



CSR as Economic and Infrastructural Development:

Economic Development for Protection of Investment, Profit, and Personnel

by

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When we think of solving issues of international conflict and security, international organizations of the public sector – governmental and non-governmental – come to mind. Businesses, however – international organizations of the private sector – have a powerful role to play as well; a role that will improve their bottom lines through both cost savings and revenue generation.

Getting to this role requires the following understanding. Conflict is valuable, we can harvest much information and innovation from conflict, but violence is not. We don't want to stop conflict but we do want to decrease the likelihood that it will become violent. The best way to do that is through economic development and grievance pathways. The best way to create economic development and grievance pathways is through the sector that is already best at it – the private sector.

Firms are not only the sector already most steeped in economic development, they are also the organizations bearing significant portions of the costs of conflict and insecurity – work is stopped by protests, productivity plummets at the onset of violence, expatriate workers are at risk in the field. And advent of civil war, of course, creates costs to firms against which all of these pale in comparison.

This paper will delineate a private-sector-based framework for implementing that conceptual paradigm in the field – to the benefit of the firm. The best way for firms to protect their investment, their profit stream and their personnel is to at the same time, increase the positive impact on the local stakeholder of the foreign direct investment (FDI) they are already bringing and of the Corporate Social Responsibility (CSR) dollars they could bring. This framework, which includes three levels, from strategy to tactics and from roadmap to toolkit, actualizes the lessons learned over twenty-five years, in the fields of economic development and

conflict prevention, to do just that – increase positive impact on local stakeholders – for the benefit of firms.

This framework is useful bi-directionally. It can be successfully utilized by firms. But can also create value when employed by governments. The latter can use the framework to improve the criteria for FDI policy and for policy regarding continued interaction with and behavioral expectation of, firms.

Should We, Shouldn't We

Debate over whether, and how, if at all, firms should do anything about this situation, have focused on what has been labeled “social responsibility” and on the intersection of social responsibility with financial performance.

The central question around which that debate revolved was about whether corporations have the right to be anything else other than responsible to their shareholders and to financial performance as represented by shareholder value. (Friedman 1948; Jensen; Margolis and Walsh 2003; Bies 2007)

Recently, in the last 12-24 months, this debate and the paradigm behind it, has shifted. The sheer volume of firms engaged in a variety of ways, in CSR activities, has altered the discussion from *should we do this* to, *how do we do it well?* (Economist 2008; Bird and Smucker 2007; Griesse 2007; Orlitzky 2003; Margolis and Walsh 2003) John Ruggie of Harvard's Kennedy School is quoted as saying, “the theological question – should there be CSR? – is so irrelevant today.” (Economist 2008) This is in part due to questions of measurement and of whether shareholder value is the correct metric with which to measure financial performance.

Significantly, we can shift the debate further still – toward the idea of building a *business* case for engaging in economic development aspects of conflict prevention and investment protection. This business case involves the enlightened self-interest view that the two responsibilities – to local stakeholders and to financial performance – are not exclusive of each other at all but in fact, allow for the question to be asked, might the fulfilling of the first, *strengthen* the second. A small subset of researchers is beginning to support such a view of firm self-interest. (Orlitzky et al 2003; Rowley and Berman 2000; Barnett 2007; Mackey 2007)

A second subset of researchers, in the accounting literature, is supporting an important tangential idea that firm financial benefit, even from conventional CSR, is not currently fully captured with today's metrics. (Nwankwo et al 2007; Rafi Khan 2007; Griesse 2007, Aguilera et al 2007; Kolstad 2007; Alexander 2007; McSweeney 2007; Unerman and O'Dwyer 2007)

The full financial benefit to firm of an unconventional approach to both FDI and to CSR such as will be discussed here, will certainly not be reflected wholly using today's metrics alone.

Competitive Advantages

Firms can turn these discussions on their heads with an enlightened view of self-interest that allows them to turn the maximized present value and financial metrics discussions into conversations of competitive advantage. Like environmentally sustainable behavior, socially sustainable behavior also creates competitive advantage for the firm so engaged – and does so far beyond and in more direct ways than the indirect public relations benefits generally cited.

This could, further, become a core competency for a firm, essentially institutionalizing a comparative advantage over other firms. Cost reductions through First Mover advantages are

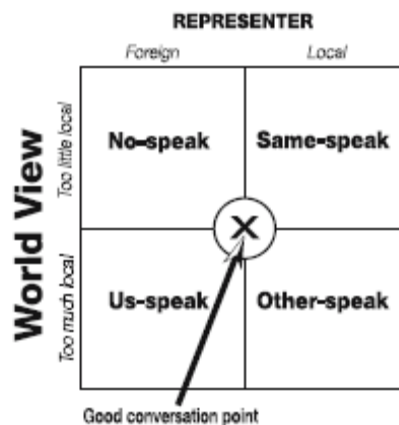
still on the table as well. As we will see, reducing security costs to the firm in this manner also reduces time-to-permit for subsequent permitting processes.

Means for creating socially sustainable behavior are described below.

The Power of Those who Interpret Our Behavior

The work of Farzad Rafi Kahn of Lahore University (2007) with representational approaches offers an interesting map of the thinking of individuals and groups prior to social initiatives. This map, here including four path descriptors but alluding to many more, indicates how the incorrect representation of reality can grossly affect the cost-determination process and the accuracy of the cost and benefit data.

Intuitively, how we define issues affects our response choices. Less intuitive though, is the reality that what we chose to include in our cost data, our benefit data, and the amounts we choose to assign to each in our cost-determination process, also varies with paradigmatic definition of the issue.



(Rafi Kahn 2007)

This is useful in indicating why many multiples of viewpoints each describing the same situation, setting, and factors, must be considered when first, costing, and then, selecting, project and policy options.

The forthcoming work of Basu and Palazzo (2008) also indicates an understanding of an organization's internal cognitive processing as factor in engagement style with the world. Their term for this is an organization's "Sense-Making Process," such that internal character can predict external outcome of CSR initiative. Much like Rafi Kahn's representational systems, these sense-making dimensions and accompanying typologies can allow for analysis of the interrelationships between internal character and engagement strategy.

Research by both parties indicates that significant and costly errors in behavior, including selection of CSR initiatives, can be made as a result either of misinterpretation, *mis-categorization* of the reality unfolding before us. Alternatively, this can be stated as resulting from an accurate representation that, in deviating from another also accurate representation *more salient to a stakeholder group*, creates costs in the *interpretive deviation*.

The work of Henri Tajfel (1978, 1974, 1970) also underscores the dramatic ramifications of world-view-choice on the creation of goals. Tajfel's work showed clearly that stakeholder groups will first align themselves on the most casual of differences – much like the stakeholders within a firm will see other stakeholders as different from themselves – and will then, on that basis only, choose outcomes that will *maximally differentiate the groups*. This means that groups will not only seek out differences over commonalities, they will then choose outcomes that lead to *less profit for themselves* (1974) even in the presence of the possibility of positive-sum outcomes. (Tajfel 1978; Turner 1975; Tajfel 1970; Billig 1973; Billig and Tajfel 1973) It is important to note that we are not referring to situations where trade-offs are

required but *where positive-sum outcomes are overlooked* because the paradigm, the lens of expectation, the representational system, and the current accounting methods and metrics, blind us to them. Competitive advantage goes to the firm that can pull off its blindfold first, longest, and most completely. To do this, paradigms incorporating the understanding that social concerns are firm concerns, that success of the firm is entangled with and not competitive with other stakeholder success, must be mainstreamed into corporate culture. Corporate culture is where the “Sense-Making Process” of Basu and Palazzo (2008) and the “Representational System” of Rafi Khan that help us interpret reality live.

As Skocpol (1979) reminds us, it is pressing to include a structural perspective within one’s assessment. Recent revolutionary crises have come about, she concludes, through inter- and intra-national structural contradiction. Mainstreaming then, a cognitive reality that incorporates the dimensions of social consistency discussed here – relative equity, opportunity, access, participation – within all private sector projects would seem then a sensible and self-serving, indeed self-preserving, contribution to dampening revolutionary crises and increasing the several dimensions of stabilization – to one’s own profit.

In his 1966 work, Barrington Moore, Jr, a noted Harvard sociologist focused on paths of social change, asserts that, “*indeed it is an historical commonplace that improvement in the economic situation of the (citizens) may be a prelude to revolt*,” may seem to crater our thesis and indeed may seem to contra-indicate his own thesis of objective exploitation. It in fact not only supports both but also explains why firms who feel they are improving the quality of life of those around them are often targets of negative sentiment. This is because what is critical is not the absolute but the relationship between the two, or several, parties. As Moore goes on to explain, the relationship can become more exploitative “even if their material situation improves.” Indeed,

especially if the situation of the firm is seen to improve while the negative impact on the citizens is perceived to increase and/or the firms' positive contribution (private sector actors individually or as a whole) is seen to decrease. "A decline in the ...contribution along with general economic improvement and efforts ... to increase the 'take,' could be expected to generate tremendous resentment." (Moore 1966)

This is invaluable insight into why, as stated earlier, those who *interpret our behaviors have power*. When costs for everything from tomatoes to housing increase due to the presence of a large firm, a firm whose payments to vendors, contractors and employees, increase demand and decrease supply, many will experience the very real, tangible, negative impact on their already dangerously subsistence living. It is this balance that sustainable, strategic economic development must fine-tune or even counteract.

Perceive all conflict as niche markets revealed

Examples of what firms can do in a setting not yet violent – through a Coalition and never as a single entity – include the following.

1. Provide space

- for dialoguing on specifics between divided groups, and
- for talking about issues more generally among the populace.

2. Link their social investment (CSR) to larger development and conflict

- concerns resulting in greater return value to firm – and local stakeholder.
- Importantly, this must be done not in a one-off way but instead, in a strategic, spiraled web of engagement as detailed in the toolkit portion of the framework.

3. Through microfinance and development cooperation assistance, promote small- and mid-sized enterprises (SMEs.)
4. Create stronger grievance pathways and feedback loops and opportunities for reconciliation, re-humanization, and for social, human and infrastructural capital improvements.

The most important behavior however, is, as stated in number two above, to *not* do something. One-off initiatives – like building a school, clinic, or well – without the support of a strategic, spiraled, web of engagement is putting money into a project that, unsustainable in a stand-alone way, will no longer be operative in, on average, five years from completion. Groups like to do these individual activities specifically because they are do-able, bite-sized, tangible, and complete-able. However, the very reason why they can be sufficiently compartmentalized to allow them to be projects we can feel good about completing, is the same reason why they cannot be sustainable. Each initiative must be a part of a network of simultaneous work that includes threads of economic development, grievance pathway development, infrastructure support, and policy.

In settings of advanced – violent – conflict a private sector coalition can also provide both the incentive and the techniques to enable groups to work toward ending killing as was done by South African industrialists during Apartheid-related violence and again by business leaders in El Salvador with the “Goods for Guns” program. (Galama and Tongeren 2002)

Creating conflicts won't help the bottom line. So the belief of the author, reflected in this section's heading, that every conflict is a new niche market revealed, is not suggesting that firms create either conflicts or violence. Rather what is meant by this is the understanding that a conflict, almost any conflict, or any grievance, stems from an unmet need(s.) Further what is

meant is that the process of ascertaining what those unmet needs are that have created grievance, helps companies to locate profitable niche markets that will be based on meeting those needs. Business is always looking for ways to better understand the needs of its clients and potential clients. Conflict is the manifestation of unmet need and as such, engaging in the process of deconstructing it or getting to the core issues, allows firms the opportunity to better develop products or services to meet those needs.

This is just one of several aspects of the “opportunity” – as opposed to “responsibility” - available to us from social responsibility strategies that look to alter the angle of perspective and to involve a firm’s chosen tactical projects in the stabilization of the locale.

Niche market opportunities as well, will allow greater expansion in firms that embrace and lead in the strategic conflict prevention subset of CSR that is the focus of this work. These benefits, like all benefits of leadership, will accrue to those who lead in this direction *before* the metrics tell you what already happened.

“...successful conflict prevention is also sound protection of ... investment.”

(Annan 2002)

“For legal business activity, conflict is bad for business.”

(Killick and Gunduz 2005)

The many guidelines published since 1997 by regional or global development organizations which encourage a conflict prevention lens for the private sector, have encouraged this lens, not in the best interest of other stakeholders but in the best interest of the private sector participants themselves. (UNIDO, OECD’s DAC, UN, EU, World Bank, CIDA, SIDA, DGIS, DFID)

The role of the corporate sector in peace-building is still not widely recognized or understood. The understanding that firms cannot excel on their own, in isolation, and that far from being mutually exclusive, a response to general local and regional concerns is also a response to a firm's own needs, is integral to the initiatives necessary to create the shift from zero-sum and fixed-pie to mutual gain and a bigger pie with bigger slices for each.

Hamersley Iron in Australia

In 1997, Hamersley Iron had a choice to make. It was a choice not unlike those faced by many mining firms. The difference is though, that most firms would have looked at what was minimally *required* of them, likely from a regulatory viewpoint. Hamersley chose instead, to look from a different viewpoint. They chose to analyze the options involved from an economic point of view – which choice option would maximize our utility they asked – sensible, right?

The catch is that in this context, the options Hamersley was analyzing involved choices not of production per se, but of projects involving potential increase to the economic development and sustainability to the stakeholders *around* the mine. Current standard operating procedure within all private sector industries includes the immediate removal of economic analysis from such options – often referred to misleadingly as “community relations” options. This practice of absencing certain behaviors from cost benefit analysis is not in one's self interest nor in the best interest of other stakeholders because it allows firms to choose behaviors which are not held to the criteria of maximizing either firm's utility or that of the local stakeholders (or both.) The two Hamersley experiences to be discussed are just two of many case study examples which illustrate that fact.

By looking at the situation in these terms - work with the community around the mine to bring up the overall level of economic development and infrastructure, or face a stagnant, possibly negative profit projection – Hamersley was able to get the Yandicoogina Land Use agreement signed and the full mining project up and running, five months ahead of their own schedule and \$155 million under budget (Humphreys 2000). Their savings was further added to by increased profits due to the quickly rising iron ore price in place over those five months. Leaving out for now, the profit benefits of the extra five months production as well as the affect of the increasing price, we can use \$155 million as a temporary proxy for return to initial investment made – and therefore as a budget constraint metric.

This area of potential business activity, like all areas of potential business activity, should be analyzed economically with cost/benefit analysis using utility optimization. These too can be activities in firm's best interest even in the absence of regulation requiring them – so long as cost/benefit economic analysis is performed on the option sets, with accurate costing valuations and utility curve representation included.

Firms have traditionally thought of their utility, revenue, and cost curves as including variables representing both Regulatory Licensing (access to physical resource) and Physical Resource (exploration for & extraction of physical resource.) With utility maximization that left other factors absent, factors not in the externalities category but instead in those categories that costs the firm in even more tangible and direct ways, decision making then, was based on inaccurate assessments of costs, leading to both higher firm costs but also to mine and firm closures such as at Bouganville and Lihir Gold, both in New Guinea; Yanacocha in Peru; and Century Zinc in Queensland.

An expression of utility for Hamersley Iron that is possibly more accurate than those used by other firms, can then be written as:

$$Z = U(SL, RL, PR) + \lambda(B - SL \cdot P_{SL} - RL \cdot P_{RL} - PR \cdot P_{PR})$$

Where SL = Social License – costs of securing and maintaining, RL = Regulatory License – costs of securing and maintaining **including royalties**, and PR = Physical Resource – costs of locating, extracting, and marketing **including labor**.

We can contrast this with the mistaken utility curve of the same company a decade earlier. It was this costly misjudgment in firm utility that was the motivation behind the firms' current choice set – and altered utility curve just discussed.

In 1989, while attempting to get the iron mine at Marandoo, also in Western Australia, open and running, Hamersley's choice set involved using "adversarial and litigious tactics" (epress.anu.edu, paragraph 13) to reach the goal they thought they were striving for. Here they left out the "SL" variable from their equation (and their thinking) and the result was,

"...an alliance of sorts arose between environmental groups and Indigenous interests in opposition to the mine...anthropological and archaeological studies conducted since 1974 found no significant Indigenous sites...government eventually commissioned further study that now found four sites of cultural significance, two of which were located on top of the ore body. The demand for further surveys and compliance...had significantly stalled Hamersley's...time frame. Rather than seeking to prevent the mine altogether, the members largely...encompassed recognition in negotiations about how Marandoo proceeded and benefits offered to those affected (G. Benn pers. comm. 2003). Delaying Marandoo was a strategy to pressure Hamersley to acknowledge Indigenous interests." (epress.anu.edu, paragraph 14)

Hamersley's litigious, aggressive behavioral choices at that time, may have reflected the following incorrect utility curve:

$$Z = U(RL^\alpha + PR^\rho) + \lambda(B - RL \cdot P_{RL} - PR \cdot P_{PR})$$

This curve differs from the proposed firm utility curve introduced earlier, in two ways. The first of these is in the number of variables in the objective function and the second is that they are here, additive instead of multiplicative as in the earlier utility curve.

Being additive instead of multiplicative allowed these firms to mistakenly believe that they could maximize utility by completely substituting one variable for the other, allowing one of the variables to go to zero. But we see clearly with a multiplicative utility curve, that if any one of the relevant variables goes to zero, total utility must also equal zero. Therefore, zero investment in social license for instance, will yield zero overall utility to the firm. This fact is not altered by, and cannot be changed by, any size or quality level of the physical resource.

This erroneous curve cost the firm millions of dollars in delays. “The mine was constructed after a delay of two years and substantial legal cost to both the company and local communities” (Bradshaw 1998; Eggleston 2002 as quoted in epress.anu.edu paragraph 16).

Caterpillar Tractor in Brazil

The Caterpillar Tractor Company successfully contributed to regional development in Piracicaba, Brazil, and to their own sustainable, long-term profit stream protection. CSR scholar, Margaret Ann Griese summed up the reality on the ground succinctly, “Once the company realized that the problems of the community were also its problems, it was able to develop projects that addressed those issues more directly.” (2007b)

Beginning with factory construction in 1973 and operations in 1976, Caterpillar Brazil became a participant in the socio-economic situation of Piracicaba, Brazil. In 1993, they

consolidated their Brazilian operations in Piracicaba. Throughout that time, the firms' definition of and feel for, community involvement changed as their concept of social responsibility expanded. (Griese 2007b) The firm began with a "Peaceful Coexistence" strategy, moving to include environmental responsibility in 1996 with a program of "Sustainable Forest Management" (Caterpillar 2002).

Through 2000, Caterpillar also had extensive life and health benefits for its 2575 employees, supported cultural events and philanthropic organizations locally, and sponsored a children's meal and after-school program.

Despite all this as well as thousands more jobs created through suppliers and dealers, Caterpillar decided in 2000 to move their CSR activities to a new level. Community Development became their strategic new focus and they launched, "Our Future, Today," which the locals immediately dubbed, Piracicaba 2010. The reason for this new shift however, is significant and telling. "Caterpillar," the firm's management said, "could not remain competitive as an 'island of excellence,' ...could not grow in isolation; it needed infrastructure, good suppliers, well-trained workers, and so on." (Griese 2007b)

BP in Azerbaijan

Azerbaijan's large oil and gas reserves and the successes there provide an illustrative example of the potential available through positive-sum collaboration. It is particularly useful and representational due to the high degree of opportunity for both business and foreign direct investment present in the newly independent states of the former Soviet Union.

With an inventory, in 1997, of fourteen national and regional factors for conflict registering at the "high" level (Christie 2000) Azerbaijan was poised to become either a

“Norway or a Niger Delta.” (Banfield 2004) Through implementation of a five phase tripartite dialogue for action at corporate, local, industry, host government, and geo-strategic levels (Christie 2000), the picture has been far better than it would have been without long-term, strategic, partnership style involvement of all stakeholders including, and led by, the private sector.

In Phase III of the five phase project, an Economic Development Committee (EDC) was added to and through the on-going dialogues. The purpose of the EDC is to define solutions to the identified challenges – among which was the broadening of the economic base out beyond the support offered by the oil industry. The banking sector too was included at this level as were local entrepreneurs to “develop local supply industries” (Champain) This Committee is also trying to help cut through the corruption that oil companies are somewhat protected from but with which their local supplier businesses must contend. These local suppliers also do not have access to secure bank loans as do their larger partners, another area of important focus of the EDC.

BP was one of the corporate members of the EDC where they worked extensively with NGOs because they “were doing a good job.” (Penate 2002) BP then began developing partnerships with NGOs that were doing superior work in social justice or environmental performance because that, their International Policy Advisor says, “is good business. We do it for business reasons.” (Penate 2002)

Working in Umid, with the one hundred and fifty formerly displaced families living there, BP support has helped to create the Human Development and Sustainable Income Generation Public Union, or UH DU – Azerbaijan’s first community-based, and first economic development, organization. The program began with the training of Umid women to make work gloves and

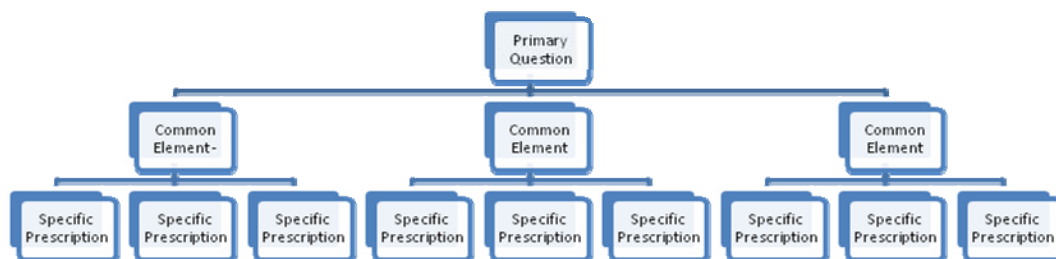
has grown to include now-successful efforts toward legal recognition and a unique social structure as well as work opportunities and has grown to thirty products. High quality service and products has increased the organization's client base both locally and internationally.

In Colombia, the BP experience was the same. There they discovered that those of their rig managers who, "engaged in the community, listened to people, and took their advice were on time and on budget." (Penate 2002)

Shell, Levi-Strauss, Chiquita, and Firestone are also among multi-national corporations (MNC) which have chosen, for business reasons, to engage in listening, and talking with local stakeholders. The next step is to add knowledge-based strategizing in long-term, networked ways, with cross-discipline experts as well as with the feedback from local stakeholders. Local stakeholders can identify some of the problems they are experiencing, often they can identify the start to a solution as well. Cross-discipline experts in the strategy and tactics of combined economic development and conflict prevention can know what else to ask about in the further, critical identification of the complete problem set. Further they add the capacity to, from analysis and synthesis of lessons learned, detail and implement a complete solution set – one that incorporates the valuable feedback, ideas, and buy-in of local stakeholders, but which goes further, toward not a solution but a solution set, toward sustainability of not just an economic opportunity but of a socio-political structure that allows for the perpetuation of economic opportunity.

The Framework

The framework for assessment and implementation, which actualizes for the private sector, the lessons learned in economic development and conflict prevention over the last twenty five years, can be conceptualized in three-levels as follows below.



The top level is that of strategy where firm asks variants of their own primary questions designed to keep them thinking in terms of whether a given initiative or business project is in keeping with a larger, networked strategy of on-going, sustainable success through economic development. This step institutionalizes the thinking into the culture of the firm. When, in 1987, Percy Barnevik, CEO of newly formed Asea Brown Boveri (ABB,) needed to both create and then rapidly communicate a highly complex merged structural form for ABB, it was through use of corporate culture and informal networks that he succeeded. Culture, and the thinking that creates it, are critical components of firm success.

It is in level two that specific business project ventures or CSR initiatives are then held up against what the common elements (of conflict prevention and economic development) tell us are successful in the way of general principles.

Level three, the toolkit, or screening checklist, is where the sixty specific prescriptions, designed to be selected when setting indicates appropriateness, and in tandem with the other initiatives necessary to support it in a sustainably successful way, are to be found.

Level One and Preconciliation

The top level, where strategy begins, has been dubbed Preconciliation. What is Preconciliation? Understanding preconciliation begins with an understanding of reconciliation. Chip Hauss, Director of Policy and Research at Search for Common Ground USA, refers to reconciliation as a new idea. As editor of a book on conflict published in 1995, he saw no mention of the word whereas as editor again in 2001, it was, “the most frequently cited concept.” (Hauss 2008) Included among the ideas which remains without a standard definition among scholars, are the ideas of rehumanization of the other, intergroup contact theory (Pettigrew and Tropp 2006; Pettigrew 1998) building bridges and connections between groups – be they adversarial or simply co-existing groups, and building trust. Hauss suggests that it is a means through which to “change the way that individuals think about” and here he says, “traditional adversaries.” (2008) Hizkias Assefa, in his chapter on reconciliation in *People Building Peace II*, refers also to the process of *restoring* relationship. (2005)

However, reconciliation may be used also to increase tolerance more generally, altering the way that people and groups feel not only about their adversaries but about other people and groups despite the absence of adversarial relations. This is reflected in Assefa’s definition when he includes reference to future relationship. (2005, p.637.) Future relationship is improved, even when it is not yet negative, by the same opportunities to talk openly and learn from members of other groups. In this way, other groups and their members become known

as individuals, become more humanized in our minds, and it becomes harder for others to come along then and dehumanize them to create a scapegoat or address a hidden agenda.

(Pettigrew 1998)

By the coining of the term, Preconciliation, we mean here to take these concepts of healing and strengthening relationships and focus them directly on the latter usage and on its expansion. We have changed the re- to pre- in order to suggest both their usage *prior to* violence and preferably, prior to conflict and to at the same time suggest the mainstreaming of this concept. In this way, strong relationship can be created rather than restored such that while groups are not at odds their extensive similarities and shared humanity are reiterated and reinforced.

The second valuable benefit to preconciliation is in the institutionalization of intergroup dialogue. Many mediation efforts in conflict situations struggle to create dialogue, forums for dialogue, the working out of ground rules and the beginning of scheduling meetings for dialogue on a regular and consistent basis, only at the height of tensions. By establishing space, procedural ground rules, and regularly scheduled communication, in less tense times, and between many different demographics at all levels, the same communication pathways that created greater understanding between people and groups toward the prevention of conflict between them will then be available still, in times of tension. These constructed communication pathways then serve the dual purpose in times of tension, of institutionalized grievance pathway that can act as alternative to violence as a source for resolution.

Preconciliation both as an idea, and as a set of guiding principles and specific prescriptions, allows for increased return on investment (ROI), improved communication and understanding, strengthened security, sustainable social group interaction – including private

sector “social groups,” and significant loss reduction in unproductive investment and conflict-related work stoppage and security costs.

The Second Level

Common Conflict Elements:

Level Two then begins with a look at two categories of common elements. The first are those factors common to conflicts which resolve non-violently while the second looks at elements common to those conflicts which escalate to violence.

I. Elements Found to Be Common to Conflict that Resolves:

Regular dialogue (Abad 2004)

The development of norms and principles (Abad 2004)

Comprehensive cooperation (Abad 2004)

Leadership (Carnegie 1999)

Social cohesion,

Concerted international engagement, and

Accommodation of diversity

We will refer to these seven, collectively, as *Preconciliation*.

II. Elements Found to Be Common to Conflict that Becomes Violent:

Suppression of differences (Carnegie 1997)

Distribution of socio-economic

resources (Busumtwi-Sam 2002)

Relative Deprivation (Vanneman 1972; Walker

1994; Gurr 1970; Pettigrew 1998)

Low income (Collier 2007)

Slow growth (Collier 2007)

Primary commodity dependence (Collier 2007)

In light of the data suggesting that violence can be avoided in the presence of the first set of factors or that it will be the likely result in the presence of the second set of factors, initiatives to address these offer a considerable likelihood of substantial return – in the form of protection of start up and on-going facility investment. It is here that we find a likelihood of success that indicates a go-forward cost/benefit ratio.

Timing for Stabilization Perpetuation

Additional initiatives identified by the Screening Checklist of the *Toolkit's* Level III are discussed within the timeframe within which they ought to – for greatest success – have taken place. The reason that timing is important is because it is during times of relative stability that opportunities to create the institutions to perpetuate stability exist. **For more on this topic, please see Ramsay 2008.**

Process Infrastructure Development/IIGPs

A second example from the second level comes from within the civil society building umbrella. This piece, which we've labeled, Process Infrastructure Development, allows for the development of societal infrastructure capable of providing the *process* or *pathways* for airing and addressing grievances of all kinds. Developing the infrastructure for the process of social justice is as valuable as is developing a roadway infrastructure for transmitting goods to market. Without Process Infrastructure, social change has only the path of violence available to it. Non-

violent social change cannot occur if the process for non-violent social change does not exist. These processes, at all levels of civil society and government, must be institutionalized – consistent, known, and transparent – as well as inclusive, and can be thought of as, Institutionalized, Inclusive Grievance Pathways (IIGPs.)

These two examples from the second level generate specific activities to be found within the third level, the toolkit or screening checklist level, where specific, combined sets of successful, interdependent activities and policies are nested. These can range, strategically, from within trade policy to employment regime to pre-sponding to demographic movement. Dealing with international financial institutions, spoiler groups, border issues, health, and increasing economic complementarity of economies within a region – the degree to which two neighboring countries, or countries within a close geographic region, make what the other needs and need what the other makes. Japan and China exhibit the highest level of complementarity of economies in the world (Kwan 2003) are also appropriately addressed. Though the categorical range of the framework’s second and third levels are, necessarily and appropriately, as broad as success and sustainability dictate, they remain finite, logical, knowledge-based, strategic, and highly useable.

In Liberia

The framework, retrospectively assessing Liberia from a current moment perspective, identified the following five categories of behaviors that, with slight change from Firestone, could have assisted them in preventing the billion USD loss they suffered there throughout and

following the twenty five year civil war.

- Staple Food Price Stabilization – and non-vulnerability
- Negotiation Losses that Look Like Wins
- Labor Conditions – And Other Losses that Look Like Wins
- Opportune Moments for Stabilization Perpetuation
- Questioning Standard Operating Procedure

The process for one component of the first category of prescription is described below.

Toolkit Created Recommendation

Common Fund for Rice Price Stabilization

- Establish Common Fund from private sector coalition.
- Supplement staple food payments from citizens when price rises – leaving price to enduser unchanged.
- Return money to fund when cyclical price falls – again leaving price to enduser unchanged but replenishing resources of the Common Fund and leaving it, over a period of years, at roughly equal its initial level.
- Through investment of Fund resources, it is possible that only the interest, and not the principal, be used for the flattening of the price cycle.
- Slight Cost of Living increases in the food price can be allowed but should be monitored in relation to the level of unemployment and general capacity to pay.
- Additional price fluctuations can be due to third party middlemen. Coalition and government should work together to minimize vulnerability from this source through maximizing alternatives.

Conclusion

In conclusion, this article has shown that current firm FDI as well as the CSR dollars of those firms can be strategically re-directed to increase the return on those investments, and further, that this increased ROI can be experienced by both the local stakeholder and the firm

itself whereas previously the two had been thought to be mutually exclusive - one not being able to be better off without the other being, by definition, worse off.

This has been shown not to be the case on the ground. It was further shown that future accounting metrics may likely be more capable of capturing the full value of financial impact to the firm from both FDI strengthening and sustainable, strategic, networked CSR initiatives whereas today, current metrics seem not to be fully representing the reality experienced.

The three-level framework identified here can have positive effects on prevention and cost reduction even without the specific issue or conflict being identified. That is, that by mainstreaming conflict prevention within firm culture, behavior will be affected in such a way as to create actions that reduce the likelihood that conflicts will become violent. This part of the process happens far before any specific conflict – or single factor leading up to conflict – is ever identified on any early warning screen or system.

Business has powerful, valuable roles to play in development and, through development, in the prevention of destabilizing conflict violence. Through the increase of stabilization, these roles will also have a recursive effect in increasing firms' own success and long-term profit stream protection.

The framework acts to protect both the state and the firm, and does so through articulation of their respective roles in development and violence prevention. In being utilized by governments of developing nations, the framework is to be used first as a check list – in allowing governments to do the same combined initiative sets here recommended for the private sector. Second, it is to be employed toward the related goal of attracting FDI to aid the economic development of their nation. This tool utilization will aid in insuring that any

attracted investment is of the wealth-spreading, socially sustainable type and will therefore play a role in the state's development that will be positive in the long-term as well as in the short.

The framework's three levels are valuable to corporations and governments, then, in two ways. The first is in business project assessment phase by allowing hidden costs to be revealed, costs which would otherwise decrease projects' sustainability and cause less-than-maximally successful projects to be approved and implemented. This assessment portion of a project also will allow for prevention behaviors or initiatives to be identified without which, projects that would be profitable remain too risky and are not selected. This alleviates costs to firm in the category of opportunity cost. Projects otherwise abandoned for risk can proceed through identification of mitigating strategies, increasing benefit to both the MNC and to the developing nation indicated by the project proposal.

The second is in allowing for on-going dynamic assessment to changing conditions in the social groups – including their relationship to each other, to government, and to the firm – in the political structure, to local and global economic factors, the environment and importantly, to other factors along these and other dimensional lines not yet indicated or understood as factoring into the sustainability and mutual-profitability equation.

Framework thus will be valuable in:

1. Allowing truly maximally successful projects to be selected,
2. Allowing projects that might otherwise not go forward to do so based on successfully identified, low-cost initiatives to mitigate and prevent conflict risk from manifesting,
3. Allowing for on-going mitigation of dynamic alterations to all

of the dimensions of the project's sustainability – including socio-politico-economic, environmental and importantly, as of yet unidentified dimensions affecting outcome.

As the stakeholder with the greatest financial investment, often greater than the local government, and therefore as the stakeholder with the most to lose financially, corporations must include the costs of minimizing and mitigating existing latent conflict risks in the assessment stage of their projects just as fees, permits, and building materials would all be included as costs to the successful start-up project. This they must do along with engagement in mitigation strategies identified, not out of altruism alone, but out of their own best interest and the primary fiduciary duty to stockholders as well – the protection of the bottom line, investment, and long-term profit streams.

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