

arrangements; support for humanitarian efforts; engagement in efforts at conflict resolution, and on-going commitment to development projects"<sup>53</sup>.

Given the particular nature of the mining industry – a limited number of good mineral sources, long production cycles and potentially vast returns on investment<sup>54</sup> – a firm may find that the costs of divestiture would bankrupt it, or that the potential benefits of staying in are too high to pass up. As a result, firms are faced with the challenge of weathering the storm.

### ***Crisis Management vs. Proactive Conflict Management***

Systematic management of risks typically involves a set of activities to reduce the costs should an adverse event occur, to shift the costs to other parties and to reduce the likelihood of adverse event itself. In managing the risk of oil spilling from its supertanker, for example, a firm would: prepare a rapid-response clean-up team; purchase insurance against the event happening, and double-hull the tanker.

The equivalent approach to conflict would involve a portfolio of strategies designed to:

- *Reduce the impacts of adverse events* – kidnapping of personnel, destruction of property, public naming and shaming – by hiring the services of a professional security firm, establishing a public relations strategy or building walls around its operations;
- *Share the costs of adverse events* by maintaining political risk insurance or partnering with the host government or an international financial institution such as the World Bank.
- *Reduce the risk of adverse events* by identifying, reducing and resolving the sources of social tension that lead to conflict.

Crisis management can be distinguished from proactive conflict management based on the degree of responsibility a firm takes for sources of conflict unrelated to its own operation. *Crisis Management* is an approach to conflict centred on the firm's activities, in which a company tries to operate without making things worse. 'Complicity' in conflict means to profit from, support or cause conflict. A mining firm engaged in crisis management will therefore seek to avoid profiting from, supporting or directly causing the conflict. Seeking to alleviate or resolve the sources of social tension, even where these do not directly result from the mining company's operations, is *Proactive Conflict Management*. There is no clearly-defined border separating the two approaches.

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<sup>53</sup> Nelson, J. *ibid.* p. 46.

<sup>54</sup> Sherman, J., *ibid.*, page. 4