the right people and management processes in place, but to understand how the two interact. Without good processes to retain institutional knowledge, keep track of commitments to communities, and regularize successful methods for engagement, the success of a company in managing community relationships could become dependent on individual staff and change rapidly if those staff left. Yet the possibility for bureaucratic processes to exacerbate tensions and conflict with communities was apparent as well: processes that serve internal administrative purposes at the expense of timely responses to communities can quickly become counterproductive and incentivize Community Relations staff to resist or bypass them altogether. In a context where the time in which communities want responses on significant issues is frequently shorter than the time desired by any large company to consider them properly, the interviews highlighted a need for innovative procedural approaches that can narrow or offset that disconnect.

Conversely, the role played by processes and systems that help drive the right attitudes about community relationships into the values and culture of a company was seen as invaluable. Those that drive a company’s responsiveness in meeting community-related commitments or deadlines or addressing community grievances can clearly play a role. Those that provide a platform for meaningful engagement with communities, based on listening and partnership, may also catalyze cultural change.

A final factor explored through this research was the level of attention to the costs to a company of conflict with communities. This appeared to be significant in its own right, but also intricately interwoven with many of the other factors identified.

In the case of most sites in this phase of the research project, a past instance of severe conflict — leading even to the permanent suspension of part of a project — had been the catalyst for re-evaluating the relevance of community relationships to the companies in question. Feedback from interviewees suggested that the lessons a company draws from such events may be varied. Some companies may conclude that the crisis event is highly unusual and/or caused by factors beyond the company’s control, leading to minimalist or superficial changes in the approach to community relationships. One response may be simple ‘containment:’ trying to avoid conflict getting to levels that impose the obvious big-ticket costs that get top management attention. Other companies may draw conclusions that go to the heart of corporate culture and catalyze more thorough-going changes in both attitudes and systems.

There can be significant barriers to arriving at the conclusion that a change in corporate culture is necessary. One barrier, suggested by Phase One of the research and strongly corroborated in the Peruvian research, is the fact that most companies do not measure and aggregate the actual costs they incur as a result of conflict with communities. There appear to be three typical assumptions when it comes to these costs: that they are not significant and therefore not worth investing time and resources in measuring, they are not a product of company actions and therefore not worth investing time and resources in measuring, or that they are in fact significant, and — since this is accepted — they are not worth investing the time and resources in measuring. The third assumption seemed to dominate at most of the sites in this research. The failure to measure costs may limit appreciation of their more routine nature: the big costs of suspending production, delayed permits or litigation may be acknowledged, while costs of responding to lower-level conflict are ignored. These lesser costs might include management time, poor staff morale and retention, or harm to the company’s reputation that lays the ground for future crises or affects the chances of gaining future contracts, permits and partnerships.

This under-appreciation of costs may reduce the likelihood of the company addressing conflict management as a matter of corporate culture. It also skews calculations on the merits of investing in measures designed to prevent or mitigate conflict. This in turn supports a continued perception that the Community Relations function is a net financial drain on the company and, as such, comparable to a philanthropic arm. An under-appreciation of the costs of conflict can also contribute to an environment that undervalues the role, skills and contribution of Community Relations staff. This can mean that their arguments for certain social measures are not given due weight in internal decision-making processes, while they are still seen as ‘failing’ in their role when conflict incidents occur. Such perceived failure further undermines confidence in the relevance of their function to the company’s core operations.

D. FACTORS NOT CLEARLY CORROBORATED BY THE PERU-BASED RESEARCH

Finally, two of the factors identified from Phase One of this project found less basis in the Phase Two research. First, it was not clear from the interviews in Peru to what extent corporate structures, particularly the relationship between the corporate parent(s) and site, were relevant. However, strongly hierarchical decision-making structures did appear to be in tension with effective cross-functional/ departmental collaboration.

Second, the Peruvian research did not corroborate earlier findings that the Legal division may exercise a particularly constraining influence on effective community engagement and dialogue-based approaches to dispute resolution. It may be that this discrepancy has as much to do with local culture and experience as with corporate culture.

E. CLOSING COMMENTS

It is important to stress that at all the sites in this research there were many staff, including in the leadership, who were committed to building positive relationships with communities. The issue was not whether there were efforts underway to achieve success in this regard, but to what extent the companies' prevailing corporate cultures — their values and the practices, systems and processes that both reflect those values and drive them into the organization — were supporting or hindering that objective. It was apparent that at those sites that had gone furthest in embedding attentiveness to community relationships into their corporate cultures, and internalizing its relevance in the work of all functions and departments, staff had greater confidence in their ability to mitigate the risks of conflict and sustain good relationships with communities over time. The issues identified in this report appeared to be significant factors in arriving at that sense of relative confidence.

IV. FURTHER RESEARCH

The issues identified above suggest a range of areas where further research would be valuable. This section highlights some leading opportunities for adding further clarity to this field of study. This research did not attempt an objective measurement of 'success' in the management of conflict with communities. Doing so is clearly challenging. While this research focused on exploring the factors within companies that can help or hinder effective conflict management, external factors also come into play. It would be necessary to distinguish these external drivers from those internal to the company in order to arrive at some reasonable measurement of company success. Research that incorporates the perspectives of external stakeholders — community representatives, respected local and national NGOs, academics and other experts — may provide qualitative feedback that could facilitate some form of assessment. Comparing an externally-driven assessment of success in conflict management with the assessment of company staff would be useful in corroborating or challenging the relative importance of some of the factors identified in this research, and perhaps identifying others.

This research was also limited to interviews with the participating companies; in each instance, over the course of two to three days. Spending more extended time with companies — including observing internal meetings and processes — would enable researchers to understand internal factors and dynamics in more substantive ways. This may provide additional insights and clarity, as would expanding the research to additional companies beyond the five included in this study.

Some of the findings above merit more focused research. For example, a wider study that reviews the effects of integrating technical staff into decision-making processes on community relations issues (quite apart from involving Community Relations staff in operational decisions) could be instructive. Similarly, further study of hierarchical relationships within sites, and between sites and parent companies, could help further clarify the relative merits of vertical control-based processes and horizontal collaboration-based processes, as well as the trade-offs between the two suggested by this report. The discrepancies found between the two phases of this project regarding the role played by the Legal function also merits further exploration: to what extent do different regional or national cultures determine the role of legal staff and legal processes within the formation of corporate culture?

As indicated in the last section, one of the interesting emerging findings was the degree of interaction between many of the factors studied, creating either positively or negatively reinforcing dynamics with regard to the management of community relationships. These inter-relationships would also merit further investigation.

In sum, this research has sought in its first phase to surface a range of factors relevant to corporate culture that are likely drivers of an extractive company's success in managing conflict with communities; in its second phase, to test and explore these in greater depth within a more homogenous socio-political context. The second phase corroborated most of the factors identified in the initial phase. It also highlighted areas where substantial further research would be beneficial, including establishing linkages in a more systematic fashion that was possible in this study.

Nevertheless, this early-stage research confirms that building a corporate culture that supports the effective management of conflict with communities is not a simple proposition for any mining company. Moreover, even where a largely successful culture has been established, constant work and leadership are required to maintain it.

Annex A: The Context for Mining in Peru

Politics, Economy and Geography

The República del Perú is located on South America's central Pacific Coast. The country is divided into 25 districts and has three distinct geographic regions: the arid coast; central Andes mountain ranges; and the Amazon basin in the east. Peru's population is estimated at 29.5 million. It is multiethnic and includes a vast Amerindian population (Quechua and Aymara), Indigenous Peoples of the Amazon Basin (comprising more than 40 ethnic groups), people of mixed European and Amerindian heritage and a small population of Chinese, Japanese and African ancestry.¹⁵ Spanish is the national language.

Peru has a predominantly urban-based population. In 1940, more than 70 percent of the population lived in the Andes and Amazon regions. By 2007, this percentage had dropped to 32 percent in the Andes and 13 percent in the Amazon; 55 percent were located in the more prosperous coastal region.¹⁶ Peru is an emerging economy with national poverty levels around 31 percent.¹⁷ In the Andes, poverty levels exceed 70 percent.¹⁸

Peruvian territory was originally occupied by the Norte Chico and the Incan Empire, and was the largest state in Pre-Columbian America. Small-scale mining has been a tradition for centuries – the Incas mined, smelted and worked precious metals including silver and gold to adorn their courts and sacred sites.¹⁹ In the 16th century, the Spanish Empire conquered South America and instilled a highly centralized, elitist and hierarchical state system in Peru that prioritized the Spanish over the largely rural and native Andean and Amazonian population.

Following independence in 1821, militant leaders ruled for more than a century, and fought with Chile over the countries' shared resource-rich border area. Democracy was reestablished in the 1970s, but Peru was plagued by debt and political violence. In the 1990s, the Fujimori presidency implemented drastic economic reforms, although President Fujimori was forced to resign in 2000 following charges of corruption and human rights violations. Subsequent democratically elected presidents, Toledo and Garcia, upheld the reforms of the 1990s, which resulted in market deregulation, privatization of state-owned companies and the removal of investment and trade barriers.

Notwithstanding the resultant macroeconomic growth, political and social challenges continue to influence the social environment in Peru.²⁰ A lack of trust in the state and the judiciary is ingrained and widespread.²¹ While regulatory reforms were made in 2008, the Government's regulatory frameworks continue to lack adequate levels of transparency and accountability. Weak

15 Peru demographic information available at: <http://www.state.gov/p/wha/ci/pe/>

16 Instituto Nacional de Estadística e Informática (2007) *Medición de la Pobreza 2004, 2005 y 2006: Informe Técnico* Available at: www.inei.gob.pe/web/BoletinFlotantePrincipal.asp?file=7008.pdf

17 United Nations Human Development Index (2011) Available at: <http://hdrstats.undp.org/en/countries/profiles/PER.html>

18 Oxfam America. (2009). *Mining conflicts in Peru: Condition critical*. Available at: http://www.oxfamamerica.org/newsandpublications/publications/briefing_papers/mining-conflicts-in-peru-condition-critical/Mining-Conflicts-in-Peru-Condition-Critical.pdf; Bebbington et al (2007). *Mining and Development in Peru with Special Reference to the Rio Blanco Project, Pinura*. p.3 Available at: [http://www.perusupportgroup.org.uk/pdfs/Mining %20and%20Development%20in%20Peru.pdf](http://www.perusupportgroup.org.uk/pdfs/Mining%20and%20Development%20in%20Peru.pdf)

19 Bebbington et al 2007

20 International Council on Mining and Minerals (ICMM). (2008). *Peru: From boom to broad-based development? The Challenges of Mineral Wealth; using recourse empowerments to foster sustainable development*. Available at: www.icmm.com/document/492

21 Peru scored 3.5 on a scale of 10 (highly clean) to 0 (highly corrupt) in the 2010 Corruption Perceptions Index by Transparency International. Data available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2010/ results

state capacity has often led to mining companies becoming the proxy target of community aspiration and disenfranchisement, a trend which is set to continue in the context of reduced international development assistance.²²

The election in June 2011 President Ollanta Humala has brought changes to the Peruvian mining sector, including a new law requiring prior consultation with indigenous peoples about mining developments and raised taxes on mines by around 5 percent per year (see below for further developments).²³

Mining and the Social Context

Peru is the world's second largest producer of silver, copper and zinc, the fourth largest producer of lead and the sixth largest producer of gold.²⁴ Mining is the country's single largest export industry. In 2009, mining accounted for 61 percent of Peru's total exports and nearly 10 percent of its Gross Domestic Product (GDP).²⁵ During the mining boom between 1990 and 2007, more than 100 foreign companies established themselves in Peru, the majority of which were Canadian and American. Constituencies of The World Bank, including the International Finance Corporation and the Multilateral Investment Guarantee Agency, have been instrumental in supporting the industry's growth in Peru.²⁶

Notwithstanding that mining has bolstered Peru's macroeconomic prosperity, increasing mining-related social conflict represents a threat to the industry. The disparity between macroeconomic achievement through the mining industry and anticipated socio-economic development outcomes for mine-affected communities has led to protest, destruction of property and suspended mine development.²⁷ Data from 2007 suggest the districts richest in natural resources are among the poorest in the country.²⁸ Many constituencies, from mine-affected and rural communities (particularly in the Andes) to politicians and government agencies, are looking to mining to close the poverty gap.²⁹

22 Since gaining official status as a lower middle income country, official development assistance entering Peru has been decreasing, with the exception of the 2007 earthquake, which reversed this trend for a period of two years. Simultaneously, contributions to development assistance from mining resources have overall been increasing. See Participa Peru (2007). Los Problemas de las Transferencias del Canon a las Regiones y Municipalidades Available at: http://participaperu.org.pe/apc-aa/archivos-aa/3c6bb51ada688b58c57cb18308d59d73/NIA_2_2007.pdf

23 <http://uk.ibtimes.com/articles/20110928/mining-companies-face-new-tax-in-peru.htm>

24 Ministerio de Energía y Minas (2010). *Boletín Mensual de Variables Mineras 2010*. Available at: <http://www.minem.gob.pe/minem/archivos/file/Mineria/PUBLICACIONES/VARIABLES/2011/BOLETIN%2015.2.2011.pdf>

25 Sociedad Nacional de Minería Petróleo y Energía (2009). *Reporte Estadístico Minoenergético/ Mining and Energy Statistical Report*. Available at: <http://www.snmpe.org.pe/pdfs/Reporte-Estadistico-Mineroenergético/REM-1er-Semestre-2009.pdf>

26 Munariz, G. (2008). *Rhetoric and Reality: The World Bank Development Policies, Mining Corporations, and Indigenous Communities in Latin America* International Community Law Review Vol 10 pp 431:443 British Columbia

27 Oxfam America. (2009). *Mining conflicts in Peru: Condition critical*. Available at: http://www.oxfamamerica.org/newsandpublications/publications/briefing_papers/mining-conflicts-in-peru-condition-critical/Mining-Conflicts-in-Peru-Condition-Critical.pdf; Bebbington et al 2007.p.3

28 Poverty levels for the major districts include Loreto at 66 per cent, Cajamarca at 64 per cent, and Puno at 76 per cent in 2007. Available at: www.inei.gob.pe/web/BoletinFlotantePrincipal.asp?file=7008.pdf

29 World Bank. (2011). *Gender-Sensitive Approaches for the Extractive Industry in Peru, Improving the Impact on Women in Poverty and Their Families* World Bank: Washington, DC

Developments Since This Research Was Conducted

In the lead up to the 2011 election, President Humala expressed his desire to redefine national-regional politics to achieve a more equitable distribution of mining benefits with communities.³⁰ On entry to office, the President raised mine taxes by around 5 percent per annum³¹ and signed the Law of Prior Consultation with Indigenous Peoples.³² Humala's approval rating began to decline following his shift in priorities toward achieving a win-win for companies and communities. Humala initially campaigned on the basis of prioritizing water over mineral extraction, but restated his public position after election, "We are going to protect natural resources as well as productive activities... We want water and gold."³³

The President's renewed position has generated significant public concern, particularly in the face of the government's decision to approve majority-owned Newmont Mining's \$4.8 billion Conga gold and copper project in July 2011. In the following months, violent protests erupted in the Cajamarca region, where dozens of people were injured in clashes between police and protesters.³⁴ In December of 2011, the President declared a state of emergency restricting civil liberties in the region for 60 days and suspending the Conga mine development until an independent review of the Environmental Impact Assessment was undertaken. Mine-related tensions have also erupted in the highland departments of Ancash, Apurímac and Espinar, as well as in the Amazon region of Madre de Dios. According to the country's human rights Ombudsman, Peru has over 100 social-environmental outstanding conflicts of which 70 percent relate to the mining sector.³⁵ The mediation of social-environmental conflicts in the country remains a significant challenge for the Humala administration in the face of \$50 billion of resource investment expected by 2016 and a declining approval rating.^{36 37}

30 <http://www.guardian.co.uk/global-development/poverty-matters/2011/nov/07/peru-promise-social-inclusion-mining>

31 <http://uk.ibtimes.com/articles/20110928/mining-companies-face-new-tax-in-peru.htm>

32 <http://hrbrief.org/2011/10/peru-enacts-law-of-prior-consultation-with-indigenous-peoples/>

33 <http://www.lapress.org/articles.asp?art=6520>

34 <http://www.guardian.co.uk/world/2011/dec/05/peru-state-of-emergency-protests-mine>

35 <http://www.lapress.org/articles.asp?art=6520>

36 <http://www.economist.com/node/21538788>

37 <http://www.peruviantimes.com/16/humalas-approval-rating-tumbles-12-points-in-june/16018/>

Annex B: Detailed Methodology

The first phase of this project is summarized in the Introduction. Focused on a high-level roundtable discussion involving experts in community relations in the extractives sector from around the world, it provided a global perspective on the relationship between ‘corporate culture,’ as defined, and the successful management of conflict with communities. One conclusion from the Roundtable was the need for a second phase of research focused in a single geopolitical context. Peru was selected for the second phase for a variety of reasons, both strategic and opportunistic:

- i. There has been extensive and growing mining activity within the country over the past 20 years.³⁸
- ii. Conflict over mining – between both communities and government and communities and companies – has also been widespread and increasing for some years.³⁹
- iii. As a result, there is considerable accumulated experience among mining company personnel of dealing with community conflict.
- iv. Notwithstanding variations in the political and social geography of the country, Peru offers a common legislative, political and cultural context in which to conduct research, reducing the external variables at play and better enabling a focus on those dynamics within companies that affect conflict with communities.
- v. Through interaction with the International Council on Mining and Metals (ICMM) it was possible to identify a group of five mining operations in Peru that were ready to collaborate in this research.

The research process used qualitative methods, including desk-based research, workshop discussions, targeted interviews and analysis of the findings, first within each company context and then across the five participating companies.

The team conducted desk-based research to gain an understanding not just of the general context for, and challenges of, mining in Peru, but also the issues specific to each participating site, including notable past conflicts that generated civil society responses, media and/or NGO attention. The team reviewed publicly available information, including other research studies, reports and media articles. Members had access to certain documents shared by the participating companies on internal policies and processes related to community relations and conflict management.

A half-day workshop involving the five participating sites as well as three others was held in Lima on May 13, 2011, ahead of the site visits. The focus of this workshop was to discuss the aims of the research and to help identify issues that participants felt would be particularly fruitful for exploration through the site-specific interviews.

Issues highlighted by participants included:

- The role of leadership and the difference between military and participatory styles of leadership in situations of conflict

³⁸ Bebbington, A. J., & Bury, J. T. (2009). Institutional challenges for mining and sustainability in Peru. *Proceedings of the National Academy of Sciences*, 106(41), 17296-17301.

³⁹ The Peruvian Ombudsman Office has documented a gradual increase in social conflict related to mining operations over time. In 2012, the incidence of conflict was recorded at 253, of which 129 were socio-environmental in kind. See <http://www.defensoria.gob.pe/modules/Downloads/conflictos/2012/Reporte-Mensual-conflictos-enero-95.pdf>

- Authenticity as part of corporate culture, including the role of leadership by example
- Tensions between site and corporate levels, including differing interests and constraints on the flexibility available to local managers seeking to manage conflict
- The issue of staff attitudes and questions over how far rules and processes can deliver them
- Modes of engagement with communities with an emphasis on the manner in which communications are conducted
- ‘Legacy’ issues that remain in community memories for decades, contrasted with the high rotation of company staff – and therefore the short corporate memory
- Shared responsibility, shared attitudes and shared values – and the relationship between them
- The role of incentives in changing ways of working and mindsets, and the importance of Key Performance Indicators in this context
- Cultural divides between non-local managers and local people, including local staff

The workshop was followed by interviews with personnel at the five participating sites. Four sets of interviews were conducted in the second half of May 2011, and the fifth in July 2011. Interviews targeted key personnel from across a broad range of internal functions and operational departments. In each case, these included all or most of the following: senior management, technical (exploration/construction/operations), procurement, government relations/communications, legal, human resources, security, social/community relations, and social development (where separate). There were 66 total interviews, representing an average of 13 individuals interviewed at each site.

Interviews were conducted either in English or in Spanish, using simultaneous interpretation where necessary. Interpreters were either part of the research team or hired directly by them. All interviewees were informed of the purpose of the research, that records of the interview would be confidential, and that nothing they said would appear in any report in a manner that could identify them as the speaker. All interviewees provided their individual consent to participate in this way.

The research team split into two sub-groups for the purpose of conducting interviews. They based the interviews on a common interview protocol that included a series of open-ended questions, with enough flexibility to adapt the conversation according to interviewee experiences and interests. The questions reflected a number of subject areas that had emerged from the first phase of the research project (see Annex C). Each sub-group conducted a daily debrief to capture and record emerging themes and to surface issues for clarification. The sub-groups compared notes between each set of interviews for the same purpose.

Based on a shared framework for analysis, a brief report of each site visit was prepared and shared with the relevant participating company on a confidential basis, anonymizing comments made. The findings from those reports were in turn compared and analyzed to identify the general cross-cutting themes and conclusions that are included in this public report of the research.

Some findings from this research may be particular to, or accentuated in, the Peruvian context. However, the frequent correlation between the findings from the Peruvian research and those from the first, global phase of the project, suggest that most will be relevant to the mining industry more generally. Where there are notable divergences, those are reflected in this report as well.

Methodological limitations

This research captures the company voice only. Its focus was on the internal dynamics within the participating companies, for which interviews with personnel were of primary importance. The interviews were structured to enable interviewees to speak openly and honestly about what they saw as weaknesses as well as strengths of the sites' current and past performance with regard to conflict management. In many instances, interviewees were also drawing on career experience working for other mining operations both in and beyond Peru. This enabled the interviewees to speak in broader comparative terms about what each had seen work or fail at the site where each is now employed. The researchers were gratified in how forthcoming and ready to analyze their experiences the interviewees were.

This said, future research might benefit from including interviews with local stakeholders – community representatives, local non-governmental organizations, academics and other local experts. This could add important external perspectives on how effective the companies are at managing community relationships and conflict. It might further enable correlations between aspects of the companies' internal culture and perceived strengths and weaknesses in their community relations practice.

Without these external voices, the researchers relied on background research and the information gathered through the interviews to gain an impression of how well the sites have been managing conflict in practice. In most cases this is not a static picture, but has been evolving over time. It was not the aim of this research to establish an objective benchmark of the companies' current performance or to rank them in any way. However, corroboration between interviewees, especially corroboration between personnel in different functions, led to some fairly clear organizational impressions of strengths and weaknesses, which informed the analysis.

Annex C: General Issue Areas Covered in the Interview Protocol

The list of issue areas was provided to participating mine sites in advance of the interview visits as an indication of the topics that would be addressed under the interview protocol.

Company policies

A company's policies provide an important framework for action, including in the area of community relations and conflict management. The policy development process itself can also influence conflict processes, outcomes and relationships. We are interested in exploring the content of policies, how they were formulated and people's experiences of roll-out and implementation.

Language/messaging

How conflict is discussed (or not) can provide an indication of how the operation approaches the issues at hand. Language can also indicate what's important and what's not. We will explore how conflict is discussed with different stakeholder groups – internal and external. We will also explore tensions between what is 'said' and what is 'done.'

Organizational culture

The way different parts of the organization (e.g. particular operations or departments) interact with the community and handle conflict can influence conflict processes, outcomes and relationships. We will explore how company-community conflict is handled at the operational level relative to how the regional or corporate level might approach the issue. We will also consider differences between departments/functions at the operational level and how this affects the operation's ability to manage conflict.

Organizational leadership

Leaders within the company often influence an organization's ability to manage conflict, for example by setting the tone and leading by example. Lack of leadership can also constrain practice on the ground. We will explore styles of leadership, and identify where within the organization these leaders are located and how they work.

Organizational structure

The way an organization is structured can sometimes influence its ability to build relationships and manage conflict. We are interested in understanding how factors such as reporting arrangements, resources, and authority/seniority of key staff influence the company's approach in this area.

Management systems

Company management systems can play an important role in anticipating and handling conflict, and can influence the company's ability to identify issues early and respond adequately. We are interested in the degree to which various aspects of community relations – including conflict management – are 'systematized,' ranging from identification of issues, through formulation of response strategies, communication and reporting, investigation and skills development.

Cross-functional collaboration

Different types of collaborations for handling conflict (established either before or after conflict arises) can influence conflict processes and outcomes. Certain collaborations can often be systematized, but this is not always the case. Either way, we are interested in exploring the nature of the collaborations between the operation's departments, with the community and also with other organizations.

Metrics and monitoring

The way a company monitors and measures conflict processes and outcomes may influence the effectiveness of conflict-related strategies. It can also influence the level of attention given to conflict matters. We are interested in understanding the operation's approach to metrics and monitoring and whether this is helpful for managing conflict.

Responsibility and incentives

Allocation of responsibility for community relations and conflict management and incentive programs often provide insight into why a company manages conflict in particular ways. We would like to understand who has responsibility for conflict management, and whether this has been formalized and is understood. Incentive structures are also of interest, including whether they enhance or constrain a company's ability to build relationships and manage conflict.

Costs of conflict

We are interested in exploring whether and how the company (at the corporate, regional or operational level) assesses, aggregates and understands the costs arising from conflict between the company and local communities, and the potential loss of value where it does not do so.

Space to dialogue

Whether or not there is 'space' to discuss and talk about community relations and conflict-related issues can affect conflict processes, outcomes and relationships. By 'space' we mean having adequate time, or a place/location or forum, or even 'permission' to openly discuss issues. We would like to understand whether such space(s) exist, and if so, how they affect conflict management.