Paper Title: Making sense of community risk: Mining MNEs in Armenia managing community relations

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Making sense of community risk: Mining MNEs in Armenia
managing community relations

Using cases from mining MNEs in Armenia, this paper contributes by conceptualising community risk, providing an alternative to conventional risk management approaches to managing local communities. Conventional risk management approaches have been struggling to capture the increasingly complex risks originating from local communities situated close to the mine site, defined as communities of place, and communities of interest, who are outside interest groups either opposing or supporting mining. Community risks arise when communities of place take action against the mining MNE, based on how they perceive and create meaning about the riskiness of the changes the MNE has introduced into their physical and social environment. In contrast to the conventional perspective of risk management that investigates primarily objectively identifiable risks, this meaning creation sometimes prompts communities of place to take action that can lead to the disruption of company operations and thereby pose a risk to the company. Arguing that community risk is to be regarded as a precursor to political, financial and cultural risk, and that communities of place engage with the more organised communities of interest in order for them to commit resources which will spur financial, political and cultural actors to engage with the mining MNE.

Introduction

This paper argues that MNEs experience community risk events that pose a unique source of uncertainty that they need to manage, and these types of risk are becoming increasingly salient because of the ability of local communities to affect events efficiently beyond their confined geographical area. The paper offers a conceptual understanding of community risk as it is managed by mining multinationals (MNEs) in Armenia by answering the research question, what is community risk? The need to conceptualise community risk comes from industry reports and surveys that show that the primary reason mining projects terminate their operations is not due to operational requirements or technical risks, but rather because of the lack or loss of support from nearby local communities (BSR, 2003; Franks & Cohen, 2012; Owen & Kemp, 2012). These types of risk are becoming increasingly important for all companies, and MNEs especially, as
globalisation has made communication technologies widely available even to the most remote areas. These localised risks have not only caught the attention of scholars but also that of industry organisations (ICMM, 2015), institutional investors (IFC, 2015) and civil society actors, who have found that local communities can be powerful allies in promoting their agenda (Interview with Ecolur, 2015; Interview in Teghut, 2015). For the mining MNE, this means uncertainty about the nature of the involvement of local communities as independent stakeholders, but it also poses risks to the organisation from more institutionalised sources such as government, investors and civil society actors and other stakeholder groups, who through communication technology have up-to-date information from these local communities. Several attempts have been made to understand risks originating from local communities and the strategies deployed for mitigating them (Bekefi, et al., 2006; Kemp & Owen, 2013; Kytle & Ruggie, 2005; Warnaars, 2012). The focus here has been on understanding how business identifies and reacts to community grievances and the effects that corporate activities can have on local communities. These types of risk have also been investigated in areas like health and welfare, social protection and development studies in the form of social risk (Holzmann, et al., 2003; McKinnon, 2010). While the concept has flourished within the field of practice and in institutions like the World Bank for some time, it is now also the subject of academic research, as mining MNEs are increasingly experiencing risks originating from local communities which are willing and increasingly have the means to apply pressure to organisations to conform to their expectations (Graetz & Franks, 2015; Gruev-Vintila & Rouquette, 2007; ICMM, 2015). Community risk can take many forms, from small-scale demonstrations all the way to blockades or even vandalism of corporate property. In some cases, events like these can develop further by involving stakeholders who have more resources at their disposal, such as political actors, investors or civil society groups that also have the means to endanger the mining MNE’s ability to operate efficiently by applying political, financial or cultural risks (BSR, 2003; Delannon, et al., 2016; Graetz & Franks, 2015; Warnaars, 2012).

The paper is structured as follows. Firstly, the key term ‘community’ is defined as communities of place and communities of interest, two distinct groups that can influence the mining MNE. This conceptualisation is then related to a sociological perspective of risk, termed community risk, and the MNE risk management literature. Secondly, the methods used to answer the research question and support the conclusion are described through two case examples from mining MNEs operating
in Armenia. Thirdly, an analysis of the findings is presented, using the concept of community risk and how mining MNEs manage uncertainty related to communities of place and communities of interest. Finally, the paper concludes with a discussion on the findings and the implications that arise from the conceptualisation of community risk in the MNE literature.

**Theory**

The concept of community risk lacks theoretical clarification within the MNE literature and thus needs to be defined more closely. This section is an attempt to clarify and concretise the concept’s boundaries and application within the MNE risk management literature, firstly by conceptualising communities of place and communities interest as two distinct groups, and secondly, by establishing that the sociological understanding and approach to risk is a viable alternative to the traditional approach found in the literature. Finally, the paper presents a conceptualisation of community risk as an especially salient risk for MNEs, which are more exposed to these localised risks because they are subjected to liability of ‘outsidership’ and endure higher costs because they have less knowledge about local business conditions than local domestic companies (Johanson & Vahlne, 2009; Zaheer, 1995).

**Communities of Place and Communities of Interest**

Wegner (1998:47) described communities of practice as “the prime context in which we can work out common sense through mutual engagement.”, stating that “human engagement in the world is first and foremost a process of negotiating meaning” (Wegner, 1998:53). While Wegner referred to communities in a specific sense—namely, as brought together by the activities they engage in—it is possible to contextualise communities much more broadly. Communities can be considered in terms of the actions they take and the way they interact. Taking a broader stance in defining communities, they can be conceptualised using three distinct contributing factors: geography, interaction and identity (Delannion, et al., 2016). Here, geography relates to the physical proximity between members of the communities, their degree of interaction, and on what basis these members communicate with each other, while identity refers to the members’ sense of belonging to the community. By this definition, communities can be described both as local, or communities of place, and as social networks, or communities of interest (Calvano, 2008; Dunham
et al., 2006). This distinction between two forms of community has consequences for our understanding of the mechanisms guiding community risk management, as both their actions (practice) and their individual characteristics have an impact on their ability to expose MNEs to risk.

Communities of place (CofP) are groups of people who live together in the same geographical environment and thus share the same economic, educational, religious and cultural institutions (Calvano, 2008). While the term can be understood in a broader sense, it is in this paper defined as the towns and villages that are affected by MNE activities. Interaction between CofP members is based on their mutual interest and centred on the challenges and opportunities that arise from these activities within this confined area. Members communicate social and physical changes, which will impact members equally, as they, with little variance, will experience the same impact in the community (Beck, 1992). Members of the community identify with the place where they live, including the history and culture that in some cases has developed over decades.

Communities of interest (CofI) are advocate groups that come together because they share certain common beliefs or characteristics. They are not constrained, like the CofP, by their geographical proximity or because of their day-to-day interactions, but by an identity related to a certain cause. Their views focus on one or more of the social changes, economic impacts or environmental consequences occurring because of a mining project or linked to their political beliefs about mining in general. A CofI is in this way not embedded in the cultural and social life of local communities, but is bound together because of opinions about the impact of mining and the willingness to act on their beliefs. There can also be an overlap and direct interaction between CofP and CofI on both an individual and an organisational level, as members of a village or town, for example, become engaged in environmental or social causes, or when a CofI engages in different form of activity within the CofP. By making this distinction between two types of community, it is possible to get conceptually closer to what is meant by communities and the unique characteristics that the different forms can take.

*Conceptualising risk*
There is no uniform definition of risk within sociology, but the concept originates in the field of management, with its roots in industrialisation and modernity (Arnoldi, 2009; Lupton, 1999). Originating from practice and the halls of the executive suite, the conceptual form of risk had a hard time finding its ontological and epistemological platform; however, most agree that risk, and not least risk management, is an important part of how we understand society, organisations and businesses, and a significant proportion of organisational resources are devoted to measuring, analysing and mitigating risks (Parker, 2005:468ff; Renn, 2008:173ff). With industrialisation in the nineteenth century and the rise of modernity, an understanding of risk emerged in terms of a linear progression of possibly threatening events that could be turned into objects of measurement (Bernstein, 1996), focusing on the potential for loss of value (tangible or intangible) and how organisations could improve their structures and systems with the aim of avoiding the realisation of these losses (Beck, 1992:26; Beck, 2007:213). This suggests that it is possible to comprehend risk in much the same way as wealth distribution can be explained, as being subject to the forces of production and consumption, weighing risks and opportunities against each other. This perspective has its limits in an ever more globalised business environment, however, where complexity is increasing, as is the number of involved and salient actors. Here, each actor takes seemingly rational actions given the information available to them and the boundaries of the institutions that limit their behaviour, which from the outside observer’s perspective seem to lack rationality and inherent meaning. This presents an ontological challenge between the objective and subjective perspective, questioning the relationship between our understanding of reality as existing independently of the observer or as being constructed through experiences and so through the creation of meaning. From a risk management perspective, the difference is between whether risks are observable events that can be quantified and therefore are objectively identifiable in nature, or whether these risks are socially constructed by the individual. This realisation has prompted researchers to concentrate on how people perceive and create meaning about events in their environment, rather than focusing on the risk events themselves (Gephart, et al., 2009; Miller, 2009).

The postmodern perspective presents a conceptualisation that focuses on the perception of risk rather than the risk event itself (Beck, 1992; Giddens, 1990:46). Risks are no longer seen as objectively identifiable or fixed entities with distinct social or technological features, but rather as
a new way of imagining how decisions affect individuals and their surroundings. This expanded notion of risk as a complex system providing stakeholders with different representations of what is real has several implications. The first is that the management of risk can be described as an instrument for framing objects with the purpose of action and intervention by decision-makers (Weick, 2001). This perspective provides a conceptualisation of risk based on interaction on how uncertainties are created and interpreted by differently by different actors.

This form of ‘risk management’ thinking also means that we no longer exclusively regard risk as something organisations and individuals are exposed to from their external environment, but also something they produce themselves (Power, 1997, 2004a). This perspective does not exclude the idea that hazards and danger are real and are something that organisations need to deal with, but it rejects the idea that mitigation can happen through technology systems alone. This insight has given rise to Michael Power’s (2004a:64) adaptive approach to risk management “that is not control obsessed and which has a second order capacity to observe and challenge the effects of the internal control system itself”. It draws on Luhmann’s (1993) notion that risk management, in essence, is a human activity of decision-making about the future with the purpose of transforming danger (or uncertainty) into the domain of responsibility and making it subject to observation. Bridging the two ontological reality claims, the objective and subjective, makes it possible for the observer to take on risk mitigation responsibilities in an effort to understand and possibly interfere in the creation of meaning. This understanding leads to the perspective that different groups envision risks and interpret what is happening in their surroundings on an individual basis, grounded in the creation of meaning rather than as objectively identifiable events (Gephart, et al., 2009; Green, 2009), and that decision-makers perceive the character of risk as being an uncertain yet uncontrollable feature which must be managed after the fact, even as attempts to prevent its realisation are implemented through planning and organising.

Karl Weick (2001) was one of the first to recognise that, to determine if something in our environment is real, it has to make sense to us and be influenced not only by ourselves but also the social and physical environment. That meaning, too, was not created in a vacuum but composed through interaction with the individuals and groups with whom we associate in what can be characterised as distributed sensemaking (Weick, 2005). The process of creating meaning, or
sensemaking, is the "the ongoing retrospective development of plausible images that rationalise what people are doing" (Weick, et al., 2005:409), which is what people go through to determine the realness of the world around them. Sensemaking involves seven elements, each of which contributes to our creation of meaning (Weick, 2012:129ff). It depends on who we are, or our identity, as we perceive it in our social context, and on both the information that is available to us at a given time and the retrospective knowledge that we have about how the world functions. Thirdly, because we are partly constructing the environment around us through attributing meaning, it depends on the enactment part of how we make sense of things, including determining whether something constitutes a threat or an opportunity. Fourthly, it depends on how the social environment reacts and possibly corrects our perception of our constructed environment. Fifthly, sensemaking is an ongoing process and, as we become more knowledgeable about what is going on in our environment, we build upon those decisions that have proved successful in the past, improving our ability to handle uncertainties in the social environment as they arise. We also extract cues from our environment that either enforce or hinder certain conclusions from becoming salient. Finally, we base our perception of what makes sense on whether the ‘image' we have created seems plausible. We collect fragments of information and cues from our surroundings to fill in the missing pieces, with experience and rational thinking, thereby determining what makes sense in the world. In that sense is risk what we perceived or determine it to be. While the notion of risk as sensemaking does represent a shift in our conceptualisation of the concept, it does not exclude that threats can be real but it is rather our perception of this realness which has changed.

Community risk

Community risk is the result of discrepancies between the beliefs, values and attitudes of community members formed by the process of sensemaking and the actions reflected in current business practices (Gifford & Kestler, 2008; Graetz & Franks, 2015; Gruev-Vintila & Rouquette, 2007). Based on this process, there is a chance that members of the community will take action that affects a company’s ability to operate, in the form of disrupting operations directly through demonstrations, strikes or other disruptive measures. For example, the perceived level of pollution from a company can be of grave concern to community members, causing them to demonstrate or engage in rioting, but the same pollution level can be perceived by the firm as within acceptable
levels and therefore not a risk. The concept of community risk is linked in the business literature to the difficulties of predicting the likelihood of collective action by community members, and the direction that such action might take when faced with discrepancies between the community’s values and those embodied in the institutions impacting their lives (Graetz & Franks, 2015; McGill & Siu, 2010; Miller, 1992). There are two forms of community risk. One originates from CofI, whose values and norms are focused on primarily the positive or negative consequences of risks; the other derives from CofP, which evaluates both the positive and negative effects of being exposed to corporate activities. Community risk is thus based on the sensemaking process of community members who, based on beliefs and experiences, evaluate an event as either a risk or an opportunity.

Differentiating between risks from CofI or CofP is based on how these two groups make sense of events in their social and physical environment. The clues communities use to identify risks are based on their values, beliefs and attitudes towards the world around them, as the two groups evaluate events based on their beliefs, values and attitudes about the changes that they are experiencing.

### Multinationals and Community Risk

MNEs are exposed to higher costs and thereby endure potential risks when they enter into geographical, cultural and social contexts outside their home country. The risks associated with their lack of knowledge and being an outsider to the cultural context they are entering are what is called ‘liability of outsidership’ (Johanson & Vahlne, 2009:1411), being unique to the MNE, as compared to local companies they have little or no experience operating in a particular national context. Three types of risk are salient to the MNE compared to other companies, namely financial, political and cultural risks (Ghoshal, 1987; 2000; Tasavori, et al., 2014). Financial risks are made up of possible threats that can affect the economic situation, such as exchange, commodity price and equity risks, or having difficulty gaining access to capital (Hagig & Sivakumar, 2009; Jorion, 1996; Miller, 1992). Communities can affect financial risks by creating uncertainty surrounding the MNE’s ability to live up to its financial commitments, such as its capacity to pay off loans or deliver products that are already paid for on time. Political risks entail the arbitrary consequences arising from political events that affect an organisation’s ability to operate (Butler & Joaquin,
These include non-market events, economic and social changes that might occur because of decisions made by political institutions. Political risk encompasses a broad range of politically motivated actions, including changes in economic policies and debt restructuring resulting in changes to the economic infrastructure, and expropriation of land and private enterprises. When communities expose MNEs to these types of risk, it is in the form of demonstrations, politically motivated vandalism or small scale terrorist attacks. Finally, cultural risks include changes occurring to institutions, as well as social and cultural variations between MNE management and the host country context (Feinberg & Gupta, 2009; Lodh & Nandy, 2008; Lou, 2009). While there are widespread disagreements about what factors to include as cultural risks, they are linked to the national context and the risk associated with the cultural differences between host and home country in norms and values. These differences can give rise to conflicts in perceptions of agreements and the way negotiations should be conducted, leading to a breakdown in communication and ultimately in the mining MNE’s loss of its social licence to operate (Graetz & Franks, 2015; Prno & Slocombe, 2014). Communities are in this sense seen as smaller units of a large-scale national population that share common characteristics when it comes to power distance, individualism, masculinity, uncertainty avoidance and long-term orientation.

Community risk arises when communities perceive MNE activities as being in opposition to the aspirations and aims of the community and so take actions that can threaten business continuity, depending on the resources the community has available (Hagigi & Sivakumar, 2009; Lessard & Lucea, 2009; Makhija & Stewart, 2002). CofP will make sense of the mining MNE’s activities on the basis of evaluating both the benefits and the downsides of having a mine within their geographical area (Franks et al., 2014; Kemp, et al., 2016). Benefits can be the prospect of jobs being created, improvements in the socio-economic development of the community, investments in infrastructure, etc., while drawbacks can be in the form of changes to the environment, pollution, community cohesion, illness and so on. As outlined by Weick (2005), the community will base its decisions about the mining project on its previous experiences, if not with mining, then with events that they at some point have been subjected to, along with input from the company on how the project unfolds, the investments and promises they make, and the opinions of experts, government officials and CofI who have a stake in the project. Based on this input, they will extract cues that
indicate how plausible it is that events will unfold in a certain way, leading to a decision on whether the CofP supports or opposes the project. As sensemaking is an ongoing process, the CofP can change or alter its perception of the project as more cues are added that will change how plausible alternative interpretations are. The CofI will provide input to the CofP by committing its organisational resources that either support or oppose the mining project. These communities have a clear idea on what the impact of a given project will be on the community before entering the process and will try to persuade the CofP that there are cues that indicate how a given project will unfold—for example, by drawing on how communities in other places have been impacted, leading to negative or positive social and physical changes.

Table 1 summarises the review of the MNE risk management literature and the potential that community risks have for exposing companies to financial, political and cultural risks in the light of risk as distributed sensemaking.
Table 1. Community Risks

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<tr>
<th>Community risks</th>
<th>Description</th>
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<tr>
<td>Financial risk</td>
<td>Arises when communities make sense and take decisions to commit resources against the company that lead to the threat of financial loss.</td>
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<tr>
<td>Political risk</td>
<td>Arises when communities make sense and take decisions that engender the involvement of political actors that can influence licensing or ownership structures.</td>
</tr>
<tr>
<td>Cultural risk</td>
<td>Arises when communities make sense and take decisions to commit resources, which can revoke the social licence to operate.</td>
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**Method**

To examine the community risk mechanisms guiding relations between CofP, CofI and the MNE, I draw on two examples from the Armenian mining industry. The papers uses an abductive approach taking its outset in the two examples, which are used to further develop a theoretical framework that can describe the relationship between the three actors in a risk perspective. The mining sector in Armenia and the MNEs operating there provide a perfect avenue for studying the risks associated with both types of community. The mine in Teghut is located aprox. 300 meters from the village of Teghut and within five kilometres of Shnogh and serve as two examples of mining communities.
Vallex Mining, a Cyprus-based mining MNE, started its copper-molybdenum mine in 2014 and when fully developed be the second-largest mine in Armenia. The three examples were compiled through a series of 14 semi-structured interviews with Vice president of Vallex Mining and local communities in the nearby villages of Teghut and Shnogh as representatives of the CofP, national NGOs, representing CofI. As well as public information, on the subject of the mine and the two villages described in local Armenian newspapers.

**Figur 1 Map Teghut and Shnogh Village**

Companions of Place

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<th>INTERVIEWS</th>
<th>Details</th>
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<td>Communities of Place</td>
<td>2 group interviews (Teghut and Shnogh)</td>
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<tr>
<td>Village heads</td>
<td>2 interviews (Teghut and Shnogh)</td>
</tr>
<tr>
<td>Communities of Interest</td>
<td>4 Non-governmental organisations (3 Save Teghut, Pan-Armenian Environmental front), 2 Interest organisation (World Bank)</td>
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<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Government officials</td>
<td>2 Interviews (Ministry of natural resource and energy officials)</td>
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<tr>
<td>Vallex mining</td>
<td>2 interviews with Vallex vice president</td>
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The interviews were supplemented by site observations at the two villages and two visits to the Vallex mine itself. Interviews were conducted using the same interview guide, which focused on uncovering the change events caused by the mine to which the two CofPs and CofIs are related, as well as their perception of these changes as risks or opportunities. The transcripts of the interviews were subsequently thematically coded (Flick, 2009), with the aim of identifying political, financial or cultural risk events originating from CofP or CofI that could impact risk management decisions by MNE management.

**Two Cases about the Mitigation of Community Risk**

A concrete example of management of community risks can be seen at the Vallex Group’s (Vallex) copper-molybdenum mine in north-eastern Armenia. For decades, it was known that there was copper in the mountains surrounding the villages of Teghut and Shnogh, and a survey confirmed this as part of a national effort to map all mineral sites in Armenia (Mining Journal, 2011). The relatively easy access to the minerals and a positive government attitude towards foreign direct investments made the project attractive to the MNE. Construction of the mine started in 2010 and was completed in 2014, when the mine went into production.

**Case: Raising Dust**

In April 2012, it was claimed that residents of Teghut were beaten up by corporate security staff, of the Vallex mining company, because they had raised dust by careless driving, something the local villagers claimed the company did all the time. The incident escalated further as villagers blockaded the road to the mine, resulting in that employees, usually transported to the site by bus,
could not get to work. The protesters wanted the local mayor and regional governor to intervene and ensure that ‘local justice’ was done: “It is not enough that they [Vallex] keep us in [mining] dust the whole time, and we do not say anything. Yet one good lad accidentally raised dust, and they caught our villagers and beat them in the centre of the village.” (Interview in Teghut, 2014) The event escalated into a blockade. “Since early morning (7:00 am) residents of Teghut blocked the road and the workers, who come from nearby villages to work there, could not manage to enter the territory.” (Ibid)

The villagers called for intervention from the regional and national politicians. The mayor of Teghut recalled the incident as “Vallex implemented rude power and enforced the local villagers to settle the demonstration.” (Interview in Teghut, 2014). Both the local and national press reported on the incident under the headline “Teghut mine security beat up local villages: Residents block road in protest” (Hetq, 2012) but did not explicitly side with either of the two parties in the conflict.

The Vallex reaction was at first to communicate that they regarded the incident as an internal matter and that it was the security staff that were assaulted by community members: “The illegal action has been stopped jointly by the forces of the police and the employees of Vallex”. (Interview with Vallex, 2014). This created a distinct gap in the interpretation of events at the mine between the CofP members (Teghut) and the Vallex representatives (mining MNE).

This incident can be characterised as a community risk, as there were demonstrations and some degree of social unrest took place which affected business continuity. It was a CofP risk event, as the actors were geographically situated close to the mines, and because they had grievances that they cared enough about to involve other more influential stakeholders such as politicians, police and the press. The incident had the potential to escalate into political risk and was framed as political in the sense that it called for political intervention. CofP members were in this way trying to change the central issue from an incident between residents of the village and Vallex guards to a matter involving regional policymakers and Vallex management. The corporate response was to place the event in a setting that could be managed within its already existing governance system, stating in a press release that “We, Vallex, call on all interested parties before the end of operations carried out by law enforcement agencies, to reveal the possible culprits of the incident and take the responsibility to refrain from groundless and fabricated statements.” (Hetq, 2012), thereby
transferring the event from an issue involving the grievance of CofP members to an institutional setting that it was better equipped to handle.

Returning to the village at a later date, the village head was asked to recall any incidents, and he responded: "In general there are no disputes between the village head and the mining company and discussions are based on collaborative discussions" (Interview in Teghut, 2014). Another village, Shnogh, around six kilometres from the mine, described the community reaction and the resolution of their issues with the mining company in a slightly different way: "Twice the villagers were against the mine. There have strong community coherence and on these two occasions the villagers closed the road. Any violence was done by the people of the company [Vallex]. The region head came with the police, and they discussed the issue with the firm, creating a solution that they found satisfactory" (Interview Shnogh, 2015). The possible risk event was satisfactorily closed by the village representative and the issue did not escalate further into a political issue, which was the initial intention of the villagers. Further evidence of de-escalation was found as local and regional politicians did not involve themselves in the incident, opting to ask the villagers to "follow the company decision to resolve the dispute" (Interview in Teghut, 2015), which they eventually did. The case could finally be dismissed by the local police as a matter of false rumour and misunderstanding instigated by the local residents and an issue between Vallex and its employees, which should be handled by the human resource department. This meant that the potential political risks faced by Vallex were mitigated as political actors did not involve themselves in the dispute to a degree where it could have affected licensing or ownership structurers.

**Case: Taking Care of the Forest**

Another incident involved community concerns over deforestation and was linked to the preservation of the remaining forests in Armenia. This incident escalated further than the first case and highlighted the importance of early risk detection and prevention. Here, preventive measures seemed to be focused on drawing attention to the initiatives already implemented, as well as a clarification of the MNE’s intentions. When some of these initiatives did not adequately mitigate the community risk, the MNE allied itself with a prominent political figure that legitimised the mitigation initiatives implemented, thereby effectively closing the case from public scrutiny.
The forests of Armenia are regarded as cultural artefacts that can be traced back to the dissolution of the Soviet Union and the war in the region of Nagorno-Karabagh (Moreno-Sanchez, et al., 2007). Both of these historical events resulted in a prolonged energy crisis where most of the existing forests were cut down for firewood. Since then, there has been broad popular support for reforestation and forests are regarded as signifying the healing of the country.

As part of the initial stages of constructing the mine in Teghut, the local forest, all-in-all around 600 hectares, had to be cleared. Even in the original planning phase, debates were initiated by local and national environmental CofIs about whether the mine should be explored at all. Arguing that “The locals were using the forests to collect berries, wood etc. this can’t be done now. There are polluting because their tailing dam is leaking and the dam itself can collapse. After five they can’t go to the forest.” (Interview with Save Teghut, 2016). As the Teghut area was a known copper deposit since before the collapse of the former Soviet Union, it was difficult for some to understand why it should be exploited at this time, when there were already other copper mines operating (Interview in Teghut, 2015). There were also several environmental CofIs who not only opposed deforestation but mining in general, and who identified an opportunity to use the specific case to highlight many of the cultural and political issues that were haunting Armenian society. “People from Teghut can’t even go to their canturi place a small sanctuary they can’t even access this place. This is especially important to the people from this village as they immediately responds to trees and identifies with nature” (Interview with Save Teghut, 2015) This created a business environment where there was, from the outset, strong opposition to the project from both the local communities affected, as well as the critical CofI community. It presented a challenge for the MNE to mitigate the cultural risks associated with clearing forests for the mining site and thereby maintain its social licence to operate. Reforestation therefore became a high priority issue, as the company needed to build trust with the local communities and maintain good relations with government officials, environmentalist groups, politicians and other interested stakeholders. The mitigation efforts implemented focused on a programme involving several different groups in the process of replanting the lost trees cut down to make room for the project. The programme included the participation of students from local villages and other parts of the country, as well as national and regional youth organisations. The project had the aim not only of planting trees around the
mining site but also in other places in Armenia, and involved student study trips to cultural and historical sites around the country.

All of these efforts were highly publicised on the company web site and extensively covered by the media. The efforts culminated in a visit from the Armenian President, Serzh Sargsyan, who stated that the company “…assured that in the context of the exploitation of [the] copper-molybdenum mine it was more important from the ecological perspective to compensate the damage to be done to the forest reserve. As a consequence, the company has worked on a reforestation project” (Vallex, 2016). A few critical CofIs tried to raise a court case but were unsuccessful, as all their claims of misconduct by the company were dismissed by the Armenian court as unfounded, effectively closing the case in the legal system (Judgment EKODAR, 2010). This left CofIs like the environmental and human rights NGO Save Teghut believing that "The company has a lot of power so they can do whatever they can do whatever they want” (Interview in Teghut, 2015). To date, local and regional NGOs continue to make claims against the project, contending that the reporting and apparent transparency is falsified, misleading the CofP in Teghut and Shnogh: "They are digging somewhere else; it is not the same site as on their license. They dig the entire territory and even more than they were supposed to. They cut down the forest where the provision over 25 years ago was to cut proportions of the forest, but they are cutting more.” (Interview in Teghut, 2016).

As the possibility of addressing the concerns of local stakeholders through the Armenian court system yielded no results, other avenues are being explored, among them the UN Court of Human Rights. The response has been that local and national CofIs have mobilised to confront institutional investors who have invested around 50 million euros in the project, and described their involvement: "We're naturally delighted to be able to enter into this agreement, which will increase Danish exports, and, what is more, for a project that is setting new standards for mining in Armenia. We have imposed a number of requirements, which will mean that the mine will be the first in Armenia to satisfy the international standards” (PensionDanmark, 2013). This statement indicated that the grievances of the CofP and NGO (CofI) did not alter investor commitment to fund the project, and thereby engender financial risks, which in effect closed off avenues for the local communities and NGOs to escalate the issues of deforestation to stakeholders who could
intervene in the operation of the mine. When interviewing local villagers, it did not seem to be a major concern, as there had been "a small negative impact […] registered on forests, most specifically, the areas of forests decreased" (Interview in Teghut, 2015) and the focus was on other issues such as water access and the day-to-day activities of the mining operations as more salient problems for the CofP.

**Community risk as making sense**

The process that community members go through to ascribe meaning can be understood through two sociological perspectives, framing and sensemaking (Wegner, 1998:53; Weick et al., 2005). In order to understand the risks presented from the world around us, we make use of frames or 'reference maps' from which we can understand the context we are part of and the way we construct frames through the process of sensemaking. Their purpose is twofold. Firstly, they help us organise experiences, enabling people to recognise what is happening and providing barriers (frames) so that we can distinguish between uncertainty (unknown) and risk (known). Secondly, they offer a historical account of past decisions (past frames) that we can draw upon when making new decisions or deciding an appropriate behavioural response to new information. Sensemaking involves the creation of meaning and how individuals make sense of the world around them, enabling them to take some form of action. It involves a process through which, after noticing something is different but somehow recognisable, we find a plausible explanation, classify the anomaly and search our experience of how similar events have been handled by ourselves or others. We subsequently assign some form of action or cure to the event that we believe will resolve the issue, and finally take action.

The two Armenian cases illustrate how the MNE actively tries to influence the sensemaking process of key stakeholders to prevent community risk issues escalating into financial, political or cultural risks. In the first case, the incident of violence at Teghut, the stakeholders created meaning that led them to conclude that the employees of the MNE were not respecting the villagers, and that this particular incident was the latest example of the misbehaviour of employees at the mine. The incident can be characterised as community risk as, through sensemaking, the villagers were making sense of the action of the MNE, which resulted in them taking actions that constituted a risk that affected organisational value-creating activities. The community members made an effort
to escalate the incident to the political level by getting the attention of more powerful stakeholders, in this case the press and local/regional politicians. The response from the company was to frame the MNE employees as victims, but as this does not de-escalate the situation immediately, they pursued another strategy by referring to an internal investigation, convincing the local government officials that there was no reason to get involved, and the situation de-escalated.

The second case, in which the MNE was involved in tree planting, highlights the importance of local (tacit) knowledge. Understanding that the locus of the potential crisis was centred on respect for the Armenian cultural heritage (in this case the local forest) and that the project would involve significant deforestation, the MNE mobilised an effective response. It involved the local population in the reforestation efforts, and later on regional and national stakeholders, as part of its efforts to legitimise the project on a national level (Interview in Teghut, 2015). This initiative created an opportunity to use the community risk of being a company that destroys cultural heritage as a way to shield the MNE from attacks from NGOs and government interference. The response strategy follows a pattern where the organisation knowingly places nature at risk as part of the mine construction, but the event turned into an opportunity by utilising the grievances as a way to create a successful Corporate Social Responsibility (Schwartz & Caroll, 2003) campaign, thereby affecting Vallex mining’s social license to operate.

**Conclusion and contribution**

This paper has investigated what community risk is and analysed how mining MNEs in Armenia are managing risks originating from communities and the effect of their risk management efforts. The paper contributes by arguing that a sociological approach to these types of risk would provide MNEs with a superior explanatory framework, rather than traditional risk management tools, and would allow companies early detection of warning signs about community grievances that could escalate into less manageable and more resource-intensive political and cultural risks. Community risk is defined as the results of the sensemaking processes of CofP and CofI that lead to the commitment of resources that constitute a risk (financial, political or cultural) which has the potential to influence organisational value-creating activities. The paper draws on two examples where communities represented a threat to continued operations and how mining MNEs in Armenia, through an intervention in the meaning creation process, were able to avoid an increase
in community risks and thereby in the commitment of organisational resources by CofP and CofI. This illustrates that efficient management of community risks depends on an MNE risk manager's competencies in understanding and analysing the process of meaning creation and intervening in this process by committing his organisational resources.

The distinction between CofP and CofI when it comes to community risk is important, because of the differences in their perspective on the mining MNE, as a threat or an opportunity, and the resources that the two communities have available to them to actually influence the mining MNE. As shown, the CofP evaluates both the benefits and drawbacks of a given mining project when creating meaning and the action it will take to either exploit or mitigate these; however, the CofP, as conceptualised here as a community geographically placed near the mining operation, has fewer resources and less knowledge about how to influence the mining MNE’s decisions. As illustrated by the two examples from Armenia, it is necessary for the CofP to elicit support from CofIs that have organisational resources and knowhow on how to apply pressure to the mining MNE that can change its behaviour. Community risk exposure depends on the resources that communities have available, which can be used to mobilise important political, financial or cultural agents that can pose a risk to business continuity. Community risk is thus as much related to the specific situation and how meaning is created as it is to the ability to get the involvement of actors who have the necessary resources to pose a threat to the mining MNE.
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