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Protecting Investment, Profit, and Personnel: Corporations as Social Change Agents

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PROTECTING INVESTMENT, PROFIT, AND PERSONNEL:
CORPORATIONS AS SOCIAL CHANGE AGENTS

CONFLICT PREVENTION
AND ECONOMIC DEVELOPMENT
IN THE PRIVATE SECTOR

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A Thesis
Presented to
The Faculty of
the University of Denver

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In Partial Fulfillment
Of the Requirements for the degree
Master of Arts

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by
Carole C. Fotino
November 2008
Advisor: Dr. Douglas Allen
This paper describes a three-level toolkit – *The Investment Sustainability Toolkit*. The Toolkit assists firms in improving the efficacy of one segment of Corporate Social Responsibility (CSR) initiative by creating at the first level, a strategy of conflict prevention. This strategy is followed by Common Elements of Conflict that Resolves/Becomes Violent, and Key Areas for Stabilization as Level II. The third and final level of the toolkit describes specific initiatives for increasing success, through The Screening Checklist.

The paper assesses through case study, the efforts of Firestone, Inc. in Liberia regarding regional development, stabilization, and economic development. This is done through the lens of the 3-levels of *The Toolkit* and for the purposes of illustrating lost opportunities that a Toolkit framework would have identified by linking the success of all stakeholders. Losses That Look Like Wins are a key focus area within the case study as are times of stability that offer the opportunity to create institutions – civil, political, economic – to perpetuate that stability.

This paper makes the case for corporations as social change agents, for preceding violence, and for including a strategy, and a framework, as well as *targeted* initiatives to increase the success and efficacy of this segment of CSR.
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INTRODUCTION

The area to be addressed within the body of this paper exists at the intersection of recent research on Corporate Social Responsibility (CSR) and lessons learned in Conflict Prevention work.

The debates within the first of these areas of study have long been about the interaction of CSR and Corporate Financial Performance (CFP,) existing more as a normative, “should-we/shouldn’t we” debate. 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.
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) Skeptics, however, still challenge us with opportunities to solidify, to evaluate, to improve, the connections between financial performance and CSR as well as the measurements of those connections. Selection criteria for specific CSR initiatives and for determining the skill sets most valuable to implementation, are also among the opportunities for clarification which skeptics offer.

An additional modifier of this altered debate is the realization that if so many firms are engaging in CSR without the predicted market reprisals, then it is possible that there is financial (market) benefit to the firm’s value which has remained hidden to us given current metrics. In fact, we see in the current accounting literature, efforts to investigate both the traditional set of metrics used in this area and a set of potential alternative metrics in an attempt to determine if either of these may more accurately reflect the cost and benefit reality being experienced.

In the realm of Conflict Prevention research, efforts are categorized as working toward either *Structural* prevention or *Operational* prevention.
Structural prevention methods are those addressing immediate crises while Operational are those striving to prevent crises from arising. (Carnegie Commission 1997)

Though it is too early to have developed a corporate language for conflict prevention (Fletcher in Nelson 2000,) the development of an in-house culture of prevention refers to corporate efforts within the Operational category. This is also what is meant by the term, “mainstreaming” prevention; incorporation of the attitude of prevention into corporate culture and of strategies to prevent crisis before it arises, into the proactive toolbox. Thinking in the direction of mainstreaming conflict prevention into corporate culture is only just now arriving at the threshold of the door. As recently as 2004, a survey of firms by researchers could find no evidence of companies mainstreaming prevention (Rienstra 2004.) Nor have governmental agencies spearheaded the integration of such a corporate focus (Rienstra 2004.)

Firms also are often challenged by the need to determine which CSR initiatives in which to engage. Further they are challenged to determine from which criteria set this decision should follow. Do we choose randomly, by personal preference, through relevance to primary business activities or by some other set of determinants?

This paper then will add to the CSR by utilizing knowledge gained from the conflict prevention field to provide first, a strategy for one set of CSR activities. That strategy, incorporating mainstreaming of conflict prevention

3
knowledge for firm self-interest and success, will then be the basis for criteria by which to select the most relevant and cost-effective tactics from among all those available. The third area in which value is added through this paper is implementation. By beginning with a strategy for a sub-category of CSR initiatives, we strengthen the tactical selection criteria which then strengthens the implementation efficiency and success. All three levels are refined and reinforced by additional knowledge from the conflict prevention field.

The sub-category to which we refer is the gray rectangle below:

Some initiatives which fall legitimately into the CSR category are about complying with existing laws. These will fall into the first column above, Compliance. Other questions in CSR are about those practices in which firms ought to engage even when it is not financially profitable for them to do so – things like not using lead based paint on toys. These fall into the second column
above, *Ethics*. While both of these are valuable, important sources of firm behavior, they are not at the focus of this work. This work’s focus is that slice of firm behavior that is financially viable through cost reductions resulting from prevention of conflict and violence. This is represented by the blue section in the above chart and by the intersection outlined in black in the Venn diagram below.

There is much work within each of these three spheres to which the current effort is not relevant.

Salience of the recommendations within this paper are to the intersection between the three – to those initiatives which contribute to firm success within CSR through assistance in preventing conflict or violence.
Further, we will make the argument that many more initiatives that are socially sustainable and prevent conflict than are currently thought, will be in the future, shown to be financially viable to the firm and therefore in the interest of firm success.

The necessary improvement of accounting methods enabling illustration of financial benefits being currently realized empirically will come through improvement of cost/benefit analysis accuracy.

In this way, the future may show a change like that which I have tried to depict through my diagram below. This indicates the possibility that some initiatives currently considered to be in “A,” the upper left hand quadrant where profit is low but effectiveness is high, may be shown to be more accurately identified as in “B,” the upper right hand quadrant, where both profit and effectiveness are relatively high. The bottom two quadrants are irrelevant for our purposes in this paper and indicate only that some low-profit, low-effectiveness options would be pointless to pursue while pursuing certain ineffective initiatives may even cause harm.

The third chapter of this work is a toolkit of tactics shown to be both cost effective and successful. I developed this toolkit and analytical framework, which I call The Investment Sustainability Toolkit, to match conflict prevention instruments with correct pre-conflict situations and to implement those instruments and initiatives through successful methods. As in all toolkits, not all
of the tactics will be right for all settings. By using the first two of the three levels of the toolkit to mainstream conflict prevention into corporate culture and from there to guide tactical selection in the third level, implementation, sustainability, and success of initiative and of firm, will be strengthened.

The fourth chapter is a case study review of the country setting of Liberia, reviewed as compared to the Toolkit and analytical framework identified in chapter three. This case study analysis will indicate what The Investment Sustainability Toolkit would have recommended tactically for three interventions.

This skill set then, that of impacting developing nations in which we work toward greater stabilization, conflict prevention, and wealth spread, and for the cost savings and investment protection that accrue to the investors, is a skill set that is now, in today’s business setting reality, as critical to the success of the firm
and its long-term profit stream maximization as are the skill sets for political risk mitigation, factory architecture, process efficiencies analysis, and product delivery logistics coordination.

Conflict scholar, Michael Lund, succinctly addresses the question to be addressed here. He puts it this way, “…there is a concerted lack of understanding of which conflict-prevention instruments are most successful for which conflicts and of how best to implement them…” (2006.)
SECTION I:

RESEARCH REVIEW OF CORPORATE SOCIAL RESPONSIBILITY

*The Groundwork for making a self-interested business case for corporations as social change agents*
For thirty years, the primary debate in the area of corporate social responsibility has been whether corporations should act as agents of social change or not. (Friedman 1948; Jensen; Margolis and Walsh 2003; Bies 2007) Was their responsibility to aid society through various corporate value maximizations or was social improvement also a valuable part of the responsibility set?

Along the way, the debate included a significant alternative view supported by a small subset of researchers, toward the idea of building a business case for social change agency – that is, that perhaps the two responsibilities were not exclusive of each other but in fact, might the doing of one, strengthen the performance of the other. (Orlitzky et al 2003; Rowley and Berman 2000; Barnett 2007; Mackey 2007) A larger shift, following the first, is reflected in the research literature as efficiency improvement research that leaves behind it the discussions of data reflecting not causal but, co-relational, CFP improvements with CSR activity. (Nwankwo et al 2007; Rafi Khan 2007; Griesse 2007, Aguilera et al 2007)

This topic is of such growing interest and importance, that both the Journal of Business Ethics and the Academy of Management Review devoted entire issues to the discussion in the summer of 2007. (June 2007, July 2007.) In the latter, Michael Barnett, in addressing the business case debate and the possible impact of CSR on CFP, suggests a contingency approach allowing for multiple factors involved in varied rates of return. This he suggests as an alternative to the murkier quest for a single, universal rate of return on CSR activities.
In his conclusion however he suggests an additional reason for the challenge to the business case. Comparing it to the financial merit struggle of other intangible assets such as RandD and marketing, Barnett reminds us that accounting and financial methods that could explain those accurate and financially successful “gut feelings” of managers have taken years to develop. Such methods for this intangible asset that is CSR, may too, be simply not yet developed to sufficiently illustrate these financial benefits.

“Most companies have no interest in exacerbating instability… all too often they lack the skills and experience to avoid doing so.” (International Alert, 2003) Intuitively and empirically, the reality that, “the private sector has much to lose if social development is seriously jeopardized,” (International Alert, 2000) is not hard to relate to. Because of this, many transnational corporations (MNCs) have, in practice, moved past this portion of the debate and toward the second aforementioned, larger shift – how to do it well. Two causes are behind this change in corporate behavior. The first is the anecdotal, experiential data that easily resonates and is represented in the above two quotes. This is joined by the realization that near universal practice (CSR) which has unearthed no financial corrections from the market must be offering some benefit or at least, no cost, to its shareholders despite the inability to track such benefits through shareholder value. (Barnett 2007.) Margolis and Walsh summed it up this way in their 2003 meta-analysis of 127 studies of CSP-CFP, “A clear signal emerges…there is a positive association, and certainly very little evidence of a negative association,
between a company’s social performance and its financial performance.” The same result was reiterated by Orlitzky et al in their 52 case meta-analysis of the same year.

In this, it is important to remember what is illustrated by the following chart. That is, that there are those initiatives within CSR which must be done whether or not financial benefit to the firm is ever proven. Those initiatives also fall under what is listed below as, Ethics. That is, questions such as whether firms should or should not pour toxins into waterways in the absence of regulation, for instance, need to be discussed irrespective of questions of financial benefit to firm. Questions of ethics are, as the table below indicates, outside the scope of this paper though well within the CSR realm.

**CSR Category**

<table>
<thead>
<tr>
<th>CSR Category</th>
<th>Compliance</th>
<th>Ethics</th>
<th>Other Responsibility</th>
<th>Service</th>
<th>Philanthropy</th>
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<tr>
<td><strong>Max Profit</strong></td>
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<tr>
<td><strong>Minor Profit and Indirect</strong></td>
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<tr>
<td><strong>Neutral</strong></td>
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<tr>
<td><strong>Cost Affordable</strong></td>
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<tr>
<td><strong>Cost Prohibitive</strong></td>
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Definitions

As a result, despite the lack of precise accounting and financial methods for accurately tracking the costs and benefits in order to illustrate this positive association definitively, Multi-National Corporations (MNCs) – firms doing business outside of their nation of origin – have made the move toward increased efficiency and improved results from their CSR initiatives.

Nailing down exactly what is meant by CSR, however, can be as tricky as drawing a single and universal connection between it and CFP. Waddock and Bodwell for instance, define CSR as, “...the way in which a company’s operating practices (policies, processes, and procedures) affect its stakeholders and the natural environment.” (2004) This however, focuses on social but leaves out the responsibility aspect of the concept.

Davis’s definition is as follows:

The firm’s considerations of and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks.

(Aguilera et al 2007)

In referring not to the meeting of responsibilities but instead to the distribution of benefits, his definition reflects the more one-sided, charitable connotations often associated with these initiatives without considering the benefits to the firm that may accrue.
The Economist too, seems perhaps predisposed to the altruistic understanding as well as the generally perceived public relations aspect of CSR with their 2005 synthesis of the CSR concept as “the art of doing well by doing good.”

Yet that definition remains vague enough to be of little use as it is capable of engendering at least two of the disparate major conceptions of CSR’s possibilities. The first sentiment can be taken to reflect the non-strategic, “do-gooder” sensibility – where “doing good” can mean arts, personal preference selections, and even harmful and/or costly initiatives intended to do good. The “headless heart” image – that of a well intentioned, good-hearted person or group acting without sufficient input from the head – coined by World Bank development economist William Easterly, connotes a similar possible meaning.

The second concept is referenced by the mention of “doing well” and suggests that the definition may be instead favoring the other side of the debate, connecting firms’ well being, perhaps financial performance, with the social responsibility it maintains. The January 19, 2008 issue of The Economist, carrying a fourteen page special report on corporate social responsibility, more closely reflects this latter view. “Most of the rhetoric,” they say, “may be about doing the right thing and trumping competitors, but much of the reality is plain risk management.”

Henderson (2001) criticizes the notion of CSR as insufficiently defined but still uses the following as a working definition: running business affairs “in
close conjunction with an array of different ‘stakeholders’, so as to promote the
goal of ‘sustainable development’. This goal he says, has three dimensions,
‘economic’, ‘environmental’ and ‘social.’” (2001) This is strongly reminiscent of
the triple bottom line idea (Elkington 1999) which, often referred to as “People,
Planet, Profit,” was standardized by the UN in early 2007. (UN ICLEI 2007)

Grayson and Hodges though, (in speech by Nigel Griffiths 2004) take a
more ethics-based approach in defining CSR as, “the alignment of business
values, purpose and strategy with the social and economic needs of customers and
consumers, while embedding responsible ethical business policies and practices
throughout the company.”

They further this definition in 2005, continuing the movement of CSR in
the direction of efficiency improvements – how to do it better instead of should
we do this. They do this first by changing the term itself, to Corporate Social
Opportunity (CSO,) and then, by operationalizing that. Which they do by saying
that it is like thinking of CSR as, “an exciting source of creativity and innovation
that can lead to corporate social opportunities in the form of innovation in
products and services, access to new markets, and building new business models.”
Though put forth to replace CSR, we can better think of this as one half or simply
one piece of the CSR domain – those opportunities beyond the cost
responsibilities inherent in the processes of the specific business. These
opportunities are exciting specifically because they refocus thinking on benefits to
the firm from CSR. One such benefit we explore here is the strong potential for
new niche markets that addressing current tensions and preventing violence can create.

It is a combination of the Grayson and Hodges definition with other factors we see as important, which will be used in this paper. CSR then would be initiatives performed,

1. Toward the meeting of responsibilities created by the process of the specific business,

2. Toward the effort to promote increased stabilization in situ: social, environmental, economic, and distributional being among the array of stabilization dimensions required, and

3. Toward the niche market creation arising from the meeting of needs identified through conflict prevention processes.

The optimal measure of the occurrence of this version of CSR is the presence of Maximized Mutual Gain of all stakeholders involved. Working toward the maximization of the mutual gain to all stakeholders moves the private sector toward non-zero sum settings. In these settings, increasing the size of the economy – often referred to as “building a bigger pie” – is the result as opposed to the current action set – moving around the distribution within the “pie” or economy at its existing size. This is why “creativity and innovation” must be involved in the process and why an “array of dimensions” must be considered.
In order to be accurate however, this measure must include the gain (or loss) to all stakeholders and through time – as must our cost/benefit portions of our decision making. That is, if it is accuracy which we want. Doing this though, requires looking not only beyond our own lenses, but also beyond what Karl Popper refers to as “interpretation in the light of previous experience,” and which I will refer to as the meta-paradigms of one’s own context (temporal, geographical) and into those of other stakeholders – viewing costs they see but decision-maker may not.

Two brief examples of costly meta-paradigms illustrate. In twentieth century negotiations regarding land and water issues affecting native Americans in North America, the native Americans themselves were not invited to the negotiation table. This proved extremely costly in that decisions made in those dialogueues started out at best as incomplete and becoming irrelevant from there.

Similarly, in considerations of governance and boundary issues in colonized regions of Africa, the colonized peoples themselves were not included in the discussions. (Cooper 2002) In both, the exclusions proved extensively costly (Cooper 2002) to those who had been party to the decisions. At the same time, the exclusions were well within the meta-paradigm governing thinking at the time. It would have been only by interpreting the setting and events from outside those paradigms that the less costly, inclusive behavior, could have been considered. These are examples of how costs can remain hidden simply because of the representational system we are using to describe reality to ourselves. It also
illustrates why looking through the largest lens of inclusivity and, through multiple representational systems, allows us the greatest likelihood of first finding stakeholders and then, benefit from including them and the information they hold. Cost accuracy, as well as valuable input, is lost in the presence of stakeholder exclusions. The result is decisions that appear potentially successful only because of the hidden nature of a sub-set of costs.

There is a fear that occasionally accompanies an increase in total number of stakeholders represented. It is the fear that the distribution of resources to each stakeholder will decrease. That fear is unfounded. Through the additional information gained from participants newly represented, the “pie” can be made bigger; settings can be turned from seeming to be zero-sum to non-zero-sum, instead of redistributing within a “pie” whose size has remained unaltered by the additional inputs. Beyond this, the stakeholders are stakeholders whether they are represented and contributing or not. Pretending they are not by not including them or the data they represent in decision making will not increase the accuracy of that decision making process.

**Turning Maximized Present Value discussions**

**Into Competitive Advantage discussions**

Mackey, Mackey and Barney (2007) offer a model of CSR work from the standpoint of supply of and demand for socially responsible investment opportunities. In this model though, the discussion seems to have moved
backward, returning to the part of the debate that assumes CSR as external altruism and not internal meeting of business-created responsibility.

Bies et al (2007) describe the supply and demand model offered by Mackey, Mackey, and Barney (2007) in this way. “One of the insights of this model is its explanation of why firms might fund socially responsible investments that do not maximize the present value of future cash flows…” This depiction is reiterated in their own conclusion where they argue that, “sometimes firms should invest in socially responsible activities, even if those activities reduce the present value of a firm’s cash flows.” This depiction represents that subset of CSR that fits into the Compliance and Ethics columns of our CSR table. These are important aspects of CSR indeed.

The above characterizations however, are separate from recent work moving toward the idea that it is possible that the investments described may actually be maximizing present value of future cash flow without appearing to. This would be as a result of accounting methods to transcribe this reality not having yet been developed (Barnett 2007,) or from present value not being the correct metric (Rowley and Berman 2000) from inaccurate operationalizations (Orlitzky et al 2003) or too universal of an approach. (Mackey et al 2007)

These uncertainties mean that while some initiatives are engaged in even though they do not add to the bottom line, others engaged in will be shown in future, to have indeed added to the bottom line in ways not currently captured.
It is here that the full benefit of the competitive advantages of CSR done with a strategy will be felt, and felt long before metrics can capture it.

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.

**Future Metrics Will Capture Current Reality Better**

While the primary argument of this paper is in the “how to” category of the debates around CSR and Corporate Social Change Agency – specifically in the how to select tactical CSR initiatives category - we do offer an argument in
the normative side of the debate. That argument is not, like the majority of the literature under that debate heading (Barner 2007; Aguilera et al 2007; Griesse 2007; Beschorner 2007) summed up nicely above by Mackey et al (2007), an ethical or legal imperative argument, that corporations should do socially responsible initiatives even when those are not financially viable. That is indeed, a very important set of questions and discussions.

Alternatively however, what we are arguing is that corporate behaviors that are attentive and responsive to the setting in which they are engaged – including the socio-politico components of that setting – may be financially viable and further that those who lead in this direction will gain greater competitive advantage faster than will those firms who do not. That is to say also that more of those that seem to be initiatives engaged in because they are the right thing to do will eventually show up as profitable as well, as soon as methods to show that profitability are developed. The future methods, we say, will show more initiatives of this nature to be in the “B” section of our graph (1B) – the upper right hand quadrant and not where they currently are perceived to located, in the “A” or upper left hand section.

The mechanism for gaining a part of this added profitability will be conflict itself. Conflict represents unmet need. The private sector as a whole benefits from greater information about unmet need(s) as a source for development of new services and products to meet these needs. Attentiveness to
conflict in situ presents then, a vast source of informational advantage over competitors as well as opportunity for horizontal and vertical industry penetration.

**Accompanying Shifts in the Accounting Literature**

When we go to the current accounting literature, we find an interesting new direction appearing in that research. This new direction parallels closely that line of questioning in the CSR literature indicative of a need for more accurate accounting metrics and methods. In four separate accounting articles published in January, 2008, the primary metric indicative of superior performance is itself questioned. Maximizing profit is questioned in two (Kolstad 2007; Alexander 2007) while the separate metric, maximization of shareholder value, is analyzed in the third and fourth (McSweeney 2007; Unerman and O’Dwyer 2007).

Brendan McSweeney (2007) in his introduction to the issue of *Accounting Forum* contributing to the debate on salience of stakeholder value maximization as primary indicator of economic contribution, has these two points to make.

1. It is corporate retentions (not stock market transfers) that, along with debt, are primary investment funding sources.

2. Irrationalities and imperfect information influence shareholder valuation beyond performance.

The first of these important points indicates that the metric heretofore considered primary for measuring corporate performance – shareholder value – is
not, in fact, directly tied to the creation of future business and wealth as a funding source as previously thought. The second of the two points indicates that the fit of shareholder value as a perfect representation of financial performance is imperfect at best.

Illustrative of a similar disconnect between share value and tangible asset value are these two data points from the U.S. for the time period 1989-1998 during which the former, shareholder value, increased by 262% and the latter increased by only 14%. (McSweeney 2007) Tangible asset value is also less useful as a representation of financial performance in service and knowledge-based economies.

The recent idea that Economic Value Added (EVA) management can act as the pathway which would allow even minor business decisions to positively impact shareholder value (Besanger, Mottis, Ponssard 2001) is not corroborated by independent studies. The studies found instead a miniscule and often negative correlation with shareholder value. Fernandez (2003) found positive EVA/shareholder valuation correlation in only 18 of 582 firms and negative correlation in 210.

Unerman and O’Dwyer (2007) make a different case, arguing instead that while the dominant “business case” for CSR and social and environmental accounting and reporting (SEAR) is that it promotes the voluntary pursuit of stakeholder interests because it aligns with and enhances shareholder value, that regulated pursuit can also serve to enhance corporate economic performance.
In yet another innovative approach to exploring the impact of factors on corporate financial performance, Yu-Sahn Chen analyzed three categories of “Green Capital,” one aspect of environmental CSR, assessing their effect on corporate competitive advantage. His 2008 study indicates high correlation between the two. The correlational effect is greater the larger the firm. It is these sorts of financial recompense to firms which have been overlooked along with costs to the equation’s other side, in the too-narrow pursuit of shareholder value as preeminent corporate performance indicator. It is these sorts of innovative metrics along with an expansion of the search for benefits that may be hidden that will allow us first to more accurately measure corporate performance and then to appropriately design CSR initiatives and make other decisions from the more accurate data then available.

Moerman and van der Laan (2007) discuss the way in which accounting methods can and have been used as rhetoric – as means to persuade, used for effect – serving to obfuscate an ideological bias. Also discussed is the use of public discourses by corporations to privilege certain interests. (Grant, Hardy, Oswick, and Putnam 2005) Along this line of thinking, Kenneth Kury (2007) assesses current accounting scandals as a ramification of financial earnings management. Alternative to the agency theory approach singling out individual financial managers, he takes a systemic institutional approach decrying the earnings manipulation as an extension of culturally, regulatory, and normatively
approved earnings management behaviors and as an unintended manifestation of
the institutional primacy of maximizing shareholder value.

Other authors debating shareholder value primacy include Newberry and
Robb 2008; Gray 2006a; Gray 2006b; and Tudway and Pascal 2006. Accounting
methods and metrics are, however, widely outside the scope of the present work.
This cursory look at current trends in accounting toward increased metric
accuracy is included only to further indicate the degree of uncertainty around
capturing financial performance. This uncertainty includes the possibility that
data from alternative future metrics will increase understanding of how current
CSR directions are improving financial performance.

This means that chasing the elusive shareholder value may not be the grail
which will be that “rising tide” that will lift all boats. The good news is that there
is a “tide” to which private sector actors can contribute which while not raising all
boats will raise more boats. It is creation of this tide which will be the overriding
strategy guiding the most financial successful CSR initiatives and their selection.

The Power of those who Interpret our Behavior and

One Category of Underrepresented Cost

When we look to the costs of initiatives and to the reasons that some of
those costs are underrepresented, we find that a valuable addition to the category
of costs contributing to the less than maximally successful performance of CSR
activities is articulated and illustrated well by the work of Farzad Rafi Kahn of Lahore University. (2007)

His work on 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. What this means is
that those who interpret our behaviors have power we cannot afford to ignore.
Discussion of this important point – the power of the interpreter of behavior –
continues on page thirty-four with analysis of the social revolution studies of
Barrington Moore Jr. (1966) One of the most extensive and far-reaching
challenges involved in the prevention of conflict and in reducing related firm
costs is the “…capacity to know about and correctly interpret events early…”
(emphasis mine. George and Holl 2000)

The war in Chechnya provides one of many examples of this dynamic at work. It was “…based on a serious misjudgment,” (Lapidus 2000) which was the result of misinterpretation. The misinterpretations behind the poor judgment were of the Chechynan political situation, “Russian military capabilities, and of public opinion.” (Lapidus 2000) The misinterpretation resulted in “an exceedingly costly policy that exacted an enormous toll.” (Lapidus 2000) These misjudgments arising from representational and interpretive systems exact enormous tolls within the private sector as well.

In the same way that governments have been making errors in international relations strategies and foreign policy choices as a result of too narrowly defined security goals (Rubin 2002) – derived from a too narrowly defined concept of self-interest – private sector actors too, have made profit- and investment-endangering choices arising from too narrowly defined goals and self-interest conceptualizations.

The work of Henri Tajfel (1978, 1974, 1970) also underscores the dramatic ramifications of a 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. Re-alignment of interpretive systems of corporate culture comes through Level I of the *Investment Sustainability Toolkit* and must precede selection of CSR strategies and tactics.

It is exactly this mindset in which positive-sum outcomes exist but are invisible to our paradigmatic interpretation, that is holding back the full potential of the private sector – and all other stakeholders who will have their boats lifted as well when this new rising tide takes hold. The stakeholder groups to a setting – public, private, civil society, and more – are one group, not many. They have one
shared set of goals – the long-term profitable success of the group – not separate goals at odds with each other.

In the same way that the review of CSR literature has shown a shift toward debate of application and best practice, we too now move from this literature to a conflict prevention literature discussion before shifting to application via case study assessment.

**Frameworks: Theory into Practice**

In the work by Aguilera et al (2007) the authors refer to what they are putting forth primarily as a description of the actors and motivations that push organizations to act in a socially (ir)responsible manner. In their abstract, and again in their conclusion however, they refer to their work as describing why corporations engage in CSR. This change in phraseology seems to imply an interchangeable relationship between the terms. Yet there is a difference between the motives of the actors who lobby corporations and the corporations’ motives for performing the requested actions. This divergence is significant.

They put forth an introductory framework, of some value in creating the matrix into which additional data on firm motivation may be added. Additionally, the analysis of four levels of actor and three categories of motivation allows for more standardized cross-cultural comparison. Its value however, may remain limited in that it assesses the motivations of those who lobby for greater corporate responsibility without analysis of the motivations of the corporation.
The corporate motivations created then, from the lobbying of these pressure groups, can still be said to be motivations which do not include the important self-interested understanding of the initiatives, the benefits to firm and to financial performance, which we have been discussing.

In the next chapter, we will discuss the Conflict Prevention research literature and will establish from there, an alternative framework. This multi-level framework will be of value to corporations, especially MNCs, in two ways.

The first is in the project assessment phase by allowing, through alteration of the interpretive lens, hidden costs to be revealed. These are costs which would otherwise decrease projects’ sustainability and cause less-than-maximally successful projects to be approved and implemented. This will help to show how initiatives are more accurately described as in the firm’s self-interest both financially and other. This assessment portion of a project also will allow for prevention behaviors or initiatives to be identified, without which projects that would likely be profitable remain too risky and are not selected. This results in costs to the firm in the category of opportunity cost. Money is left on the table so to speak and in so being left, is sometimes detrimental both to the MNC and to the developing nation indicated by the project proposal.

The second addition of value 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, in local and global economic factors, in the environment and
importantly, in other factors along these and other dimensional lines not yet indicated or understood to be effecting the sustainability and mutual-profitability equation.

Framework thus will be valuable in:

1. Allowing projects to be selected that are truly maximally successful,
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.

**Business has a powerful role to play**

A *coalition* of business leaders can:

1. Provide both the incentive and the techniques to enable groups to work toward ending killing as was done by South African industrialists
   And again by business leaders in El Salvador with the “Goods for Guns” program. (Galama and Tongeren 2002)

2. Provide space
   for dialoguing on specifics between divided groups, and
   for talking about issues more generally among the populace.
4. Link their social investment to larger development and conflict concerns resulting in greater return value to firm.

5. Through microfinance and development cooperation assistance, promote small- and mid-sized enterprises (SMEs.)

6. Create opportunities for reconciliation, re-humanization, and social capital.

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

Annan 2002

The role of the corporate sector in Peacebuilding 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.

In Chapter three, we will articulate, frame, and specify more of what is understood in this field while going beyond to further conceptualize what are the more likely directions for future learning.

We now turn to an analysis of the current research on conflict prevention in Section II.
SECTION II

RESEARCH REVIEW OF CONFLICT PREVENTION:

*Making the Business Case: How Stabilization and Prevention save Corporations Money*
“…unmet need creates grievance, grievance creates conflict, the process of ascertaining those unmet needs…helps companies to locate profitable niche markets that will be based on meeting those needs.”

Strategies for Social Responsibility 2008

“…BP rig managers who engaged in the community, listened to people, and took their advice were on time and on budget.” “…doing good work in social justice…is good business. We do it for business reasons.”

Renate 2002 – BP International policy advisor

“Caterpillar 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. …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.”

Griese 2007b

This is what the Investment Sustainability Toolkit will help firms with – developing projects (tactics) that address the issues more directly, and successfully, and to do so within the strategy of mainstreaming the realization that the community’s problems are also the MNCs problems – and that in helping to solve them, we are helping our financial performance.
The preceding chapter ended with a discussion of a framework from Aguilera et al (2007) for analysis at the level of motivations.

This chapter will now focus on the conflict prevention literature. From this literature, it is hoped that we will be able to apply lessons learned in two and a half decades of practice to CSR. By doing so, we will be able to help increase efficiency at the tactical level of CSR while also more narrowly and more accurately focusing the strategic level.

Jonathan Berman of Political and Economic Link Consulting (PELC) determined in 1999 through interviewing key decision-makers overseeing operations for multinational corporations in ten global armed conflict regions in a variety of industries that “…every company wants stability in the region in which their asset is located. The conflict prevention strategies that managers are most likely to use are the ones that work by enhancing stability, or otherwise enhancing the business environment.” (Berman 1999)

The framework of the Investment Sustainability Toolkit allows for a starting point of awareness for multi-national corporations and for governments of developing nations to which other scholars can offer additions. This starting point begins with meeting the total cost set of doing business in a region and then is centered around the multiple dimensions of that stability that Berman, (2000) Caterpillar, and common sense tell us is what firms want and what doing one’s fiduciary duty requires.
At the top of the three layers of the *Investment Sustainability Tool* then, is what is referred to as, the Primary Question. That Primary Question, at the apex of the framework, is a point to which corporate team members can return again and again as a reminder while working to mainstream into culture and cognitive sensibility, a realignment of representational system.

*Will this given CSR initiative*

1. **Link firm success with success of locale and other stakeholders and, does it**

2. **Maximize mutual gain, viewing mutual self-interest as best interest – Looking to increase combined added-value total of all stakeholders?**

This question goes beyond meeting firm responsibilities and begins creating opportunity to harvest competitive advantage. It is also the representation of a *strategy* – one that bounds this segment of CSR while increasing corporate security and financial return from the selected initiatives.

These questions function primarily to realign interpretation of decision makers, and to continually remind all parties of this realignment rather than to lead directly to definitive decisions.
“Signs of imminent political crisis were abundant throughout the 1980s…”

Menkhaus and Ortmayer in Jentleson 2000

This quote above refers to the situation in Somalia in the 1980s. This same type of statement can be made regarding the onset of all violence. There are always indicators. It is these indicators that for the protection of their investment, profits, and personnel, firms must not ignore or leave to state actors alone. These indicators, in being listened to and addressed, offer opportunity.

Before continuing with description of tactics which can address these indicators even prior to their identification – tactics discussed and implemented through the second and third layers of the Investment Sustainability Tool, we will take a brief look at costs and at lessons learned.

The Costs of Conflict

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

(Killick and Gunduz 2005)

It takes only a simple, quick look at GDP data before and after civil war – a figure that drops as much as fifty to sixty percent a year in conflict (Sambanis; Collier 2003; Maltz 2006) – to glean the most single, telling piece of data that will ever be available to reflect the greatest business cost of conflict: the cost of the growth that didn’t happen as well as declines in business that may have also
occurred. It is only the boundary definition of GDP that relates to the state. The actual losses represented by a decrease in that number, are not borne by the state but by the organizations generating domestic product; the composite private sector.

That percentage represents an overall loss of growth – an opportunity cost. Also lost to business, during civil war, is a percentage of GDP that now goes to military expenditures. (Ghadar 2006; Collier 2003) The total percentage of GDP going to military defense goes up (from 2.5-5%), (Collier 2003) taking funds away from infrastructure development, transport networks and other market-expanding projects. Also decreased are funds going to education and job creation. This combination decreases both markets and employment, each of which then also contribute negative impact on the money multiplier effect, all three then negatively affecting wealth spread specifically, as well as economic growth more generally.

Wealth Spread is defined as “…the scope for an industrial development approach to spread economic opportunities and therefore enhance social inclusiveness...” (Bredel 2003) Wealth pooling and economic exclusion are the opposite of wealth spreading. Spreading wealth created from original investment is a more socially sustainable practice than original investment alone. One example of a wealth spread initiative is cooperating with a local higher education establishment to allow those trained by initial project to market those skills further, to additional markets.
The overall result then, from this investment, growth, and wealth spread that does not occur, is a minimum of 2% permanent loss in GDP. (Knight) This does not yet consider the potential for outbreak of violence that is escalated by the absence of wealth spread activities.

The effects of these results are certainly felt by each firm within the private sector. As a percentage, results may impact smaller firms more than larger firms, however, as an absolute number, larger firms experience larger impact as a result of their larger investments and percentages of markets. They are, however, also felt in the area of good will. When the economy is doing well overall, citizens may see each firm in a more positive light. When the economy is falling, markets are not expanding, and wealth is pooling instead of spreading, citizens will view each firm more negatively as compared to their view of the same firm in a growing economy and even, at times, as the cause of their misery.

Though the losses from diversion of resources from production to destruction concurrent with civil war are spoken of in terms of a double loss – what they are not producing, and again, the damage they inflict (Collier et al 1999) it is actually more accurate to speak in terms of a triple loss because of the loss of the geometric increase or multiplier effect that results from a path of production building upon itself.

Collier et al (1999) found that incomes drop by 15% as a result of civil war, resulting in a poverty increase of 30% and a 60% loss on the year’s GDP. In addition to being bad for creating markets, poverty is also one of the “Common
Elements” of conflict identified by a variety of scholars. The “Common Elements” are the mid-level piece of the Investment Sustainability Tool between Level I, the Primary Question, and level III, Specifics: The Screening Checklist. These common elements will be discussed in greater depth beginning on page 75 of this text.

Stewart, Huang, and Wang’s 2001 survey indicated a -3.3% average annual growth rate for the 14 countries affected by civil war whose data could be completely calculated. Many macroeconomic indicators worsened during the conflict. At least 12 of the eighteen countries able to be partially analyzed were affected in each of the following measurable ways: decrease in per capita income, drop in food production, external debt increased, and export growth declined.

The unrealized growth as well as the perennial percentage of unrealized gain on that growth, are opportunity costs of violence that need to be included in the decision making cost/benefit analysis of particular activities and policies which may either escalate conflict or alternatively, work toward conflict prevention. The inclusion of this metric may lead in part to an improvement in the overall capacity to capture accurate cost data for CSR initiatives.

Other Costs Beyond Immediate Loss:

Unrealized Gain

Annual percentage increase on Unrealized Gain
Investor confidence decreases
Fuel cost increases
Cost of Capital increases
Critical Industry destabilization
Consumer Confidence decreases
Market destruction
Market creation inhibitions
Trade (Bilateral trade is depressed by violent conflict or terrorism by up to 6%) (Ghadar 2006)

Colletta and Cullen (2000) analyzed the relationship between violent conflict and the transformation of social capital using four case studies: Cambodia, Guatemala, Rwanda, and Somalia. In response to heightened opportunism and uncertainty, people invest less and retreat into those subsistence activities that are less vulnerable. For example, in Uganda during the long period of social chaos the share of the subsistence sector increased from 20% of GDP to 36%.

“…war is an economic and social disaster for the affected country. Therefore, for those who care about development, civil war is a major problem.” (Collier 2003; emphasis mine.) While the words “care about” can connote a moral directive, replace those words with “interested in” and the meaning remains
constant while the directive becomes more obviously, one of intense self-interest for corporations – those most interested in economic development.

Because we know that those most affected by civil unrest are not the active combatants (Collier 2003) but other stakeholders including the private sector and because those negative ramifications reach out regionally, globally, and far into the future (Collier 2003), letting tensions escalate to violence becomes far more than heartless – a morally based argument – it becomes also foolish – a self-interest based argument.

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. (OECD’s DAC, UN, EU, World Bank, CIDA, SIDA, DGIS, DFID) What has been their conclusion with every study behind the guideline? There is no development without peace, no peace without development. “Conflict prevention and sustainable, equitable development are mutually reinforcing activities.” (Annan 2002)

UNIDO – the United Nation’s Industrial Development Organization - is one arm of the United Nations. It is the arm which, of all the international organizations working with conflict, most focuses on business and industry development. Within their literature and practice, an evolutionary shift is seen
toward prevention from post-conflict reconstruction. The reason? Cost to industry.

UNIDO, as the industrial development arm of the UN has interesting contributions to make under the auspices of Ralf Bredel (2003) regarding the MNC’s ability to encourage both political decentralization and economic integration and to assist in technical and other cooperation in the strengthening of small- and medium-scale enterprises (SMEs.)

<table>
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<th>Peacekeeping Generations</th>
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<td><strong>Pre-’89</strong></td>
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<td><strong>1990s</strong></td>
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“...In particular, the strategic separation of peace-building and long-term conflict prevention leads to the argument that former bounds, which assigned development cooperation a limited role mainly in the process of reconstructing states, are outdated. Development entities inside the UN system are now held to view humanitarian and development work through a conflict prevention lens and make long-term conflict prevention a key focus of their work... A new generation of development projects specifically focused on conflict prevention ... is avowed.”

(Bredel 2003)

On this conflict prevention evolution, it is in the best interest of MNCs to follow the lead of that agency most focused on business enterprise. Stability – political, social, economic – is good for business. Participating in the creation and maintenance of stability protects both one’s investment and the long-term profit
stream that can lead from it. Avoiding conflict-prone areas altogether creates significant opportunity costs. Opportunities for profit are left behind for risks that, with few, low-cost initiatives, could easily be mitigated.

Private sector actors will lose as much or more at the advent of destabilization as any other actor in situ. The composite of private sector actors represent, except in extreme cases, the major source of investment in a setting. So, while no one firm is required to or holds sole ownership responsibility for aiding stabilization or helping to prevent destabilization, it is the composite private sector that will, as largest investor, suffer the greatest investment losses at the advent of destabilization.

**Natural Resources Industry Costs**

There are three reasons – all addressable – that natural resource export businesses are considered a likely contributing factor to civil war even when done in a conflict-sensitive manner. A World Bank study of 52 major civil wars confirmed that neither ethnic nor religious diversity were predictive of civil war and that such risk spiked upward significantly in the presence of poverty, a downward moving economy, or a dependence on natural resource exports.

The first is because it contributes to wealth pooling instead of wealth spread – a few get much richer than everyone else. This is easy to address and
involves the sorts of trainings, micro-credit and market development programs, we will discuss in Section III.

The second reason is indirect and is due to its role as transitional gateway through which an agriculture-based economy must travel to become service-based (IBRD 2005; Oxfam 2001; Ross 2001; International Alert) itself already a tricky economic road of transition to navigate.

The third reason is also indirect – through global supply chains (Killick, Gunduz 2005) and, as these improve (see pg. 111) so too will we see this factor decrease the degree of correlation between natural resource extraction and civil war.

Since civil war is also in large part the progenitor of the spread of AIDS, “hard” drugs and international terrorism (World Bank) then we see that the true cost of natural resource export businesses may in fact, be staggering. The Democratic Republic of the Congo (DRC,) with all three WB risk factors present, has a civil war risk of 80%. The argument might therefore be reasonably made then, were a party so inclined, that these staggering costs of natural resource harvesting – currently borne by societies – might rightfully belong to the extractive industry, to be passed on as costs in the product price.
The Cost Escalation Without Prevention and Preconciliation

With conflict, a rubicon is crossed. Going back is harder than not having gone forward. Also increased is the human “fodder” available to those who would co-opt citizens for other agendas. Here again, decreasing the co-optability of the displaced, disillusioned, and disenfranchised is harder than were it never created. Revenge and retribution also add to the tension, escalating the situation to an altered and more challenging state. (Jentleson 2000b) Prevention is the only way. The most promising, and least costly, opportunities are always at the beginning, and usually prior to the flaring of tensions. Preconciliation is a term we have developed to capture that reality. Preconciliation - reconciliation events and efforts before the fact – are the new resolution efforts.

Let us now turn to a few examples of prevention and preconciliation from the private sector engaged in developing nations. These examples illustrate how firms, mainstreaming conflict prevention, have chosen a broader more accurate definition of self-interest before then choosing collaboration as a mindset and then from there, engaging in stabilizing, successful initiatives.

Successful Positive-Sum Outcome Examples

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.” (Griesse 2007b)

One aspect of Our Future, Today was the gathering together by Caterpillar, of 33 private sector, university, and civil representatives for the process of initial strategy development. The group added six additional representatives from all parties, as a way to assure that the process would not become politicized. (Griesse 2007b) They then added a one thousand member City Council Group encompassing residents and all 400 local associations. In this way, the project became a city-wide movement. (Griesse 2007b)

The project includes nineteen target areas including education, industry, tourism, environment and culture. (Caterpillar 2004) After the group was formed, they created three future scenarios of their city. They followed this with assessment of strengths and weaknesses of each. Questionnaires were then circulated, local experts consulted, and public debates held to determine a vision which then resulted in a second round of debates and effort to develop specific strategies and tactics. (Mourao 2001)

A website, journal, meetings across the city, a children’s art contest, a book, a conference, and working groups were all then created to fulfill three goals: spread the word, solicit input, and to implement the micro-projects. Caterpillar contributed expertise, financial support and hours of work from top employees to the project which was hailed as the best thing to happen to the city in decades. (Mourao 2001)
In the coming years of implementation however, challenges surfaced in the form of slow-moving committees, city hall bottlenecks, and the departure of experts. There are, as always, those who, incented by personal gain, subvert the process to their own ends. Some wondered if Caterpillar officials and employees were among these, seeking publicity, and a “big show” from which they would then quietly retreat. Indeed, there was no mention of Piracicaba in either Caterpillar’s 2006 Annual Report or in their 2006 Sustainability Report and as early as 2004 there was only a single mention of the project in the Annual Report. While the project may have earned mention in the firm’s Portuguese language reports, it would be of value to Caterpillar to include an update in the English language reports regardless of the success of the project as compared to their original goals. This way, their commitment to an on-going project would not only be readily apparent, but the update would serve to undermine those who would claim less than sincere or enduring participation of Caterpillar because indeed, this absence could reflect modesty rather than a lack of commitment. The annual analysis could also reveal important lessons for increasing cost-effectiveness of future interventions.

Many of the projects are in fact, developing, although, slowly, while others remain stymied for lack of city and state funding for ongoing operation. Additionally, positive results include on-going cooperation among the small working groups developed through the project on implementation of additional pieces, the original multi-sector cooperation in arriving at a city vision, and the
investment by subsequent large and medium sized actors in the setting. Despite falling short of the hoped-for target, much value was added to both Caterpillar and Piracicaba as a result of this coordinated, collaborative development project.

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 represented by 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 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.

Azerbaijan is the petro-state with the largest gas field discovery since 1978 in their Shah Deniz field. Production from their large oil reserves is expected to peak at 1.5M bbl/day in 2010. Their location creates a situation in which Russia, the U.S., Iran, and the European Union all vie for influence while more than ten of the world’s largest oil multinationals also vie for influence and
resources. It is also a fragile and unstable state. For these reasons, a discussion group at the Business and Peace conference in May of 2000 concluded that the overlap of interests could best be addressed through a tripartite dialogue. (Rienstra 2004)

The Four Phase project that the dialogue group came up with began with Phase I – a year of identifying the challenges and risks. Sectoral, corporate, government, civil, and NGO representatives participated. Phase II saw the identification of key players and the bringing together of these players in two meetings which led to Phase III in which an Economic Development Committee (EDC) was created 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 which their local supplier businesses must contend with. These local suppliers also do not have access to secure bank loans.

The EDC developed working groups. These working groups each focus on a single target. Among these targets are included the development of a database to match oil company needs with local company services, trainings to increase local capacity, policy analysis to change laws toward aiding local business, and governmental and public communication about the EDC. Phase IV is the process of institutionalizing these and other mechanisms decided upon to
address the challenges, including institutionalizing the EDC. An additional piece of this phase is to write up the lessons learned for the benefit of future such cooperative projects elsewhere. (International Alert)

Simultaneously, through a coordinated project such as this one in Azerbaijan, civil society is being strengthened through NGO dialogue with the international business community. In this case specifically, the presence of the international business community also strengthened and increased legitimacy of local NGOs such that they then, in turn, received greater funding and could assist with refugees and internally displaced persons more successfully. (Champain)

**BP in Colombia and in Azerbaijan**

One of those transnational oil firms working in Azerbaijan was British Petroleum. In the first two to three years in the region, BP invested $14 Billion dollars US. Understanding the challenges before the country as listed above, BP chose to work extensively with NGOs. Their representative there, Andreas Penate – BP International Policy Advisor - says they work with NGOs in the region because the NGOs, “were doing a good job.” (Penate 2002) BP also was a key team member of the EDC.

BP learned much as well from their experience in Colombia. What happened with their production there – some oil rigs were profitable, others were not – is not an uncommon experience for business anywhere in the world. What they discovered upon closer inspection is that those rig managers who, “engaged
in the community, listened to people, and took their advice were on time and on budget.” (Penate 2002) BP also began developing partnerships with NGOs that were doing good work in social justice or environmental performance because that, he says, “is good business. We do it for business reasons.” (Penate 2002)

…delivering mutual advantage for local communities and BP is one of our primary business goals…” BP official (2006) speaking on community enterprise

(Nwankwo et al 2007)

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 UHDU – Azerbaijan’s very first community-based 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.

Since that beginning, the product range has also increased, to thirty products, and, due to high-quality products and service, the client base has grown both locally and internationally and income has increased from $24,300 USD to $120,000 USD. The program employed thirty-four residents by the end of 2006. BP’s representative is quoted as saying that they “feel they are helping the families of Umid to build a brighter future for themselves,” and are achieving this with what they refer to as “a small financial investment from BP Azerbaijan and its co-venturers.” (BP 2008)
Shell, Levi Strauss – corporate culture redirection

Shell, in working past some of their less favorable experiences of the past, has changed their corporate culture toward this same, broad-minded yet still self-interested direction. Their new slogan, “People and profits – is there a choice?” clearly reflects this mindset. (Shell 2007)

Mo Rajan, Levi Strauss Labor and Human Rights director, is also succinct regarding their new direction and their self-interested reasons for it, “Damage control is a hell of a lot more expensive than doing the right thing in the first place.” When Levi Strauss had facilities in Burma, they were one of the first major U.S. corporations to pull out of that country after the ruling regime began its most recent atrocities. Both of the factories contracted to Levi Strauss at that time were connected to the military regime. In so pulling away from those factories, Levi Strauss became, and continues to be, a model for the interaction of human rights and business.

Chiquita in Costa Rica

In cooperation with the Rainforest Alliance, Chiquita has developed the Nature and Community Project, based at their Nogal farm in the Sarapiqui region of northeastern Costa Rica. (Chiquita 2006) This project combines environmental conservation, biodiversity restoration, education, and economic development.
Five small businesses, contributing to many families in the region, have been developed thus far in the areas of ecotourism, crafts and art products around environmental protection as part of this project’s first pillar. Their environmental education programs and workshops run through the Chiquita Nogal project center have reached 3,000 visitors including area schoolchildren, neighbors and employees as part of the second pillar.

Through the third pillar of this project, Chiquita is helping to restore native species toward maintaining biodiversity. The project has involved replanting of 10,000 trees of 40 native species. It is through cooperation with local farmers that the land is made available – from the farmers – to be reforested with trees - from Chiquita. (Chiquita 2006) A second important piece of this pillar of the project is the creation of a biological corridor. This began in January 2006 when 250 acres of protected rainforest on Chiquita’s Nogal farm were designated a private wildlife refuge. As a response to this, it was Chiquita’s decision to “facilitate the migration and survival of endangered species.” (Chiquita 2006) This they contributed to by connecting their acreage, through a biological corridor, with other forest areas in the region, including the Braulio Carrillo national park 5 miles away. (Chiquita 2006)

**Colombia**

Faltas and Paes (2005) dramatically illustrate the potential of the private sector for creating the kind of rising tide that truly does lift all boats. They depict
how demilitarized combatants in Colombia and in Mozambique used market forces to create the results the combatants had formerly sought through violent social revolution. Though these are not projects initiated by the private sector, private sector actors participate and importantly, there are lessons to be learned for the private sector.

In Colombia, demilitarized rebels soldiers facing hostility from former comrades and learning that no one wanted to employ them, consulted experts and then, with the aid of European governments, found their own way by establishing the for-profit corporation, *Nuevo Arco Iris* (New Rainbow.) (Faltas and Paes 2005) Its mission was, in part, a determination to support economic, social, and cultural rights for all and giving priority attention to those affected by poverty. They also sought to create conditions favorable to enabling all regions and social sectors to reach markets both national and international.

The work of those two hundred employed, of whom 115 were former combatants, increases social cohesion, teaches conflict resolution, engages in microfinance, supports agricultural business sustenance for the improvement of public services and builds trust in all strata of society for the reintegrated rebels. The corporation’s commitment to promoting public/private alliances that increase disposable resources toward further investment has increased social order. In addition, it has offered crop substitution possibilities to coca farmers, self-employment projects for poor women throughout the country and, in seeking to combine business and peace to improve Colombian society, has tested and proven
the viability of the *School for Democracy, Peace, and Tolerance* in the province of Sucre.

This school allows over eighty aspiring agrarians, demobilized fighters, and community leaders to gain exposure to economic development education, environmental and ethics training, politics, culture, leadership and alternative dispute resolution.

This all began because of a belief that the market can do what social revolution cannot and that the market does not now but *can* create wealth which, say the executives of New Rainbow, is good for the people in the long run. Like any private sector business, New Rainbow’s board of directors understands that it must be competitive, play in accordance with market forces and offer services people want. Each of these efforts offers valuable insight to others in the private sector willing to listen. It is not necessary to wait until after the outbreak of violence, each of these items could have been accomplished just as well and, most often, better, if engaged in prior to onset of violence. Indeed, according to their chief executive, one of the major hurdles to be overcome by New Rainbow was in fact the need to create both trust and a space for themselves in society because of their former participation in violence. (Sanguino 2005) Success would have proceeded sooner were this their initial engagement project and not one secondary to efforts at violent social change.

Other, non-combatant, private sector actors can gain superior benefits and cost reductions by similar engagements. They can also create and maintain
campaigns of awareness helping civil actors at all levels to better understand the costs and benefits involved with the two options available to them – violent social change or non-violent, market-driven, social change.

A highly stratified society fed the growth of left-wing insurgents in Colombia (Faltas and Paes 2005.) In fact, disequilibrium, disopportunity, and excessive inequality within stratified society are the leading cause of social revolt according to separate work by each of three leading scholars in social revolution. (Skocpol 1979; Gurr 1970; Moore 1966.)

Gurr (1970) states the reality as follows:

Political violence occurs when many people in society become angry,… when there occurs a gap between the valued things and opportunities they feel entitled to and the things and opportunities they actually get – a condition known as “relative deprivation.”

Scholars also supporting the argument of a systems/value consensus theory – explaining social revolutions as responses to severe disequilibrium in social systems – include Chalmers Johnson, Talcott Parsons, Anthony Wallace, Neil Smelser, and Edward Tiryakian.

**Mozambique**

In Mozambique, The TAE – Transformacao de Armas em Enxadas or Transforming Arms into Ploughshares – has, since 1995, been working to incorporate that salient reality into all their projects. What is important for all private sector actors to understand is that it is not only important which projects
go forward but also what cognitive explanations underlie those choices. In this
case, it was a valuable insight to incorporate wealth spread and social equality
enhancement into aspects of every project no matter how far removed from such
they may seem. This we see from the inclusion by scholars, of those two factors
as precipitating destabilization.

TAE’s stated mission is to support artists by first collecting weapons
(small arms and light weapons) and then having artists transform them into works
of beauty (Forquilha 2005). TAE expands the benefits of their mission by
incorporating their mainstreamed cognitive understanding that social equity is at
the root of a culture of peace and economic development. This incorporation is
reflected in what they give in return for the collected weapons – by the sorts of
“useful tools” they, by covenant, exchange for the weapons. It is this exchange
process that brings art and weapons, two things that may seem at first blush, far
removed from economic development, equity, or social improvement, squarely
into that path – with effects that have been surprisingly far-reaching.

One woman for instance, received a sewing machine in exchange for her
collected weapons. This is a choice directly established from the underlying
mainstreamed cognitive belief that social improvement will stem from
opportunity and access. She launched a successful business and now employs
eight other people. (Forquilha 2005) In this way, it was made possible for her
efforts to extend the opportunity and access created from a single sewing
machine. With it the multiplier effect assists in the further geometric impact on
the economy and the creation of just that sort of “rising tide” that does indeed ripple outward to all boats. In other examples, a young man received cement to rebuild his home, a university student was given books and the injured received bicycles to aid in getting to and from clinics. (Forquilha 2005)

The project’s success has been a direct result of the strong partnership and trust built among the chief players and key sectors – public, private, civic, and rebel.

MNCs can participate both by adapting these programs and programs like them to the needs of their particular setting. A second, perhaps even more valuable way to participate is through the beliefs underlying the tactics. The above tactical choices were described as being “…directly established from the underlying mainstreamed cognitive belief that social improvement will stem from opportunity and access.” By embracing this idea and mainstreaming it into corporate culture as the strategy through which tactical-level initiatives are chosen, MNCs can participate in ways that are more successful for themselves as well as for the particular initiatives recommended through the strategy put forth in this paper.

**Inaction**

It is difficult to argue in any conclusive way that any given particular in-action resulted in a conflict’s escalation to violence. However, efforts at prevention have been shown to create space, opportunities, support, transparency,
and strengthened inhibitions against violence. (Lapidus, 2000) Any of these alone intervenes in the escalation process, potentially creating affects which then slow and or stop the escalation.

An additional route to building support and a business case for efforts to strengthen local and regional stability examines the high costs of not trying these routes. Inexpensive methods of preventing these costs and of simultaneously protecting investment would then increase in the benefit column in equal and inverse proportion to the associated costs of failure or of not trying. Providing voice, grievance pathways, participation, and opportunity are all among the aforementioned set of inexpensive stability strengthening initiatives.

It seems challenging for instance, to state conclusively that in-action led to September 11th. However, isolationist policy that allowed for dismissive response to the seemingly remote and distant descent of Afghanistan into a failed state allowed “a small extremist group to stage the most devastating attack ever on U.S. soil.” (Rubin 2002)

Conservative estimates put the cost of that day at $105 Billion US. (Ghadar 2006) But that is only including the cost to the U.S. itself and then it is only immediate damages. Not accounted for in that number is the build up of recruitment strength of the small extremist group subsequent to the destruction, the future impact of that greater recruitment, consumer confidence decreases, or critical industry destabilization. This one of the costs of inaction alone, stemming
from a misunderstanding of interdependency dynamics, surpassed the combined GDP of the world’s poorest 50 nations.

Each of the above short program descriptions includes lessons learned from a second discipline; that of economic development. Much has been learned and improved upon in the field of development economics in the last thirty years and in what we refer to here as Socially Sustainable Economic Development. We would be protected at less than the level currently available to us then, if we were to leave economic development lessons learned out of the analysis. Our new Venn diagram therefore, looks like this with the area at the focus of this paper represented by the triangle highlighted at its center:
For a more in-depth look at examples of potential positive-sum, collaborative, stabilizing initiatives, please see Section IV – The Toolkit in Liberia.

Since 1945, the U.S. economy has experienced annual GDP per capita growth of 3.5%. Japan however, over the same timeframe, experienced a GDP per capita growth rate of 20%. This illustrates two important realities. The first is that one’s successes only seem successful until one looks at what was the full extent of what was possible. And the second is that the cost of not growing to that fullest extent possible is a cost that should be included in the decisions that prevented it – in this case, in part, the military expenditures associated with the arms race. The actual cost then, of this policy choice, was not just what was paid but also must include what was not earned. In this way, private sector decisions and the cognitive models underlying them must include as well, an understanding that each of their decisions carries a cost – the costs associated with the ways in which it limited growth. Success itself, must be defined not by the reality that some profit was earned but instead, by the full understanding behind the more salient question, “did a greater profit remain hidden behind what appeared like success?”

A $2000 initiative to open channels of communication for instance, may look like an expense but, if it creates a $10,000 increase in sales, then not doing it does not represent a $2000 savings, it represents an $8000 loss. A year end profit of $20 Million USD for instance, may also look like a profit but if getting there
prevented a $200 Million USD profit then couldn’t it as easily be depicted as a $180 Million USD cost – an opportunity cost?

**Why Firms Become Targets**

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.
Moore’s thesis, as applied to private sector actors is that their contributions (positive) must be obvious to the citizens – and the citizens’ “return payments,” (here the perceived negative impact upon them) must not be grossly out of proportion to the services received. That is, folk conceptions of justice do have a “rational and realistic basis and arrangements that depart from this basis are likely to need deception and force” (Moore 1966) to maintain them or are destined otherwise to failure.

These then are the lines in both directions along which citizen or popular perception creates power. Any firm whose Sense-Making Process or Representational System leaves them blind to a cost (negative impact) that the citizenry perceives itself as experiencing, is creating and then germinating the seeds of its own destruction and the loss of its own investment, profit-stream, and growth opportunities.

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.
The terms stabilization and de-stabilization, as here referring to locales and not industries, are meant to be comprehensive - encompassing any form of either, and including social, economic, and political, at a minimum.

The 2001 Guidelines from the OECD’s DAC branch entitled, *Helping Prevent Violent Conflict*, recommends private sector contribution to the offsetting of negative impacts on structural stability from the effects of its investments. Given the above, we can see how and why this can be an important contribution to successful, stable long-term profit streams for a firm. However, to fully protect oneself, firm’s investment, and its long-term profit stream, the private sector council must go further – to contribute beyond negative offset to positive impact on structural and strategic stabilization of locale and its region.
SECTION III

The Investment Sustainability Tool

*Levels I, II and III:*

*Level I – Mainstreaming Conflict Prevention into Corporate Culture*
*Level II – Common Elements*
*Level III – Specifics: The Screening Checklist*
OVERVIEW

*Investment Sustainability Toolkit* - Three Levels
I have shown how working toward increases in shareholder value, currently considered to be a firm’s primary fiduciary duty, may not be the best – the most complete – goal to represent what is in a firm’s self-interest. There may be other metrics better suited to representation of this if thought of as the maximization of total profit over the life of the company.

Further I have discussed that the accounting community is already moving in the direction of creating other metrics that more accurately represent cost/benefit realities, aligning the empirical evidence with the benchmarks measuring it.

Lastly, I have illustrated the enormous cost to the private sector of destabilization and violence in lost investment and profits. And we have shown through example how a wider view of self-interest mainstreamed into corporate culture and manifested in contributions to stabilization can protect investment and increase markets, demand, and profit-streams.

That brings us to Level I of the Investment Sustainability Toolkit. Level I is the Primary Question Level. This is the level that allows for us to have a question to which we may always return when vetting, designing, or implementing a given initiative. This is the level of Mainstreaming; where the
The idea of conflict prevention is incorporated directly into the fabric of the company, permeating its culture.

**Level I: The Primary Question**

**Will this CSR initiative:**

1. **Link firm success with success of locale and other stakeholders**
   
   AND, DOES IT

2. **Maximize mutual gain, viewing mutual self-interest as best interest — Looking to increase combined added-value totals of all stakeholders?**
This question can help us to incorporate our broader view of self-interest into our actions, including in that wider lens more of the costs that would otherwise remain hidden until far later in the process.

While this is not yet the level of the toolkit that is designed for indication of specific prescriptions, the question, the mainstreaming, and the strategy they represent lead to two general tactical suggestions. Despite their generality, they are the two most valuable guidelines beyond the primary directive to mainstream prevention into corporate culture.

*Create Private Sector Council*

Acting alone even in initiatives that do not appear, initially, to warrant controversy, can create excessive vulnerabilities for any single actor acting alone, from any sector. Killick and Gunduz in their two joint efforts in 2005 refer to the initial reluctance to positively influence the decisions or communication of actors to a conflict. This reluctance, he says, can be generated from the power that governments exercise over businesses. An additional source of potential exposure arises from non-governmental social groupings that may misinterpret or otherwise have grievance with the actions of the corporation.

Creating a Private Sector Council is one way to circumvent these vulnerabilities of unilateral interaction and still allow for valuable engagement to proceed. Coordinating representatives of firms from the artisanal level to the
multinational for the purposes of discussing private sector challenges, selecting a response and directing implementation of the selected action is an option that both diffuses exposure while, importantly, adding the legitimacy of consensus. In this way, a council over unilateralism allows a weakness to become a strength. Involving representatives from civil society where available, and from a wide variety of demographics where civil society is not yet available, can allow for additional legitimacy, as well as for the transfer of knowledge and input, while also creating one more pathway for social voice.

*Engage a Strategic Stabilization Director*

The Carnegie Commission’s Preventive Diplomacy Conference advises the U.S. military to adapt to preventive tasks through use of new technology as well as through preventive systems and processes.

Thinking in terms of creating a favorably preventive environment – such that pathways exist to handle and resolve conflict non-violently when it does arise – is critical as a shift from thinking in terms of mitigating conflict after it has already surfaced or worse, containing violence after it has already broken out.

In order to do so as an MNC, engaging a Strategic Stabilization Director to apply the Investment Sustainability Toolkit and oversee selection and implementation of initiatives from it is of value. Just as firms benefit from having mining engineers overseeing drill site development and accountants to utilize tools available to him or her as CFO, a firm would also benefit from a
professional, with a specific skill set, to oversee usage of The Investment Sustainability Toolkit as well.

Having realized the cost benefit of hiring such a professional, the next question regards the skill set combinations this professional ought to have. Skill sets such as economic development, wealth spread, pro-poor growth, dialogue process development, political organizing (Griesse 2007b,) conflict dynamics and risk assessment are among those of significant value. It was a critical factor in the limitations on success of Caterpillar in Piricicaba that the firm’s expertise was in strategic planning and not in any of the aforementioned skill sets. Had they hired a strategic stabilization director skilled in these areas, broader, more dynamic success would likely have been the outcome. (Griesse 2007b.)

The skill set then that is valuable to look for in a strategic stabilization director to coordinate the private sector in situ, coordinate that sector with the civil, NGO, and local representative sectors, and then develop and implement sustainable, wealth-spreading economic development initiatives all under the guidance of the Investment Sustainability Toolkit, should include a combination of the following expertise:

- Economic Development
- Dialogue Process Development
- Political Organizing
- Mediation
- Negotiation
- Collaboration
- Political risk assessment
- Conflict Dynamics
- Analysis

“Giving to local charities … often runs into the problem that local charities lack sufficient capacity to manage the project and have no way to sustain the project in the long-term. Managing projects in-house, on the other hand, solves the problem…”

(Nwankwo et al 2007)
Let us now turn to greater levels of detail in both Levels II and III of the

*Investment Sustainability Tool.*

**Level II: Common Elements of Conflict**

In adding the second and third layers to the initial, Primary Question, layer of our *Investment Sustainability Tool*, we move first to “Common Elements of Conflict.”

These points making up Level Two, are indicated from a variety of research sources, and are to be borne in mind prior to and indirectly generating, the third layer *Specifics: The Screening Checklist*. They can be thought of as overriding points to mainstream into the corporate culture defined by the Primary Question.

Once understood, it might help to think of these elements in terms of a couple of category headings for the initiatives that come from them. For thinking in those terms, *Losses That Look Like Wins* and *Key Areas for Stabilization* are two very useful, broad headings that can be easily remembered. In our upcoming case study review of Liberia, low prices for land and other resource inputs to business are an example of the former, while stabilizing a locale’s staple food price (not all food prices, the *staple* food price) for instance, would be an example of the latter.
The result is an umbrella-shaped hierarchy to the Toolkit which looks like this:

1. Primary Question,

2. Common Elements to Mainstream into Corporate Culture

*(Losses That Look Like Wins AND Key Areas for Stabilization)*

3. And, Specifics: The Screening Checklist

Or like this,

*Common Conflict and Resolution 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.

These should not exist in a vacuum however, but be added to the already mainstreamed ideas of human resources such as:

1. Efforts to reduce absenteeism or increase productivity
2. Efforts to increase opportunities offered to employees

While these two concepts manifest differently in developing country settings, they should not be overlooked. These too, as elsewhere, work to reduce conflict while also increasing productivity. In the developing world, they might look like the provision of water, sanitation, malaria nets, immunizations, vitamins, aids medications for employees’ family members – to keep the employee available to productivity - and oral rehydration therapy which by keeping employees’ children healthier, increases employee productivity.

The second might look like additional trainings in all forms from leadership and management to vocational programs, from small business education to primary or secondary education. An additional form which might be taken by the effort to provide more opportunity is the provision of technology or other adaptation which leads to a decrease in physical labor and/or time commitment.

To this we would add community opportunity, making trainings available to community members as well as to employees. The reason for this is that
relative deprivation, a result of wealth pooling, is also shown to cause both grievance and violence. (Vanneman 1972; Walker 1994; Gurr 1970; Pettigrew 1998) This indicates that anything that can be done to increase wealth spread beyond job creation, is also a valuable protector of corporate investment.

*Forming the “Elements” into Level Two*

Taking a look at the second set of factors, those present in conflicts which become violent, we can consider the first – Suppression of Differences – to be addressed via initiatives already accounted for through the first of the two factor sets. Let us label that first of the two factor sets, with the term, *Preconciliation.* And now, let us label also, the remaining factor from the second set with the term, *Economy-related.* Adding in the aforementioned two elements already common to human resources, we thus have our four primary common elements which we can mainstream into corporate culture along with the primary question.

They are as follows: Preconciliation (The 7 above-listed factors)

Economy-related (3 items)

Absenteism

Employee and Community Opportunity

From this mainstreaming and useful categorization, we can then also use this framework of factor categories to more strategically select our specific initiative prescriptions. Initiative selection is narrowed through these two sections.
of the tool based on the strategy of level I. In this way, we ensure that initiatives make sense to our investment protection through accurately aimed prevention of violence.

A word about ethnicity. These prescriptions to be described below allow for the prevention of the co-option and mobilization of ethnic groups as political movements or conflict actors. There exists a debate among scholars as to the role of ethnicity in conflict. On one side of the debate spectrum is the idea that ethnicity is a primary cause of violent conflict while at the other end of the spectrum is the idea that ethnicity is co-opted as a mobilizing foci for conflict which was created more primarily by resource and power scarcity. (Lund 2004) We need not enter this debate, which is itself outside the scope of this thesis, in order to see the value in addressing both roles ethnicity may play. To this end, many of the prescriptions described below will either increase the spread of benefits of economic development or increase the pathways for dialogue and for non-violent resolution towards the goal of addressing both possible roles.

Let us now turn to look at Level III: Specifics: The Screening Checklist.

**Level III: Specifics: The Screening Checklist**

We will discuss each specific prescription in terms of the Common Element to which it is ascribed. We will then include the specific factor, if any, it is intended to address. Before beginning however, let us make two points that
pertain more to the full, comprehensive program of combined specific prescriptions than they do to any one prescription.

The first of the two items is the note that programs to develop strategic stabilization and conflict prevention along the four lines indicated here can benefit from including the following dimensions:

1. Be Cross-Border, transnational and regional in scope,

2. Be Cross-Sectoral and include all private sector industries, International NGOs, governments, MNCs, civil society groups, and local business including mid-, small-, and artisan businesses.

3. Be Cross-Disciplinary and Multi-Dimensional instead of single issue.

   Not education first and then economic development for instance but both, and all, relevant processes developing simultaneously with a wider focus than comes from a single discipline specialization.

   It should be noted that this last aspect to policy - that they be cross-discipline - represents a significant challenge to the bureaucratic structure and one that forces us to address and modify that structure to allow for greatest policy success.

The second of the two items is a new and important connection between prevention and the needs of business that comes to us from an understanding of conflict:
Creating conflicts won’t help the bottom line. So our belief that every conflict is a new niche market revealed is not suggesting that firms create 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.

Infrastructure and civil society building, key components of Preconciliation, are closely tied to and intertwined with those items under the category heading Economy-Related. Those items in turn, along with
infrastructure, are tightly corresponded to items under the heading *Employee and Community Opportunity*. It is also fair to say that the prescriptions with Absenteeism underlie all of the other three. For these reasons, the prescriptions cannot be wholly separated along neat lines into only one category. As a result, the reader may see items in one category for which a case could be made for its inclusion elsewhere. We have tried to be as clear as possible in the categorizations while understanding overlap. Where reiteration of one overlapping topic is deemed of significant importance under a second category heading, we have tried to be brief in re-reference to that prescription item in its second iteration.

With that, we turn to the first of our Common Elements prescription categories.

**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 idea 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.

*Develop Routine Interorganizational Coordination for Prevention*

In addition to the Private Sector Council to allow for the discussion and representation of business needs through a less-threatening mechanism than unilateral action, dialogue between private industry, the public sector, many representatives of civil society, and NGOs is valuable as well. (OECD 2001; Carnegie Commission 1999) The value of this dialogue is both direct and indirect through the dialogue’s goal of spreading economic development and its benefits.
The private sector can contribute in this dialogue. Greater contribution can be brought through the important provision of a forum for the dialogue. (OECD 2001) Through the provision of the space for dialogue to occur, the ground rules or common principles of engagement can then be established. Routine meetings – monthly, twice monthly, more frequently when needed – consistent even in the absence of specific conflict or grievance, then allows for the growth of rapport, comfort, and understanding between groups to exist. In this way a pathway for the airing of grievances is developed. Extensive knowledge of the existence of this pathway allows for valuable information to be gained, for needs to be unearthed prior to impact upon them, and for grievances to be aired early on in their development cycle. The dialogue and roundtable space must be safe physically while also feeling safe or comfortable in other ways. It must be open both to exploration through questioning and to the many alternative solution suggestions that exploration will offer. It must be cooperation- or collaboration-focused. The dialogue process will also need ground rules. These should include an explicit effort to do the following. (Fisher and Ury 1981)

Separate the people from the problem,

Separate the interests from the positions,

Brainstorm collaboratively, and

Select options, from those brainstormed, based upon objective criteria.

Dialogue processes doing so will experience the highest levels of safety, comfort,
collaboration, reconciliation, success, and reduced intergroup bias (Pettigrew 1998; Pettigrew and Tropp 2006):

Expanding alternative avenues of diplomacy – a conflict prevention effort also strongly recommended by the Carnegie Commission on Preventing Deadly Conflict – has the added benefit of helping us to address our nontraditional security threats. Firms cannot afford to overlook situations of injustice that may not seem, traditionally, as if they could lead to escalated conflict and violence. “The costs of nontraditional security threats can be as devastating for human beings as those of traditional security threats, and they generally have the potential to escalate into conflict and war.” (Schnabel 2004) Therefore, having avenues of diplomacy or Institutionalized, Inclusive Grievance Pathways (IIGPs) at all levels opened and maintained can be one of the least expensive – around $2700 on average (Galama and Tongeren 2002) – means for prevention available to the private sector.

Think “Firebreaks” to Violence

In his summary to the 1999 Conference on Preventive Diplomacy, William Zartman (1999) talks in terms of skill sets and approaches. One of these approaches to preventing conflict he labels, “Think Firebreaks to Conflict.” He includes in this category, both substantive and procedural firebreaks. Substantive such as preventing discrimination, repression, constitutional abrogation; and procedural such as momentum breaking breathing spells. Through slight
alteration of this approach to *Think Firebreaks to Violence*, we allow for two important and interconnected tactical pathways to be generated.

The first is that we allow firms to harvest, through regular preconciliation dialogue, the valuable data that conflict generates at the level of disagreement. This is especially as regards to unmet needs in the community which can then be met through either an entrepreneurial division of the MNC or a local entrepreneur sponsored by the MNC. This allows for the creation of niche markets around the harvested data of unmet community needs while spreading wealth creation and the benefits of economic development. In this way, firms are able to switch thinking from responsibility, to opportunity. This is an important new concept we can take into business from our knowledge of conflict and of business.

Second, we then also allow for firebreaks such as the aforementioned forum, to be put into place that will help conflict to lead to and create constructive results while remaining outside of the cost-intensive path of violence.

Zartman mentions standards, reports, principled assurances, and designations by supranational organizations as examples of firebreaks to conflict. We include here, a few additional others as we alter the thought framework to that of Firebreaks to Violence (and not necessarily conflict.)

*Awareness Campaigns*

Normative expectations are a common element of a favorably preventive environment (Abad 2004.) Normative expectations can be illuminated through
the process of social norming – the process of applying marketing concepts to social and health issues by promoting positive norms practiced by the majority of a group. (Asch 1951; Sherif 1972) A simple, inexpensive survey to capture norms regarding non-violent resolution of conflict and grievances will give data that can then be highlighted through an awareness marketing campaign. Posters, art contests, bill boards, and the like, are specifics to be included within a social norming awareness campaign.

Other awareness campaigns might include the following as needed, broken down into campaigns internal to the people of the region and those external, to an international community.

A. Internal to nation

1. To promote leadership, governance, and social cohesion.

2. To help create understanding of co-option, [identity-salient “nationalism” rhetoric,] divide and conquer strategies, and that war is “primarily an instrument of politics in the hands of willful leaders…Intrastate violence is the result of deliberate action by determined leaders” (Carnegie 1997) “Conflict entrepreneurs manipulate socially constructed identities.” (Busumtwi-Sam 2002)

This is a way to promote the knowledge that people’s grievances can be, and often are, co-opted, causing them to be used for personal gain and other agendas. Awareness
campaigns can also, in addition to alerting populations to the
negatives of one pathway, increase awareness of the positive
possibilities of another. Consecutive campaigns then, can
make populations aware of the greater potential of non-violent
alternatives for gaining social justice – and the benefits non-
violent response will engender for them in socio-economic gain
and within the international community.

3. To The Business Sector - Publicizing the costs of potential
violence to the business sector as the center of a campaign to
also strengthen the bonds of the common socio-economic goals
of the business community.

B. External awareness campaigns

1. To build the awareness of the international community in
preparation for potentially necessary engagement of that
community or its components.

2. “Naming and Shaming.” This is one of the most commonly
used instruments for altering abusive behaviors by groups at all
levels of authority. (Weinstein 2007, 344.) This initiative uses
publicity, norms, and reputation to change behavior of groups
internal to the nation by making witnesses of external
observers. To do this, a firm begins by alerting members of the
external press to the internal behavior that would financially
benefit them to see altered. This is best done in the form of
anonymous tips.

_**Preconciliation, Reconciliation, and Rapport building events**_

In addition to having forums for dialogue and processes in place for
decision making, dialogue, and input, these are specific events and initiatives to
consider sponsorship and development of. They are designed to promote greater
social cohesion.

**Re-humanization** events with high intergroup contact. (Pettigrew 1998)

**Civil society** organizations that allow for or indirectly require high
intergroup contact, (Pettigrew 1998)

**Sporting events** at all levels from youth to international. At the youth
levels, these can create opportunities for re-humanization through
intergroup contact. At the international level, sporting events create
commonalities and, therefore, opportunities for cohesion to form.

**Art and drama** contests locally, regionally. Art with a theme of non-
violence or peaceful resolution of conflict can generate social norming as
described above. Also generates commonalities as do sporting events.

_Civil Society Building_

We also refer to the programs to address this piece as **Process**

**Infrastructure Development** programs. This is because this piece 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 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.) Developing these paths require the re-humanizing, intergroup events as in the previous discussion, as well as the supporting events, initiatives, and concepts from the list below:

**Include Dialogue space, process, and routine** – schedule meetings regularly even in local and national settings that would not be considered conflicted. This can be thought of as a type of Knowledge Management and is referred to as a Knowledge Community. (Thomas, Kellogg, Erickson 2001) These informal talks seek to alter each side’s perception of the other and to create a positive atmosphere for addressing future issues of substance rather than to focus on a search for a specific conclusion to any conflict (Zartman 2006; Fisher 2006; Saunders 1999; Stein 1993.)
Incorporate traditional processes such as the poetry of nomadic Somalis and the restorative justice circles of the Maori or oral storytelling. (Harris 2006; Estrella and Forinash 2007)

Civil Society - commonality groups and multi-ethnic, multi-community civic groups that monitor governance and have free media to report to.

Free Media (Davison 2007; Coyne, Leeson 2004)

Incorporate those whose opinions differ from the status quo.

While work must be done with some of the most militant dissidents to de-escalate and redirect the method for seeking grievance redress, it is beneficial to success that less militant dissenters be included as stakeholders at the table where their opinions and legitimate concerns can add to the strength of any agreement, prescription, or initiative. Left out of the process, it is these unheard legitimate grievances and their bearers who will alternatively become the spoiler groups wreaking havoc on agreements to which they – and their viewpoints - have not been well represented.

The preceding list of specific events, initiatives, and concepts can help support the success of both conflict prevention and economic development, increasing sustainability of the originating initiative. In this way, we see that a network of supporting, intersecting initiatives is necessary for sustainability. One initiative, by itself, is rarely fully successful – or sustainable.
We move now from discussion of Preconciliation initiatives to those coming under the Economy-Related heading.

**Economy-Related**

*Technology Transfer*

Technology enhancements offer the greatest improvement to per worker rates of productivity. (Solow 1957; Collier 2007; Easterly 2001; Brandt 1980) Nobel Laureate Robert Solow has shown that after an initial facility investment, additional investment has diminishing returns in adding to worker productivity, eventually decreasing productivity. Contrary to the long accepted Harrod-Domar model of investment, *Capital Fundamentalism*, which accentuates capital infusion, it is *adaptation* that has been proven to be the primary force of value creation in investment return.

Two critical pieces to the theory that technological adaptation increases productivity and, as a result, increases economic growth faster than does capital investment were reconfirmed by Klenow and Rodriguez-Clare (1997) with a third being reconfirmed by King and Rebelo (1991, 1994).

The one caveat we would hold out in the adaptation theory, is timing. The theory assumes a model in which workers can move to other jobs – meaning they can gain re-education or re-training in a relatively rapid way. The Luddites of the early eighteen hundreds indicated this by pointing out that though the incomes of those who remain employed (should) go up because per worker output went up,
those skilled only in the old technology – knitting lace and hosiery in the case of the Luddites – will become unemployed. Many firms and unemployment agencies in developed nations make efforts to address this employment shift ramification of technological adaptations through short re-training programs of six to twelve months. Therefore, the timing of when in the business cycle and where within the transition of the overall economy (agricultural to service to knowledge-based) the adaptation comes, is relevant to its value.

Protection of staple food price window

In countries where there exists a staple food, one that accounts for a majority of the caloric intake for a majority of citizens – cassava in much of South America, rice in Tamilnadu and in Liberia, tapioca in the Congo – fluctuations in its price can lead to a “nontraditional” (Schnabel 2004) source of insecurity. Scarcity and/or price surges can create a “triggering” event catalyzing present social tensions. This combination of tensions and trigger occurred in Liberia in 1979 in what has become known as the “Rice Massacre.”

There are three ways firms could assist in preventing this catalyzing trigger. The first is through direct project assistance and indirect policy influence on increasing food independence of the staple crop. The second, protection of food minimums, is discussed further under that heading within the Economy-Related category. The third way is through ensuring the presence of a simple borrowing and repayment system that stabilizes the price of staple foods which
must be imported, to the enduser. In this way, cyclical and non-cyclical fluctuations in the price of the staple food occur without notice by the enduser.

This is best attempted by a coalition of the private sector. The items within the screening checklist are not designed for firms to engage in individually per se and this is an even more important feature of the design when the engagement is at the country level as this one is. However, should the challenging situation arise in which not even one other small, artisanal, mid- or large-sized firm be willing and available to act in concert with, stabilizing staple crop price through a fund such as is described on page 131, should be engaged in unilaterally bearing in mind that unilateralism is not the first choice but the last.

*Work to aid infrastructure that aids exporters – ports, other transit*

Even if the port is in a neighboring country.

A. Support for a region’s ports even when they are not in the immediate country in which you are engaged in business is a valuable means for decreasing private sector cost to export. Decreased cost to export increases the size of the private sector while decreasing the barriers to entry for supplier firms, thus enabling wealth spread through greater access to business opportunity on the part of small and medium-sized firms. This aids the regional economic development and thus stabilization, creating more options for the neighboring landlocked countries. The success of the coastal countries will itself also impact
the landlocked countries in addition to the positive, direct impacts the 
port will make on them. (Collier 2007, p121) Further work to 
decrease other costs to exporters, directly or through indirect policy 
influence, offers additional avenues to wealth spread and mitigation of 
the nontraditional security threat of wealth pooling. Proactive 
encouragement and support for the improvement of transport through 
grants to support specific proposals from governmental agencies as 
well as from local and International NGOs will increase infrastructure 
for market access and supply cost reduction.

B. Payments for natural resources must be fair – as perceived by those 
considering themselves the resources’ owners (the populace.) There 
are two reasons for this. The first goal such payments must meet is to 
allow the citizens of the host country to legitimately feel they are 
receiving just compensation for the resources of their nation. See the 
section on return payments and folk conceptions of justice, page 65. 
The results of that research remind us that private sector contributions 
(positive) must be obvious to the citizens and that citizens’ “return 
payments” – here the perceived negative impact upon them – must not 
be grossly out of proportion to the services received. In this way we 
move the power of those who interpret our behaviors in positive 
directions.
The second goal of these payments is to ensure that the people are the end beneficiaries of the payments. It is important that a part of the goal of the firm for these payments be that they will contribute to increasing the conditions that will allow for wealth to spread and socially sustainable economic development to proceed. This sort of majority-centric, pro-poor economic development requires infrastructure – both for political pluralism and economic.

As Willy Brandt, Commissioner to the Independent Commission on International Development Issues, and former West German chancellor put it, “Fair contracts are more stable.” (1980)

Mobilizing Changes in Trade Policy

Development agencies and the lobbies for such don’t necessarily understand the vagaries – or their impacts – of trade nor do those issues stand out as of great appeal to the publics of those groups. (Collier 2007, p187) As a result, this creates, in trade policy, an arena in which the private sector can contribute a significant and perhaps singular advancement – if done with the long-term lens of broad, enlightened, mutual self-interest that will allow for profit-stream and investment protections.

It is because of the reality that what is really in our long-term best interest looks different when viewed through more accurate lenses, that the implementation of this particular effort could look counterintuitive. Protectionist
trade policies can feel very comforting to businesses. They are however, not in the long-term interest of wealthy nations or of the firms that make up those economies. As a result, self-interested firms will be lobbying and working against some protectionist trade policy at home. Protectionism is counterproductive to capitalism once the capitalist economy has succeeded beyond the fledgling level and has transitioned into a service economy. For this reason, what looks self-interested in the short-term (protectionism) is counterproductive to long-term, and more profitable, self-interested choices. The investment climate quality including the macro-trade framework focused on manufacturing export promotion policies is indicated by the International Bank for Reconstruction and Development as the leading factor in contributing to pro-poor, sustainable economic development – that form of development that increases sustainability by enhancing the capacity of poor people to experience benefits of economic growth. (IBRD 2005)

*Focus on Economic Inclusion (and Mobility)*

The private sector can be very effective in their role contributing to stability when they make this factor in conflict a key focus. This is because of their capacity to have impact on economic development, employment creation, and wealth spread as well as wealth creation. (Rienstra 2004) See further discussion under *Wealth Spread*, and *Pro-Poor Growth* under the *Employee and Community Opportunity* heading.
Individual inclusion in social mobility is a must to the avoidance of dissent. Categorical denial of mobility – the exclusion of particular social groups from opportunity and grievance pathways – increases the dissent geometrically as compared to randomly attributed dis-opportunity. (Tajfel 1978; Tajfel and Forgas 1981)

*Employment Regime*

GDP growth and income equality, as discussed above, are critical variables in prevention of conflict. Employment regimes, described below, may be equally so. (UNIDO) Stewart’s Matrix of Politico-Economic Differentiation among Groups (Bredel 2003,) indicates that the following will be valuable to monitor and balance.

*Local Workforce*

Percentage of local owned businesses within small, medium, and large firm categories.

Percentage of local workforce at each level – money multiplier effects cannot be felt when a high percentage of wages paid is repatriated, leaving the country. Developed skill is another asset that leaves the country when the non-local worker returns home.
Improving comparative advantage and regional economic complementarity

Regional Economic Unions

These items offer low levels of opportunity for direct involvement for a private sector coalition but offer significant areas for both monitoring and for having indirect influence upon.

Increase the complementarity of economies within a region.

Complementarity of economies is the degree to which two neighboring countries or country 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) They do not both produce the same goods. African economies on the other hand, exhibit the world’s lowest level of complementarity producing largely the same goods and services as all their neighbors – leaving them each needing nothing from the other or able to offer anything to the other.

Instigate IFI (International Financial Institution) cooperative venture incentives,

Offer incentives to reduce cross-border costs (financial and other) to suppliers and markets.

Open borders – migration, travel, cross-border employment increase success when barriers are low.

Offer influence toward creating a highly convertible currency
If sanctions are to be used, use only with incentives and with civil society engagement and use only financial sanctions not trade sanctions.

Banking system improvements in transparency, and capacity,
Investment and capital access improvements (microcredits and grants are two examples)

Movement

Assembly Activities

Aid in and offer influence toward movement from simple assembly activities to efforts to increase the availability of technologically more complex activities.

After an initial spurt of growths gained from simple assembly activities, developing economies left to free market rules often slow down, if no policy intervention for technological upgrading is undertaken. (Bredel 2003)

Socio-Economic

Additionally, efforts toward increases to individual social and economic movement or mobility will decrease the need to turn to group mobility demands. (Tajfel 1978; Tajfel and Forgas 1981)

From UNIDO

The Strategy on Conflict Prevention and Industrial Development developed by the United Nations Industrial Development Organization (UNIDO)
includes three target areas. It is wise for any private sector coalition to keep a monitor on each of these target areas in their investment settings.

1. Economic Decentralization

2. Economic Integration, both horizontally and vertically. With institutional and political participation, where members consider themselves stakeholders.

3. Push-Centered and Pull-Centered models. The agricultural sector pushes job creation in the first model. It does so at the beginning and ends of agricultural production chains. Surplus labor pushes demand for off-farm jobs while surplus crops and demand for technological change create agro-processing industries at the end of the chain and supplier industries at the beginning. (Bredel 2003) The second of the two models refers to the pull from the labor-intensity of rural industries toward the restructuring of this employment sector. The labor intensity contributes to a multiplier effect from the rising income for rural non-agricultural workers creating increased demand for non-agricultural goods and services.

The following summarizes the new growth theory premises linking economic growth to improved living conditions. Our reason for examining it is because it clearly indicates several places where inputs to increasing economic growth are possible. Each input represents a potential intervention. Those that
are most readily available to a private sector coalition have been marked in green text.

*Poor living conditions* ← Low Work Productivity ← Low Capital Stock per Capita ← *Low capital supply* (LCS) and from low capital demand (LCD) LCS ← lack of consumptive ability ← low income/capita AND scarcity of functioning capital markets

LCD ← Low ROI ← small market size ← low capital demand / capita ← *insufficient entrepreneurial activity* (Aresin 1985)

As the flowchart clearly shows, improvement to living conditions, access to capital, and access to entrepreneurial mentorship will have significant impact on individual worker productivity as well as on larger growth of the local economy – in turn increasing the earning power of the MNC.

**Absenteeism**

*Food minimums* (see also staple food *price* under Economy-Related)

The food minimums question can be thought of in terms of both total food availability and in terms of availability of the primary or staple food. Both availability issues can affect productivity even before the situation reaches the level of crisis. Ensuring a minimum level of caloric daily intake per worker - that it is available and affordable – will be felt positively through productivity increases.
Both situations however, can also lead to the larger losses related not to productivity but to violent conflict and therefore warrant monitoring as well, as an early warning indicator of potential violence onset.

*Water and Water Provision*

The water question has three parts to it: water minimums, water quality and water delivery.

*Water minimums.* Soft and hard paths (demand and supply) should both be used. Hard path or supply management approach focuses on how to deliver more water whereas Soft path or demand management approach focuses on decreasing demand through reducing waste. (Wolff and Gleick 2002) Two key methods of the Soft path are drip irrigation and crop selection. Drip irrigation should be used in settings where flood irrigation is used. Crop selection consideration should include thought toward water inputs per yield.

*Water quality.* Delivery of potable water for prevention of water-borne illness.

*Water delivery.* System infrastructure and Capacity. While the delivery of potable water to a populace is important in its own right, for the value to good health that it brings directly, we are interested as well, in an indirect benefit. The presence of the system infrastructure as well as the decision making capacity in a government to be able to provide water delivery have been shown to be an important first indicator of the capacity for economic development.
Each of the three can impact productivity directly and through conflict. Water delivery absences in a setting where it was previously successful, is an early warning indicator of conflict and of an opportunity to intervene successfully prior to violence. Developing a capacity for immediate response to observed decreases in the delivery, or capacity for delivery, of basic services is an important preventive mechanism to have in place prior to the decreases. Participation in and coordination of work to increase the strength of institutions delivering services and otherwise assisting in the allocation and distribution of resources to those outside of direct access to state power and its apparatus, is valuable. This is because it is these groups, the majority of the population, who will become marginalized in the absence of institutions to provide services and resource access. (OECD 2001 p88)

Health

These following key health points are the combined set of lowest cost/highest productivity impact intervention points available to a private sector coalition. As such, they represent the lowest cost means for decreasing absenteeism. In this way, these items most represent opportunity for the firm to increase financial performance with the least investment.

Sanitation,

Malaria nets,

Immunizations,
Vitamins,
AIDS medications,
Oral rehydration therapy.

Though cost goes up some by providing the above list to all community members instead of solely to employees, both productivity and conflict prevention benefit is strengthened through reduction of contagions. In settings where multiple layers of inter-related kinship is the norm, productivity benefit is additionally strengthened through illness reduction to employee kin. Proactive encouragement and support for the improvement of health through grants to support specific proposals from governmental agencies as well as from local and International NGOs will aid in increasing worker productivity.

**Employee and Community Opportunity**

It is valuable to have reliable, non-corrupt contacts throughout civil society as they have the pulse of the community in their ears. Where this is not possible, it is best to have contacts who are, relative to their colleagues, the least malevolent about the degree of their corruption – i.e. an official who hires his son vs the official willing to fund the kidnap of his political critics.

Where the information received regarding needs in the community is corroborated and does not perpetuate social mobility limitations, a new niche market can be said to have been found. Addressing this new market is an
opportunity for the MNC-led private sector coalition to support micro-enterprise. Development of a small business to provide the service or product which will meet the illuminated community need can be done in cooperation with the business skill from the existent private sector, the market communication potential of the civil sector and a locally identified entrepreneurial individual(s) with the drive to make it happen. This coordinated team of sectors and skill sets is best suited to the addressing of identified community needs through support of micro- and small-businesses designed to meet those needs.

The corollary – do not engage with corrupt and/or illegitimate governments, engage directly with the people instead in these cases – can be a challenging corollary to MNCs. While their representatives realize they are met with ruthlessly oppressive and corrupt governments, they realize too, at the same time, that they really ought to pay someone for the resources they are extracting or for the rights to the factory they are building.

Thinking of this payment in slightly altered terms, can help. Eventually, the people of that state will need to receive in some form, recompense for the natural resources being extracted (think of the waste from a factory as extracting a percentage of the natural resource of a clean environment.) That is, the people will, eventually, need to “be paid.” A firm or coalition of private firms can either ensure up front, when they have, at least in a relative sense, greater leverage, that the money will make its way back to the people or they can rest assured they will need to pay far more than that initial cost in direct support of the people. How
can this be done up front though? If the services delivery track record for the current government is low, working through a resource fund is an excellent option.

This entails the establishment of a fund into which a sizeable portion – as much as all – of the monies paid in recompense for the natural resource to be extracted will go. The amount and/or percentage will be determined by the corruption level of the standing government and its delivery of services to the populace. Where service delivery is extremely low, fund percentage will be on the highest end of the spectrum.

This fund will need to then have broad accountability. This piece requires that a stable, transparent bank be located – out of country if necessary – and then that the established account have, to ensure representation of all demographics and broad representation, a twenty-five person board chosen from across society, the requirement of ten signatories to any withdrawal and disbursement, and four-fifths agreement on all projects toward which monies are disbursed. These twenty-five and ten person groups will be codified as coming from across the spectrum of societal sectors. Civil society leaders will be represented as will the private sector through a coalitional representative and a chamber of commerce representative. Both genders and all demographic and age groups will need to be included as well as public sector employees.

The Petroleum Fund of Norway, now under the name Government Pension Fund – Global, (Heilbrunn 2008; Norges Bank 2008) a voluntary fund
run by the Norwegian government and putting away a portion of petroleum
revenues for needs of future generations can also be used as an additional, loose
guideline. This example though, should be thought of as only a loose guideline
because it is a voluntary one on the part of the government and the fund to which
we refer is a voluntary one on the part of the corporation, and in fact, in part, to
protect against, a government whose accountability is uncertain. As a result, there
will be necessary, small differences in the fund programs. Nor will all parts of
this program in one of the richest countries in the world will be applicable when
working in developing nations. With social creativity, community-wide, cross-
sectoral dialogue, and an eye to accountability and transparency, additional
setting-specific solutions can be found.

Training

In the construction phase of a mining project, we need to hire 500 local
unskilled laborers to be trained to work as helpers for skilled carpenters,
plumbers and electricians for a year and a half. In the operational, post-
construction phase though, we need only a fraction of that number. I have
been at the gate when the angry mob of those now trained and experienced
workers are told their services are no longer needed and they are out of a
job. But we have a year and a half lead time. Why can't we increase
security as a firm by contributing to the partnership between those we
employ during the construction phase and the local university, perhaps
participating in a program between these newly-skilled workers in concert
with a local business school or department? This partnership could strive
to create new markets and business cooperatives for these new skill sets?
If we begin this at the onset of construction, we will have a year and a half
or so for that market development to grow.

(Tim Pasquarelli, International Peril Mitigation Services 2008)
In concert with any regionally-available higher education, private sector coalition should find ways to make the following types of training available toward the goal of creating capacity to take advantage of available opportunity and for creating opportunity.

Producer group organizer – such that sellers will not be at the mercy of middle men and “price-giver” brokers (Corporate Council on Africa)

Vocational,
Leadership,
Management, and
Small-Business skill set: Thinking here is in terms of competitive advantage. What is it that the firm has that can be of most benefit to increasing local capacity? Besides capital, expertise tops that list. Leadership, management, and small business expertise should be something relatively easy for the MNC to instruct others in and/or to cooperate in instructing others in along with a local school or university staff.

Wealth Spreading

Labor

A. Increase incentives for labor-intensive production while designing labor market regulations that collaborate on employees’ and employers’ needs within the public sector’s capacity to implement the
regulations. (IBRD 2005)

B. Labor percentages requirements, as discussed further Employment Regime under Economy-Related.

C. Expectations upon labor should be humane and reasonable.

D. Adaptation through equipment and technology additions will increase per worker productivity.

Microcredit

Allows for increase in capacity to access development benefits and to participate in economic growth.

Vocational programs of one to two years.

In addition to other forms of education, vocational is valuable for its rapid turnaround of skills.

Infrastructure

Participate in dialogues, committees, and projects designed to encourage greater public spending on infrastructure while encouraging delivery of core inputs to occur together: roads, electricity. (IBRD 2005)

Resources

Make resources, as well as trainings, available to aid medium, small, micro, and artisan level businesses.

Value added Production Facilities

Raw materials processing creates jobs and spreads wealth.

Participate in increasing access to secondary education for girls. (IBRD 2005)
Pro-Poor Growth (Closely related to Wealth Spread)

Pro-poor growth, a type of economic development with one of its foci on ensuring to the greatest extent possible, that development does not make the least well off worse off, is an important concept to keep in mind. While wealth spread is the idea that a given business enterprise would be well served to work to spread the effects of their enterprise from the wealthiest quintile of the population to more of the population, pro-poor growth looks at the situation from the other direction. This sort of growth looks to complement wealth spread by ensuring that the lowest quintile is not made worse off.

A case can be made for inclusion of this idea and its resulting initiatives under the “Economy-Related” subheading. In that it does relate indirectly to both a downward moving economy and to a low income economy, that is appropriate. It is the case however, that, if not directly addressed, the very poor can be made less well off even in the presence of an upward moving economy or in one that is moving toward middle-income, is middle-income, or higher. It is for this reason that we have chosen instead to place it in the category labeled “Economic and Community Opportunity” because of the opportunity for the MNC that is generated through efforts that create benefit also to the local community as well as to themselves.

In this way, with direct and specific focus upon ensuring that what appear to be significant advances for an economy are not negatively impacting the
demographic already hardest hit. Should this demographic be made less well off by greater gains to the whole through inflation, or categorical or relative deprivations, their then legitimate grievances and resulting – potentially violent - attempts at rectifying the situation toward social justice would be costly to the firms in the area and would also put into jeopardy, the initial and on-going facilities investment.

To a large extent, Conflict-Sensitive Business and sustainable business must be “pro-poor.” (IBRD 2005) Again, this is stated in that way not for the benefit this brings to a demographic but because pro-poor development is sustainable and therefore, financially more rewarding to the firm. This means in part, that the economic development pursued must encourage wealth spread and not wealth pooling. Though for over a quarter century, development scholars thought of all development as good, we now know that some development creates pockets of wealth and increases relative deprivation and often, absolute deprivations as well. (Ross 2001)

Pro-poor growth enhances the ability of poor people to participate in economic growth. (IBRD 2005) Some of the IBRD-indicated elements of pro-poor growth can apply to a private sector led initiative package. These are indicated in the specific prescriptions list at the top of this Wealth Spreading section.
Supply Chain

Engaging the supply chain, improving the service quality provided while also considering new partnerships to materially improve the well-being of workers and communities is now a well-respected part of protecting one’s brand and/or investment. This was again reiterated and enlarged upon in July of 2007 at the UN Global Compact Leaders Summit in Geneva where Business for Social Responsibility, a private-sector consortium, presented Beyond Monitoring: A New Vision for Supply Chain Management. Beyond Monitoring is a four-part approach designed to address the root causes of sustainability challenges found in global supply chains.

Supply Chain could equally well go under the subcategory heading of Absenteeism which incorporates health. The reason for this is that supply chain is studied in part because of the high number of safety breaches firms are responsible for but which occur under the charge of a sub-contractor in their supply chainala Newmont’s mercury spill in Indonesia. We have chosen to place it within Employee and Community Opportunity because of the substantial opportunity to increase employment and capacity through careful supply chain management. Initiatives around this category should be thought of as potentially addressing more than one of the conflict creation factors that make up Level II: Common Elements.
Human Security and Co-option

Human security is the branch of conflict prevention that thinks about the responsibilities of states vis-a-vis the individual. This field follows from the idea that states exist to serve their citizens (Schnabel 2004) and that this social contract in particular – to the citizens – is the purpose for their existence from which their legitimacy stems. The human security debate has successfully called for the subjects of security to be redefined from the state to the individual (Richmond 2005). Closely related to this idea is the Responsibility to Protect movement within international law that is moving in the same direction with the idea that legitimacy of a government can be then revoked in the absence of services to citizens. This means that, far from considering the responsibilities of a firm, this movement in at least two sectors of international thinking, toward the individual as the center of security, services, and sovereignty, allows firms the opportunity to address the systemic violence present in a setting directly – and in so doing decrease their own security costs while increasing their access to information that can produce new markets, services, and products. Primary among these areas of systemic violence (inequity) to be addressed for the firm’s benefit are access and security to the individual in the areas of economic opportunity, food, and governance.

From this piece of the Employee and Community Opportunity element, we add then the following prescriptions:
Sector coalition should work then not just on the supplying of services delivery but also on increasing state’s capacity to deliver same.

As an early warning indicator, keep an eye to services provision – observed slippage indicates a need for greater action to prevent violence, and further escalation. (Schnabel 2004)

Survival, security, order, opportunity for material well-being and freedom from want and freedom from fear are universal needs – as such they need to be mainstreamed into corporate culture and thinking for long-term investment and profit-stream protection. (Economic, food, and political security.)

The costs of these non-traditional security threats can be as devastating as those of more “traditional” security threats. Any degradation of quality of life is a security threat (Schnabel 2004) whose costs must be represented in corporate decision making. The relative decrease in quality of life that firms bring to those they do not employ by increasing the costs of products and services in the area then, must be addressed for the safety of the firm and its investments.

That question is asked by Tim Pasquarelli, Managing Partner of International Peril Mitigation Services, a firm specializing in Community Relations Programs for the security increases to the industries they serve, in this way,

Often, those we do not employ, are made a little worse off than before we arrived because of the inflation our wages and materials acquisition causes. This too is a security issue because unhappy and angry people
often turn to violence in their frustration. What can we, as a firm, do with our lead time here, for this sector, to spread economic development beyond ourselves such that we increase our own security through the sustainable spread of indirect prosperity? (Pasquerelli 2008)

Brenk and van de Veen (2005) refer to human security efforts as also “addressing the material preconditions to violence.” Cattle rustling in rural Kenya is one example they give, of conflict resulting from food security absences. Lange and Quinn (2003) make the suggestion to organizations working within a developing economy to work to strengthen the capacity of that population to resist the effects of violent conflict. To address these direct and indirect effects, Lange and Quinn suggest that,

By providing food, water, medical treatment, shelter and sanitation, it [prevention effort] can reduce the suffering of non-combatants and, in doing so, strengthen the affected population’s capacity to overcome the effects of further violent attacks and to engage in efforts to build peace.

It is important here that we remember that the important question regarding the above is not, what is the firm’s responsibility, but to think differently by asking instead, what is the firm’s opportunity. In what ways will business opportunities be expanded for us as they were for Caterpillar in Piracicaba, because of increased stabilization; improved infrastructure; better health services to workers, families, and potential small entrepreneurial suppliers; strengthened capacity to resist effects of violence? In what ways will we discover
new niches and demand for services by understanding efforts to stabilize, reconcile, preconcile, or strengthen a region?

Private sector organizations are organizations working within a developing economy and, they are, compositely, as largest investor, the organizational set with the most at risk financially – even moreso than the local government and populace because total investment of MNCs often exceeds combined investment of other groups. For this reason, it is cost-sensible for the private sector to engage in pre-conflict preparation for contributing to the capacity to resist.

In addition to ensuring or enhancing a population’s capacity to withstand the effects of violence, it is sensible to work proactively as well, to strengthen that population’s capacity to resist another related and indirect effect of violence – that of co-option. Co-option occurs most significantly in settings of deprivation – absolute, relative, and categorical or collective deprivations. (Bredel 2003)

For this reason, it is tied to the issue of human security – in the absence of human security minimums, co-optability is highest and terrorist groups, nationalist groups, workers rights groups all have their highest enrollment levels. The prevention to this enrollment increase and the co-optability of desperate people by those with other agendas, is by contributing to the assurances of human security minimums. The dividend then to working to minimize these deprivations to the extent possible for the collective of private sector actors involved – by ensuring access to reasonably priced foods, contributing to more equitable distributional systems, offering input toward greater access to opportunity – will
be seen then twice. The first way is through avoiding destabilization and the second is by preventing destabilization from resulting in chaos, violence, and increased vulnerability of the populace to co-option by those with other agendas.

By addressing those needs of humans in the setting which are universal needs, the coalition and its public sector partners will have prevented people from adding themselves as fuel to someone else’s fire, thus removing the catalyzing, fueling source necessary for the second stage of destabilization. It is in that second stage when those who would profit from the initial destabilization and take it further toward their own personal agendas, would gain momentum if they are able to co-opt homeless, jobless, hungry, hopeless, people at that time. Preventing this momentum-gain is a result of pro-active human security work as a broad strategy within global citizenship. This strategy and underlying tactics designed to meet the goal, decrease security costs as well as the larger losses that result from civil war.

Having minimums of human security met, the populace will be strengthened against co-option into identity and ideology driven agendas thereby removing the momentum from the brewing, destabilizing, social movement. A social movement with no underlying masse of staggeringly deprived citizens lacking a pathway for grievance airing, is no movement at all.

Focus for non-violent social change must move from inter-state relations to creation of intra-state pathways for change and growth. (Annan 2002; Miall
This paper and these prescriptions described as a framework at three levels – *The Investment Sustainability Toolkit* – helps the private sector to become a successful, efficient and self-investing actor in this process through their participation in multi-dimensional, comprehensive programs of socio-politico-economic institution building for the settings in which they do business. These institutions of social, political, and economic capacity building are those that would be considered both “internal” to the nation-state of business, as well as “external.”

**Beyond the Four**

*Helping with “the Reform Impasse” (law, courts, constitutional reform)*

There are governmental activities that may delay or otherwise limit the self-development capacity of a host nation. Corporations have a vested interest in participating, *as a sector*, in the assurance as best they can, that these directions are not selected. That expertise and experience is utilized to assist, in selection of projects that most strengthen the capacity of the people and the nation to increase their self-capacity.

Poor governance and less than effective policy is also, in a best case scenario, reformed from within when possible. But to do so means challenging deep corruption often with little more than one’s own integrity. It means facing lengthy jail terms or execution.
What the private sector actors can do to aid in their own battle for a long-term environment of stabilization in which to do business is to contribute to making it safer for the courageous internal reform champions to win their struggle.

Paul Collier (2007) suggests that through more intelligent development aid and through increasing international law against both corruption and poor governance, outsiders can offer successful assistance. Corporations and the private sector as a whole offer something akin to “development aid,” while also carrying a degree of leverage useful toward increase of law, codes, and standards at the local, national, regional, and international levels.

Using this leverage when they have it, not just on policy changes and tax situations which have immediate effect and on the firm narrowly, but also on other policies which can aid in larger infrastructure commitments, and help the firm more broadly and through indirect, but still significant, impacts, is a valuable use of leverage.

A sector-wide small organization established to aid, through funds and expertise, accountability, transparency, and candidates, is a second way that the private sector can begin to participate in local efforts that will also aid themselves, and to do so in a way that limits their exposure to risk.
Factors combination research: to supplement existing early warning data research. Separating early indicators into Category A and Category B allows us to see that even within the early indicators, there are those that signal us prior to other contributing factors and which behave more as catalytic factors whereas others are necessary but not sufficient. A (chronic deprivation, increasing scarcity of basic necessities); B (human rights abuses, increasingly brutal political oppression, inflammatory use of media, arms build up, organized killings.) (Carnegie 1997)

“It is the linkages between CSR, conflict prevention, and Peacebuilding that need to be further explored and linked to policy proposals.” (Rienstra 2004) Further prescriptions beyond policy will be the additional result from such research, contributing to greater profit, protected profit-streams, and safer investment faster.

“The linkages between MNC activity and conflict have not been thoroughly studied.” (Campbell 2004) Here too, research offers potential for increased knowledge base, application of which will lead to greater ROI for private sector actors.

Additionally, firms come to their own aid and that of others by working on improvement of both early warning of developing crises and on responses to those indicators. Because while there may be disagreement on scope and specifics of preventive programs, “…there is no disagreement, however, on the importance of
obtaining early warning…” (George and Holl 2000) Additionally, it is clear that “marshaling timely, effective responses to warning has received much less systematic attention.” (George and Holl 2000)

Early warning programs will generally fall into one of three category types – Database (statistical indicators from time series data,) Expert Opinion (based on country specific surveys and interviews,) and News Service Analysis (measures occurrences of topical references.) The Stockholm International Peace Research Institute’s approach is to combine types one and two. Unfortunately, their 10-topic warning program is still too narrowly focused and too scattered, leaving information from several readily available indicators out of the equation. (SIPRI)

The primary early warning indicator of imminent intrastate violence is infant mortality, according to the U.S. State Failure Task Force. (Esty et al 1995) This 1995 finding was retested in 2001 by Alex Schmid, UN Terrorism Prevention Officer-in-Charge, with the same conclusion. Infant mortality acts as an indicator of intrastate violence with a predictive capacity of 79.7%. Keeping an eye to the action of infant mortality rates as well as including at the tactical level, initiatives to decrease these rates and then maintain them at low levels, will be effective investment toward both regional stabilization and profit-stream sustainability.

A second valuable indicator to keep an eye on is taxation capacity (Pierson 1996) at 83.9% correlation. (Pierson 1996; Schmid 2001)
The level of sectoral integration is also a valuable piece of data. This is because the integration between religion groups, politics, and the private sector – how well and how deeply they work together – gives information about both corruption and about social mobility. As was discussed in more depth in the *Economics* category, in a setting in which individual or group social mobility is seen to be limited, conflict and escalation are the norm. (Tajfel 1974; Tajfel and Forgas 1981)

Engaging western governments in an effort to raise the priority of conflict prevention in foreign policy comparable to the level exhibited by the G8 which has, rhetorically at least, made conflict prevention focused on systemic failings, a major theme of its meetings (Rubin 2002)

Additional engagement of western governments where possible toward concerted action to support the more narrowed target of the bottom-billion (Collier 2007) instead of the current focus on the world’s five billion poor, could also be a potential source of value to firms. The more narrowed focus giving rise to greater possibility of success, economic growth, and market development.

**Additional Conclusions**

Business has powerful, valuable roles to play in development and, through development, in the prevention of destabilizing conflict. 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 Investment Sustainability Toolkit goes the farthest among assessment and prevention tools to protect both the state and the firm and to do so through articulation of these roles in development and violence prevention. The Toolkit does so by keeping in mind two guiding principles.

1. Projects proposed, as well as component pieces of, must truly maximize the combined mutual benefit of all stakeholders. This does not need to be measured out quantitatively but can be empirically understood, indirectly, through the various dimension of number 2 – local and regional socio-politico-economic stabilization.

2. Local and regional stabilization is, in an array of dimensions – socio-politico-economic and environmental among others – critical to any sustainable profit stream and must be encouraged pro-actively in transparent and socially sustainable ways.

Governments too, of developing nations, can utilize the Toolkit in the same way a firm would utilize it, toward the related goal of attracting investment to aid the economic development of their nation. This utilization aids 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 Investment Sustainability Toolkit is valuable to corporations then, in two ways. The first is in 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 projects to be selected that are truly maximally successful,
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.

Let us now examine the lenses through case study analysis of current and pre-civil war (1979) Liberia.
SECTION IV

BRIEF CASE STUDY REVIEW

*The Toolkit in Liberia*
As we apply the Toolkit in The Republic of Liberia, we will focus on three key intervention opportunities identified through The Toolkit’s lenses. Background and historical data will be included only as relevant. A snapshot of key country data is included at the end of this section and an historical timeline is additionally included as Appendix II.

A closer look was given specifically to Firestone Liberia. This is because it was our goal to show what one firm could do, alone or as the leader of a private sector coalition. The reason we have selected Firestone Liberia from among the many firms available is because Firestone Liberia has the longest, most intertwined, private-sector history in Liberia.

Firestone would be in a position to lead such a coalition but it is important to note that Firestone is only intended here as a representative of the private sector. It is not suggested that this firm is the cause of any violence nor that they could have, alone, prevented any. The Toolkit is a coalitional tool. Therefore, Firestone is not intended, in any way, to be the lone focus of this look at what
initiatives would have been identified through the use of the toolkit by a coalition of private sector actors.

**THE THREE KEY INTERVENTION OPPORTUNITIES**

Of the many major and minor opportunities for conflict prevention initiatives, we will focus on three specifically. Minor issues will then be combined within one of the three larger headings where appropriate. There are other valuable issue areas deserving of analysis that are outside the scope of this discussion. Our effort here is to illustrate identification and mitigation specifically arising through the *Toolkit’s* three levels starting with Level One – the linking of firm self-interest to the self-interest of other stakeholders and viewing maximized mutual self-interest as best interest.

To this end, the three key interventions which will be discussed following historical presentation of country are:
Staple Food Price Stabilization – and non-vulnerability

Negotiation Losses that Look Like Wins

Labor Conditions – And Other Losses that Look Like Wins

They are presented, along with accompanying secondary initiative prescriptions identified by the Toolkit, in chronological order. This order represents an important aspect to the interventions: Timing – itself discussed as a type of fourth intervention recommendation – the Timing of Stabilization Perpetuation.

First Opportunity: STAPLE FOOD PRICE STABILIZATION

The background of Liberia does not include nineteenth century colonization. Yet, it still suffered from the effects of an exclusionary ruling class – that of resettled, freed American slaves who then denied citizenship to the indigenous Africans until 1904. (U.S. State Dept 2008) Twenty ethnic groups make up 95% of Liberia’s population while the descendants of freed slaves from the U.S. and the Caribbean make up the other 5%. (LNIC 2008)

In 1926, the Liberian government signed a concession agreement with Firestone, Inc. allowing them to develop the nascent rubber industry, leasing the land – a million acres – at $.06 an acre. This agreement was the beginning of the first private rubber plantation in the world, one which today is also the largest. The agreement also allowed for the assurances needed by Firestone in order to go forward with long-term investment commitment.
According to the organization, Liberia Past and Present (2008) Firestone’s million acres is equal to 4% of the country \( \{1,000,000 \text{ acres} / (96,320 \text{ sq km} \times 247 \text{ acres/sq km}) \} \) and at least 10% of the arable land – depending on the percentage of Firestone’s lease that is arable land. The CIA World Factbook (2008) lists only 3.43% of Liberia’s 23.8 million acres as arable or fewer than a million (800,000). Even in 2003, only 7413 acres were irrigated in the country.

The True Whig Party (TWP,) the political party representing this minority demographic, dominated until 1980, governing as a single-party state. In April of that year, Samuel K. Doe, a military leader of Krahn ethnic origin, staged a coup overthrowing then-president William Tolbert following rioting in response to the spiraling price of rice. (BBC 2008) This riot, dubbed, the “Rice Massacre” of 1979 was the onset of violence that was to last 24 years only ending in 2003 with the succession of a transitional government. This transitional government was succeeded again, in late 2005, by the elected government of Madam Ellen Johnson-Sirleaf.

As the staple food in Liberian households, rice and the price of rice, have been recurring themes in conflict in the region. In the 1400s when Portuguese traders came to Liberia, the area was so agriculturally rich, it was known as “The Grain Coast.” Liberia supplied agricultural exports to European markets throughout this time and food self-sufficiency and exportation remained the norm until the 19th century. (Liebenow 1987) At this time, the return of freed slaves
and the subsequent change in leadership and policy re-directed Liberia toward
food imports and exportation of only natural resources. (Gonpu 2007)

In the period 1976-1984, though food production became more efficient,
food import needs rose. (World Resources Institute) Imports of rice went from
1300 metric tons in 1978 to 26,000 in 1981. This carried with it an increase in the
price of rice – Liberia’s staple food – to the end user. It was this rice price
increase which created both the politico-social destabilization spiral that Liberia
then entered beginning with the forty-plus 1979 riot deaths and the opening for
furthering that spiral of destabilization.

The riots of April 14, 1979 will forever be etched in the history of
Liberia as a time when businesses were looted, scores wounded and
a few killed over the increase in the price of rice. Daily Observer Editor-
in-Chief, Rodney D. Sieh explains why the West African nation's staple
food has been the source of many of its troubles. Until that fateful day in
1979, Liberia was enjoying the kind of stability only few could boast
of in Africa. But an increase in the price of rice changed it all…
(Sieh 2005)

In fact, Liberia was, in 1978, listed in the Guiness Book of World Records
as the most stable country in Sub-Saharan Africa. This stability however,
represents the greatest of the Conflict Risk factors overlooked by the then current
private sector in Liberia – a sector that would work hard not to overlook a
Political Risk factor – and the greatest opportunity for a low-cost conflict
prevention initiative with a high Return on Investment. This is because it is in
times of stability that institutions to perpetuate stability can best be created.
Here, the offering to Liberia of a simple borrowing and repayment plan (sidebar) one that would stabilize the price of rice to the enduser, would have prevented this particular riot. Further, it would have prevented this factor from then catalyzing the already high levels of unemployment and the relative and categorical deprivation tensions already present in the setting. In preventing the riots of 1979, which were the opening for the coup d’etat of 1980, this one effort would have contributed much toward the possible prevention of the twenty five years of violent power-seeking that followed. For it was the power vacuum created in that moment of violence that opened the door to violent power-seeking. Any contribution to the prevention of opportunities for power-seeking could have aided in allowing for non-violent resolution to the other social tensions in the air resulting from deprivations. What existed in Liberia in 1979 was the intersection of people’s legitimate grievances with agendas of personal profit from power hungry individuals. The addressing of people’s grievances

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.
removes that fodder from availability to other agendas while addressing the catalyzing issue which allowed for the intersection of the two groups. Through an institutionalized mechanism, something like a Common Fund, triggering events and causal fodder are removed from the setting.

The Commission on International Development Issues chaired by Willy Brandt, puts it this way, “…prices should be stabilized…to become less vulnerable to market fluctuations. For this reason, the proposed Common Fund, and … existing schemes for compensating against instability should be improved and expanded.” (1980)

Were this borrowing and repayment system with the then-democratic government of Liberia to have been instituted simultaneously with campaigns of rice independence – structural changes allowing for greater vendor choice – increased domestic production, agricultural-efficiency training, and of reconciliation and rehumanization between the social groups, additional Conflict Risk factors would have been addressed and, to differing degrees, mitigated. While there was stabilization to the greatest degree seen in Sub-Saharan Africa, indirect influence upon ruling elite (see p. 157) guiding them to see their self-interest in addressing the growing popular dissatisfaction with the status quo, would have begun to address an additional key factor in the setting. Institutionalization of mechanisms for addressing these as well as of the processes for creating and distributing the selected mechanisms for redirection, is also valuable. (Toolkit – Economy Related: 2)
Despite that fact that, according to many, the extreme fluctuation of the price of rice – an imported good – was the triggering cause of this violence and that that price is closely tied to the import of rice, domestic rice production potential toward rice independence has never been significantly explored. Operation Production – Tolbert’s 1963 effort to raise interest in local rice production – did not occur in a way that fully explored the realistic possibilities. As a result, the country remains today an importer of 100% of its staple food, dependent on and vulnerable to, the pricing vagaries of the small group of rice importers holding contracts.

The import of rice is largely controlled in Liberia by a small group of traders whose own ethnic heritage is Lebanese. Now president, Mrs. Johnson Sirleaf was, in 2003, the Chairman of the Special Rice Committee set up by Transitional Chairman Charles Gyude Bryant. This was established to investigate circumstances surrounding the constant increase in the price of the commodity. Mrs. Ellen Johnson Sirleaf concluded in her report that one of the major causes of that continued increase is the failure of past governments to halt the monopoly on its importation. Mrs. Sirleaf told a news conference that year that government officials are greatly involved in soliciting and taking bribes from importers. She called on government to dismiss officials found in such malpractices especially with the issue of rice. (Sieh 2005)

Imports in Liberia nearly doubled (to 72%) in 2006, led by petroleum and rice along with a substantial increase in machinery and transport equipment due to
the reconstruction effort. Rice has been described by Minister of Commerce, King-Akerele, as a “strategic and security issue.” The situation must be addressed immediately. “We are,” she says, “obliged to pay particular attention, monitor, and manage this situation of rice in Liberia.” (Flomo 2007)

Perhaps the most surprising aspect of the Rice Report was the disclosure that two major importers of the commodity, the Lebanese-owned businesses Bridgeway and K & K Corporation are indebted to government in the amount of USD 3.5 million in taxes which Mrs. Sirleaf said has been waived to these firms. This indicates an important role for the current government in the monopoly on rice traders and reduction in rice-dependency that will result from vendor choice.

Lebanese traders have been in the country for several generations. Inflation is their trademark. Their earnings are not re-invested in Liberia but sent home as remittances. They are known for their capacity to embed themselves with people of influence and then to use that influence to their advantage. (Sieh 2005; Liebenow 1987)

This opportunity to reduce import dependency while also increasing the available numbers of importers represents a more current opportunity for a private sector coalition to benefit themselves and protect their investments from future violence by acting today to address the factors leading to violence. Today’s actions include efforts to create and expand the political and civil institutions that perpetuate stability. Identification of additional opportunities to link firm self-interest to the self-interest of other stakeholders – such as through economic
stabilization especially as regards access to primary commodities such as staple foods of the region, and through avoidance of losses that look like wins – is a second set of actions that firms can, through coalitional action, engage in today to prevent the high private sector costs arising from conflict and violence. Both sets are readily identified through application of the Investment Toolkit and an internalized mindset of conflict prevention as in the firm’s best interest.

Specifically here to be manifested through contribution to internal cultivation of staple crops toward staple crop independence. Support for governmental re-evaluation and increase of licensed staple crop importers, is also indicated. The strategy of cultivating agri-cultural-exports-based estates should be included along with rice cultivation and increased importers. This was tried in the 1960s and 1970s and aimed to increase crop diversification. Too heavy focus on the rubber industry precluded success with this strategy at that time. Spreading the focus now, to other industries – such as edible oils – while rubber and iron ore

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**The Key Areas for Stabilization**

The interim Poverty Reduction Strategy of Liberia will guide its government for two years with these four pillars.

1. Enhancing National Security,
2. Revitalizing economic growth,
3. Strengthening governance and the rule of law, and
4. Rehabilitating infrastructure and basic service delivery.

The first goal is contributed to by executing the other three. If we therefore replace the word national with firm, we see that numbers 2,3, and 4 represent a guide equally successful for adoption by a private sector coalition. (Staple Food is covered under basic service delivery.)

In this way the key areas for stabilization – political, socioeconomic, infrastructure, and services – are addressed.
are still vital will aid in increasing economic growth, spreading wealth throughout the economy, and in improving quality of life. The participation of a private sector coalition in contributing expertise, analysis, and indirect influence upon this process will be valuable in long-term investment protection.

**Other Interventions During Same Time Period**

1. **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.

   As we assess time periods for potential re-stabilizing initiatives by a private sector coalition, we will be looking at both triggering events and at deeper tensions. We will look at each with an eye toward what can be done if anything to reduce or prevent each. No attempt at identifying these as causal will be indicated. Each is mentioned only as a contributing factor, mitigation or reduction of which reduces the escalation potential of the whole.

   In 1979, the following key points for successful investment protection through linking firm success with others’ success were identified by the lens of the *Investment Sustainability Toolkit*. 
1979

- rice price stabilization and non-dependency program;
- addressing of popular exclusion;
- institution development for stability perpetuation.

**More on Timing**

Other periods, those immediately following the escalation to violence for instance, are not highly viable for private sector intervention. Two examples of less successful periods for intervention are those years subsequent to April, 1980 with the onset of Doe’s coup d’etat, and April 1999 when fighting broke out under Charles Taylor in Voinjama.

A single representative of a private sector coalition may choose to act as a mediative voice representing a stakeholder group(s), they can still offer space for dialogue and, if recommendations for establishing dialogue processes during stability have been followed, they can offer continuation of those processes. Private sector is not excused from mitigation activities during violence – indeed their own self-interest is even more tied up with successful mitigation than ever before. However, once violence has broached a minimum level, compromising physical security, the best opportunities for successful re-direction of social tensions by the private sector has past.

Private sector intervention best *precedes* these periods as opposed to the option of taking place *during* the periods of highest violence. It becomes a thinking process not of how our coalition can best assist in *resolving* this situation
of high tension and/or violence but instead, what our private sector compendium can do to prevent it, to allow for the social change toward perpetuation of stabilization to occur while also preventing existing conflicts from triggering events that would lead that search for greater individual and group mobility at the heart of the conflict to move instead toward violence.

1979

The setting of 1979 Liberia was one in which deprivations as a result of long-term, minority, single party rule – The True Whig Party (TWP) representing 5% of the population (Liebenow 1987) – intersected with increases in the price of rice, Liberia’s staple food. (BBC 2008; Liebenow 1987; Sieh 2005) When a minority party rules, spreading the benefits of that rule throughout the population is an approach that can lead to stabilization and sustainable rule. This was not the approach chosen by generations of successive TWP rulers and as such, Doe’s coup was seen as a moment of hope for and by the majority of Liberians. Albeit a short moment. (Berkeley 1992) This is because it was hoped by the indigenous majority that Doe, an ethnic Krahn, would bring socio-economic and representational justice to the majority. Doe’s reign though, proved no more successful for the people than had that of his predecessor, almost immediately becoming more oppressive than that of the deposed (Dryer 2003) and leaving the country in economic ruin. It is often stated that Charles Taylor and his administration, following Doe’s, destroyed the economy and infrastructure of
Liberia during and following the brutal civil war on which they rode to power. Samuel Doe’s administration though, had already brought significant and staggeringly negative changes in that sector prior to Taylor’s arrival, leaving a nation decimated relative to the pre-Doe conditions. (BBC 2008)

In 1997 when Mr. Taylor was elected two years after the Abuja II peace agreement was signed, it was actually seen as a positive change for the country. But this sense came in spite of the reality that his NPFL had already begun fighting West African peacekeepers and had also already fractured into factions. (US State Dept) Anti-government fighting broke out again in the north in 1999 with Mr. Taylor accusing Guinea of supporting the rebellion internal to Liberia. Ghana, and Nigeria meanwhile, accused Mr. Taylor of backing Sierra Leonian rebels.

“Around 250,000 people were killed in Liberia's civil war and many thousands more fled the fighting. The conflict left the country in economic ruin and overrun with weapons. The capital remains without electricity mains or running water. Corruption is rife and unemployment and illiteracy are endemic."

(BBC as of Jan 16, 2008)

Both moments of hope however, represent immense opportunity, opportunity for significant success and profit for a private sector coalition. In addition to staple food stabilization and non-vulnerability, the coalition could have, to their own significant financial benefit, aided in prevention of escalation of the following social tensions to violence as well. The combination of interventions is identified by the second and third layers of the toolkit.
campaign of rice independence,

agricultural-efficiency and diversity training, implementation,

reconciliation and rehumanization – events and establishment of space, process, and habit

indirect influence upon ruling elite guiding them to see their self-interest in addressing the growing popular dissatisfaction with the status quo,

general efforts toward creation of institutions to perpetuate stability during times of stability.

Prior to 1979

Questioning Standard Operating Procedure

Two sources of tension between the indigenous Liberians and the five percent of the population who comprised the ruling TWP, grew stronger prior to this timeframe and beginning in the late 1960s. Firestone inadvertently entered into and exacerbated both long-standing sources of tension through what began as a very good idea.

One of the important tenets of a neo-liberal economic reform agenda for economic development is that of privatization. Private ownership of capital assets to enable the market to work freely and at the correct price set by supply and demand. The problem however, which exists with the privatization idea is not in the concept or existence of private capital assets. It is in the process of arriving at that scenario.
Quietly but steadily, … those who had the ear of the president engaged in one of the most extensive programs of private land acquisition outside of South Africa, Rhodesia, and the Portuguese dependencies. The actual extent of the transfer of title from tribal land to freehold land was not a matter of public record…So outrageous was the covert acquisition of land that President Tubman himself … noted that several citizens—including the chiefs allied with the Americo-Liberian ruling class—had acquired estates of up to twenty thousand acres. (Liebenow 1987)

This inequity, described here by J.Gus Liebenow, dean of academic affairs and founding director of Indiana University’s African Studies Department, is, like all inequities, representative of a risk. This risk is in the category we refer to as Conflict Risk. Like Political Risk factors, Conflict Risk factors as well, do not mean that business should not be pursued. Conflict Risk factors mean, rather, that low-cost initiatives to mitigate the factor by creating convergence in the inequity, are required.

Additionally, at that time, the removal of legal distinctions between the two social groups – tribal peoples and Americo-Liberians – required both groups to participate in the justice system of the one group representing the power-holders. Unfamiliar with the workings of such a judicial system, the interests of the tribal peasants went underrepresented. The gains of this group, while relatively improved, were improved by a far smaller percentage than that experienced by the Americo-Liberian elite (Liebenow 1987.)

It was in the 1970s, through Firestone’s good idea toward aiding the establishment of private rubber farms in the region that unintended exacerbation occurred. The idea, cultivating small businesses in the form of locally-owned
rubber farms from whom they would make purchase, was a great one – right in line with conflict prevention initiatives and an understanding of how this is equal to protecting and improving one’s own bottom line. To be successful though, these small farms would have needed to be small businesses – owned and operated by families both within the general population and who would work the land locally, instead of hiring expatriate plantation managers. Successful microenterprise would have followed with its subsequent wealth-spread effects and money-multiplier ripples, enabling demand to also grow.

Most of the farms went to politicians with the greatest access to power and resources instead of to those without then-current resources, thereby significantly diluting the wealth-spread effects. Those politicians then also hired foreigners for the highest levels of the plantations, further decreasing wealth-spread and money-multiplier effects. The foreign managers, then repatriating their wages while preventing career growth for the locals who worked as tree-tappers, unintentionally stymied economic growth twice.

Firestone representatives did nothing out of line, nothing more than follow along with then status quo, standard operating procedure. To get the result they were looking for – the return, in security and a larger local economy, on their investment – however, they would have needed to be out in front of those procedures instead, suggesting alternatives through a private sector coalition. Creating opportunities for less-well-off Liberians to purchase the farms, through a cooperative, would have been one example of a better solution. Such co-
operatives could have been further assisted – and Firestones’ return further guaranteed – through a mentoring program if necessary, to ensure that the new owners and their employees had the expertise necessary to manage the plantation and the business and to market the rubber and grow the business.

Later, Firestone held off on engaging in the twenty year replanting process needed by the plantation because of a delay in approval of a concession agreement with then-President Charles Taylor which would promise no radical change in tax status (Moore 2002.) This short-sighted analysis of the cost/benefit of replanting not only endangered their investment to date, it further increased the inadvertent contribution to conflict, stretching it out into the future because of the number of years of growth required to maintain a rubber forest.

In this case, as in many around the world, the wealth gap between the groups also widened every year, due to imbalances in training opportunities and restrictions in upward mobility – areas which a Firestone-led private sector coalition could have influenced, bringing economic benefit and goodwill to Firestone.

Each of these aforementioned dynamics could have been prevented or, at worst, mitigated, with a mainstreamed culture of prevention beginning with a mindset of collaboration and the primary question foremost in mind – *Will this behavior aid in key areas of stabilization or be a loss that looks like a win? Will this behavior link firm success to success of other stakeholders?*
Second Opportunity:  
NEGOTIATION LOSSES THAT CAN LOOK LIKE WINS

“Indeed, the depth of hostility that lay beneath the surface had been masked to the outside world.” (Liebenow 1987)

Assessing the annual land lease fee through the Toolkit lens - one that slightly redirects the standard negotiation concept of maximizing one’s own, narrowly defined, gain – we see that what looks like a great negotiation coup has concealed from us some very real costs. At $.06 per acre (=60,000/yr) from 1926-2005 and now $.50 per acre since 2005 ($500,000/yr,) it is not enough to meet either of the two goals payments in return for resources must meet if the firm hopes for sustainability. (Toolkit – Economy-Related: 3a,b)  Note – In 2008, this was again renegotiated – this time to 2 USD/acre/year. What this means is that also to be kept in mind during a negotiation is whether the total payment represents a sufficiently adequate percentage of return from natural resources to be able to meet the following two goals. The “Grants” option (Box p 146) is a second pathway, an alternative to lower upfront, negotiated costs, which will also allow for the meeting of the following two goals.

The first goal such payments must meet is to allow the citizens of the host country to legitimately feel they are receiving just compensation for the resources of their nation. (See section on return payments and folk conceptions of justice, page 65.) The results of that research remind us that private sector contributions (positive) must be obvious to the citizens – and that citizens’ “return payments,”
here the perceived negative impact upon them, must not be grossly out of proportion to the services received.

The second goal of these payments is to ensure that a government making legitimate efforts to be responsive to the people, will have the resources necessary to do so. Within this goal is the idea that such a government might also have resources to create conditions that will allow for wealth to spread. In this way, economic development could potentially proceed in a far-reaching, sustainable way. This sort of majority-centric, pro-poor economic development requires infrastructure for political pluralism as well as for economic pluralism. This means governmental incomes – and private sector remuneration packages – must be sufficient to support infrastructure development and each piece of that income must be priced accordingly.

These two goals help us understand why a contract can be viewed as inequitable. Willy Brandt, Chairman of the Independent Commission on International Development Issues, put it this way, “Fair Contracts are More Stable.” Under that heading, he continued, reflecting the voice of the eighteen member commission representing five continents,

It is important to recall that when multinational corporations have at the outset made inequitable contracts with developing countries – particularly in minerals – the result has often been that the contracts have run into trouble. We believe strongly that there is a close connection between the equity and stability of investments. …if the initial terms are tilted in favor of the investors they will tend in the end to make the investment less stable. Contracts should aim at fairness… (Brandt 1980)
Specifically as concerns the pricing of primary commodities for export, the commission had this to say:

Earnings from commodities must be strengthened... They (developing nations) should be enabled to process their own raw materials locally and to participate in their international marketing, transport and distribution.  

(Brandt 1980)

When looking at land as a natural resource and raw material, this means that recompense (rents) for use of this natural resource must be commensurate as a percentage, with the total income of the state necessary to produce success. It is not income alone but income and most efficient, expeditious usage of income that creates success. Both pieces must be monitored by firms wishing to secure the greatest return on their investment and to secure the largest profit-stream in a sustainable, long-term way.


**Grants**

**Arriving at Total Resource Recompense**

One way to achieve “fair” land prices

But how do we arrive at that total package that is both “fair” and allows for potential governmental success? Through the grants approach, efficiency and competency standards can remain with the firm.

- Ascertain necessary project – infrastructure, food stability, services delivery, etc.
- Working with NGO and civil society, seek out small businesses locally to address project. These may need to be created,
- Advertise availability of grant contract to meet ascertained project,
- Work with contract/grant recipients and partner with NGOs and civil society, to ensure success and efficiency through mentoring and resource access.

During periods when a government accountable to the electorate is in place – even for a few years – a slightly higher total remuneration package is a greater win for the firm. Informal participation in ensuring that roads, schools, hospitals, minor medical supplies and other infrastructure are improved through grants and remuneration, is to the benefit of the private sector. (Toolkit – Economy Related: 3a,b)

**Other Interventions During Same Time Period**

1. **Timing for Stabilization Perpetuation**

   It is during times of relative stability that opportunities to create the institutions to perpetuate stability exist.

   As we assess time periods for potential re-stabilizing initiatives by a private sector coalition, we will be looking at both triggering events and at deeper
tensions. We will look at each with an eye toward what can be done if anything to reduce or prevent each. No attempt at identifying these as causal will be indicated. Each is mentioned only as a contributing factor, mitigation or reduction of which reduces the escalation potential of the whole.

In 1981 and again in 1989, the following key points for successful investment protection through linking firm success with others’ success were identified by the lens of the *Investment Sustainability Toolkit*.

**Key Points**


- addressing socio-economic disparity,
- civil society strengthening,
- patronage-system alternative assessment and change,
- alternative governmental resources,
- Western aid lobbying,
- development of inter-organizational dialogue space and process
- greater inclusion,
- reconciliation events.
In 1985, Samuel Doe had fifty political opponents assassinated and had shut down the independent presses in the country. He had begun to like the taste of power. However, prior to that, and beginning in April of 1981, Doe’s rule began with the establishment of a constitution on the anniversary of the coming to power of his party, the Peoples’ Redemption Council (PRC.) At that time he created a twenty five member constitutional council led by renowned Liberian, Dr. Amos Sawyer saying that the new constitution should pave the road to a genuine democracy. At this time, he was still moving forward with his plan to return the army to the barracks, removing it from the country’s leadership. (van der Kraaij 1994) However, the ban on political parties put in place initially to establish stability had not yet been removed a year later. It did not get removed until 1984 under pressure from international governments. At this time he allowed three of the nine parties wishing to run against him to do so, but only after the assassination of fifty opponents. The ballots were counted in secret by his own staff who determined him to be the winner. He then put in place a constitution – a process which had stalled – also under external pressure. At this time, it appeared to the outside world that Liberia was setting democratic institutions into place. However, the shutting down of independent presses and other democratic institutions was only just beginning.
Co-option of ethnicity was a major factor in the repression and violence of the Doe regime. His Krahn-based Presidential Guard massacred 3000 Mano and Gio civilians in 1985 in response to the Quiwonkpa coup attempt and again in response to Taylor’s coup. It was against the same ethnic groups that violence toward civilians was targeted more generally.

This was in part because the government under Doe had little other than ethnicity upon which to base its power (Dunn 1999) thus causing their failed attempt to remove themselves and the citizens they had hoped to represent, from the cycle of the gate-keeper state (Cooper 2002.) (Identifying lens Toolkit – Preconciliation: 3.) The ethnic based patronage system in Liberia, in being more extensive and open than those in Uganda and Rwanda is pointed to as a key factor in the divergent style of leadership. With ethnicity still at the forefront of violence, the non-patronage based guerilla governments of Uganda and Rwanda had specific incentives to engage in sincere efforts to address the conditions that had led to violence. Alternatively, in Liberia, Taylor’s patronage based regime, like Doe’s, gained no benefit from, and therefore had no motivation toward, sincere effort to address the conflict-creating conditions. (McDonough 2008)

Therefore, these years, the first four of the Doe regime, represent the window of opportunity available for the following efforts. And it is during this window that efforts to address the ethnic basis and patronage style of the Doe regime through a civil society-private sector partnership would have been of primary importance in
the linkage of the success of the private sector to success of the locale and other stakeholders.

The absence of established dialogue space and process among civil society and between civil society, government and a private sector (Toolkit – Preconciliation: 1) made both his repression and the patronage-based system behind it easier to pursue.

Between 1980 and 1990, Liberia received hundreds of millions of dollars from the U.S. in aid. (Nelan 1990) Yet this was the wrong time in Liberian history for the benefit of aid to be felt by average Liberians. Reagan escalated aid from $20 million in 1979 to 402 million for 1981-1985. During this same period, Doe’s government was exterminating with brutality, members of the Gio and Mano tribes, seen as foes to Doe’s Krahn tribe. Daily abductions, decapitations, and disembowelments left mutilated bodies in the street. (Nelan 1990) Seven coup attempts against Doe occurred between 1980 and 1985 as a result of his violent tactics.

This reality represents a missed opportunity of the government of the U.S. to choose a policy option more in keeping with the increase of national security then, and in the future. Because monies given as economic aid are not held to traditional investment standards and because they also do not have effective guidelines for settings of incompetence or worse, even as private investment slows and stops, aid investment continues. (Easterly 2001) “Higher aid worsens bureaucratic quality and leads to violation of the law with more impunity,” is the
result of a study by World Bank economist Stephen Knack. (Knack 2001 in Easterly) A private sector coalition for Liberia could only have affected this through use of their combined lobbying influence upon governmental policy in the U.S. (Toolkit – Preconciliation: 4; Beyond the Four: 2)


There is much violence during this period which coincides with the first half of the first civil war. However, as Charles Taylor’s coup progresses, there is opportunity for less-than-representative government to be moved toward greater democracy. Charles Taylor’s coup of Doe, like Doe’s of Tolbert, was again heralded by the people as an opportunity to rid themselves of a repressive dictator. It was Taylor’s intent as it was Doe’s before him, to bring greater representation and new opportunity to the people. Today’s president, Ms. Johnson-Sirleaf, was an early supporter of Taylor against Doe, only falling out with him and being charged with treason when Taylor’s new and unspoken intentions became clear. (BBC Profiles series 2008)

It is possible that a factor identified by African historian, Frederick Cooper (2002,) is at work in this iterative ruling process in Liberia as it was elsewhere. Cooper points out that limited economic success did not give leaders confidence in the potential for generalized prosperity for which they could then claim credit leading to furthered political success. As a result, each leader in turn learned quickly that their own interests could not be served by the political process but by the same process the colonists used, a channel Cooper has labeled gate-keeping –
 rents gained primarily from control over access between, the gate between, the interior and outside worlds.

It was not until December of 1989 that things began to, “fall apart.” (Adebajo 2002) Furley and May (2006) point to several factors that induced repeat violence in Liberia. This time period offers an opportunity for them to begin being addressed to prevent continued relapses toward violence. The factors are most successfully addressed by a private sector coalition acting in concert with civil society, local and international governments along with international financial institutions. The items they indicate are each addressed through the levels of the FSI Sustainability Toolkit. They are: exclusion of some groups from the mediation and dialogue processes, civil society involvement, reconciliation events, economic development, and failure to address the conditions which led to war including socio-economic convergence. (Toolkit – Preconciliation: 1, 6, 5; Economy Related: All; Employee and Community Opportunity: 2,3.)

Much of the time, the greatest leverage that can be exercised by a firm – even where other forms may be available – is something not even often thought of as leverage. Just as firms are beginning to see that what links their success to that of the success of the locale and of the other stakeholders, so too can other stakeholders be assisted to see where what is contributes to the firm’s success – and that of other stakeholders – also contributes to their own. It is a bi-directional (truly a multi-directional) reality. That means that, at times, the best “leverage” a firm has is to help others, such as a ruling elite, see their own
personal benefit in initiatives that also assist other demographics and stakeholders, stakeholders such as a governed minority or majority. Just as the private sector stakeholder coalition has begun to see the self-interest in mutual success, so too can the other stakeholders learn to see that as well – through discussion and illustration but also through example, an example set by a private sector exhibiting mutually successful behavior patterns.

Industry Diversification in Liberia

**Two Different Firms, Two Different Mindsets**

**EBFand Mittal Steel: A Closer Look**

*In Monrovia, Equatorial Biofuels (EBF,) along with LIBINCO a firm in Liberia since 1965, recently signed new concession agreements with the current government renegotiating those signed two years ago with the transitional government. Eight months of review of the original agreements reinstated management contracts for the two firms for Decoris, Butaw and Fendell oil palm plantations in Grand Bassa and Sinoe counties. (Liberia Private Sector Investment Forum 2007; Christian Science Monitor 2008))

EBF, formerly Liberia Forest Products until 2006 when it was privatized through purchase by Nardina Resources PLC, intends to create seed nurseries for supplier plantations. (Corporate Council on Africa) They would do well to
consider, as suggested in the first prescription listed above under the heading Employment Regime, the composition of owners, managers, and other workers within these supplier plantations. If they do, their very good idea to spread out the wealth will succeed in generating for them, a successful return on their investment.

EBF expects to hire 3,000 workers immediately and up to 60,000 workers within the next seven years. It is within the terms of agreement that 75% of management positions will be held by Liberians within ten years – indicating a high level of understanding of the self-interest present in socially sustainable economic development. (Chea-Annan 2007)

EBF’s concession agreement signals that it is well on its way toward successful socially sustainable economic development. Its terms also signal that EBF has begun mainstreaming the idea of investment protection through social sustainability and conflict prevention and that it is being mainstreamed throughout the firm and not only within a CSR department. Further evidence of company-wide understanding and commitment is found in their presentation to Liberia given by EBF President, Michael Frayne, 2008, in which the following comments reflect such. “… take a sustainable approach to social development” (p.8) and not just economic development, “…create partnerships to rebuild social and economic infrastructure,” (p.9) “…promote Liberia investment opportunity to worldwide private finance sector.” (p.9)
Additional items they should address through participation in a private sector coalition include the proactive support and encouragement of small and mid-sized enterprise creation. This is toward the goals of supporting wealth spread and decreasing relative deprivations, its grievances, and those costs. This support could be initiated through business trainings, business mentoring and coaching programs, and through micro-loans and grants. These topics are discussed in the Trainings and in the Wealth Spread headings under the Employee and Community Opportunity element in this article.

Mittal Liberia chief executive Joseph Mathews insisted the deal his company signed was legal. "We went ahead according to whatever the rules were on the ground at that time," he said. (Law)

Human rights groups have expressed concern about the deal

The two captions to the above picture express a growing reality. That reality is that perhaps costs, avoidable costs, are incurred by firms when they go forward in a setting with behaviors that are legal but which are perhaps, not yet truly of a mutual benefit. Perhaps as firms we can save ourselves avoidable costs by initiating behaviors whose results will be beneficial to all stakeholders even
where alternatives to that would be considered legal. Legal doesn’t mean it is in one’s own best self-interest. Finding what is in one’s own best self-interest is the critical key. Though knowing what is in the interest of other stakeholders is also very important, what we are focused on within the scope of this paper is specifically working to illustrate what is in the best interest of the firm – and how to know it.)

Beginning with a strategic direction to a subset of CSR programs (Level I) narrowing further through the use of common elements of conflict that resolve and that become violent (Level II,) and then selecting a network of initiatives from among the screening checklist (Level III) instead of a single, stand-alone initiative, in coalition and under the direction of a Strategic Stabilization Director, is a pathway to that key.

Third Opportunity: LABOR CONDITIONS

Other Losses That Look Like Wins

The primary and central issue in the case study of Liberia and of Firestone is labor conditions. Encompassing housing, health, opportunity, and amounts and types of physical labor, this issue is the major source of significant conflict for Firestone in Liberia. At the center of all the pieces of this issue in the present setting is what is known as the tapping quota. Workers, known as “tappers,” tap the rubber trees for the liquid rubber each that is then transported to factories outside of Liberia for processing. (Toolkit – Employee and Community
Opportunity: 2b) This issue alone, at the heart of all other labor conditions, reaches into questions of child labor, the ethics of humans used as beasts of burden and even indentured servitude.

The tapping quota is causing conflicts though, for two reasons. First is that, as we will see below, it is set too high. The second is that if a tapper fails to reach the quota, he or she does not get paid for that day’s work. (The Analyst, July 2008)

A system of measuring what is reasonably possible for a hardworking tapper in an eight-hour work day followed by monthly, not daily, censure processes – such as a note on the employee’s record, three monthly marks for instance, forcing a termination – is a quite sensible, healthy, conflict-reducing corporate policy. And too, such a policy would allow Firestone to gain legitimate accountability of its workers’ productivity.

Today’s current quota however, interacts with the desires of families not only to have pay for their work and to have a few hours off each day, but also with each family’s desire to send their children to school. This is because with the quota set at current levels, workers bring children to the plantation to aid them in achieving their necessary quota to receive pay for the day. According to Dan Adomitis, Firestone Liberia President, “the quota is reasonable…the work is fairly balanced…each tapper will tap about 650 trees a day where they spend perhaps a couple of minutes at each tree.” (Oke, 2005) His interviewer with CNN pointed out to him that that amounted to 1300 minutes or more than 21 hours of work a
day. “Fifteen year old Patrick says he’s been working at this plantation since 2003. He’s not been hired and he’s not being paid…” though he works there all day, every day, seven days a week. (Oke, 2005) In 2005, an Alien Tort Claims Act lawsuit was brought by the tappers against Bridgestone/Firestone alleging serious labor abuses including child labor.

Alfred Brownell, one of a group of Liberian lawyers to visit the Firestone Plantation at Harbel to document conditions, put it this way:

“When a child is around 9 or 10 years old, he starts going with his father to the plantation to start working. There's hardly educational system (sic) provided, the highest he can go is ninth grade. The wage is so minimal that they can't get beyond that.” (Oke, 2005)

Which then also causes Firestone Liberia to then have to defend itself as not an employer of children.

**Storage Tanks**

Storage tanks, a second conflict issue, coincides with the tapping quota issue. That is because in addition to tapping the trees, each tapper must also care for the trees, pruning them and applying chemical fertilizers without safety gear. The final piece of this occupation involves what is done with the syrup once it is tapped. And it is here that the issue of child labor intersects these first two issues because in order to accomplish all that is asked of them and receive that day’s pay, tappers turn to their families who help them fulfill the duties. Formally, Firestone is opposed to child labor, that is not in question. What is in question is
whether the demands placed upon tappers are not only unreasonable but also require them to employ their children’s labor to meet them.

Syrup is collected into pails of seventy five pounds. Two of these are carried, at either end of a pole, by each tapper, several times a day, to be emptied into and held at the storage tanks. These tanks for the culled syrup are an expense, therefore only a few are built, lengthening the walk to as much as three miles. (UCLA 2008) This can appear to be a win since keeping the number of storage tanks low reduces one kind of cost. (Toolkit – Employee and Community Opportunity: 2c)

However, when looked at more closely, we see that this has cost the firm in productivity and in morale – and now, also, in negative publicity. Morale losses further affect productivity. They will also be a contributor to potential future security costs.

More tanks, at shorter distances, produce more tapping time (less transport time) and less worker weariness. Both contribute to greater worker productivity while at the same time reducing hostility toward the firm.

Additional improvement to the system, through the input of even low-level technologies to increase the ease with which larger syrup amounts can be transported with each trip to the storage tanks, will further increase productivity. In inverse proportion to the increase of physical ease to the worker, this added technology will also decrease ill-will against the firm.
We see in the tapping quota an example of a single point source creating several interconnected conflicts. Fortunately, however, both source and conflict(s) are easily identified through the first two lenses (levels) of the Investment Sustainability Toolkit. Mitigation tactics, described above, were then readily created through the third level, The Screening Checklist, once the primary strategy (level 1) indicating those tactics has been adopted.

**Other Labor Conditions**

Let us now evaluate a more recent, 2005, concession agreement between Firestone Liberia and Liberia from the lenses of the Investment Sustainability Toolkit. The first item below is the concession agreement’s Statement from Firestone Liberia. Following this is a summary of some of the agreed upon points.

The 2005 revision is a “win-win” for people of Liberia and Firestone. The Agreement will allow Firestone to plant another generation of trees in Liberia. Liberians will gain not only continued large-scale employment opportunities, but also support to Liberian farmers for the replanting and development of their own rubber farms. Students in the Harbel area will benefit from Firestone’s assumption of responsibility for and managing the Harbel Multilateral High School upon government approval, building a new junior high school and perhaps constructing a second new high school in the concession area. Firestone will also rebuild its Duside Hospital, which was once one of Liberia’s finest hospitals, but was destroyed during the period of civil strife in Liberia.

(firestonenaturalrubber.com)

And, assessing some of the agreed upon points from that 2005 concession agreement between Liberia and Firestone Liberia, it does appear to be so.
Rebuild Duside Hospital,
Rehabilitate housing destroyed in civil war,
Operate a high school,
Build a second high school (optional,)
Build a new Jr. high school,
Replant 5000 acres per year,
Give 600,000 rubber stumps per year to Liberian farmers,
Improve environmental impact assessment and mitigation.

Re-assessing this agreement however, from the lens of the *Toolkit* that predicts greatest success through linkage of success of locale and other stakeholders with firm success and armed with the knowledge that some negotiations include Losses That Look Like Wins, we see that it may have a way to go yet.

**Housing and Energy**

The rehabilitation of the housing is being done at a level that is in line with Firestone’s “current standard for new housing.” (firestonenaturalrubber.com)

Citizens, though, have complained that the housing, cement blocks built into rectangular shapes, is unfit for the conditions of the region – primarily, the heat.

There has been some ongoing additional confusion for some because the current housing is in bad disrepair with Firestone having left off in repairing or maintaining housing during the recent fighting which destroyed much of the physical infrastructure of the area.

Because this is a particular complaint of the employees, the definition and criteria of exactly what is meant by “Firestone’s current standard for new
housing,” should be spelled out clearly. It would be valuable to the firm for Firestone to then make that information as to what that term means, readily available for all to see through posters and other communication sources. This information however, is not easily located through search or through discussion with Firestone Liberia personnel, leaving vague the understanding as to whether this term has been yet defined.

A second point that surfaces from analysis of the recent concession agreement is that Firestone plans to invest $100 million US over the next twenty years. This is associated with an income of $1.6 billion US over that same twenty years or a 6.1% re-investment plan. Given that the firm is already planning for and is committed to this level of re-investment, it would again be valuable for the firm and the private sector coalition, to put this information out there as clearly and as often as possible while using multiple communication styles and pathways. Among the chosen styles should be included several which help local workers and community members to understand how these dollars translate into benefits in their daily lives – what it means for them.

Energy access is another area of latent conflict. Firestone Liberia owns their generators. They have power enough for the plantation but only just. This causes confusion when public service is shut down on days when government cannot meet local need but Firestone’s production on those days, goes on without interruption. Along with this is the further question of where the power will come from for growth in the firm’s plantations as well as for government to access for
provision of public access as the rubber industry, and others, expand. Public
awareness campaigns to increase understanding of the complete scenario will not
only aid Firestone in this direct issue but will also move Firestone forward toward
greater continued transparency in all ways, increasing the level of good will
among the populace.

Health and Sanitation

Health (and for the firm, resulting productivity decreases) and Sanitation
is a further issue within the rubber industry. Onchocerciasis (River Blindness)
worms are prevalent at 80.8% on the Firestone Plantation – 1984 – and is
considered hyperendemic in the region of the Firestone Harbel plantation
according to a joint study by Johns Hopkins University Department of
Immunology and Infectious Diseases and the Liberian Institute for Biomedical
Research (American Journal of Tropical Medicine and Hygiene.) This illness is
caused by black fly bites which lay eggs in the skin and eyes and it can be treated
effectively with drugs. Its symptoms include itching, swelling of the cornea or
iris, blindness, elephantiasis, and skin thickening. (Anderson 2005) It is a source
of blindness and other health-related productivity decreases.

Proactive distribution of free medication for this illness will significantly
affect positive change in worker productivity. Further, additional productivity
gains are seen from financial support for the improvement of Health, Education,
and Transport through the contracting/grants process described in an earlier
section. These contracts support specific proposals from governmental agencies as well as from Liberian and International NGOs and firms. Specific proposals are designed to ensure the presence of the necessary infrastructure for increased access to medical care and pharmaceuticals and to ensure health improvements for private sector success. (Toolkit – Economy-Related: 3, Employee and Community Opportunity: 1,2f, Safety: 3)

Supply Chain

According to the Rubber Plantations Task Force – established by President Ellen Johnson-Sirleaf and the UNMIL SRSG, Alan Doss, in February of 2006 – Guthrie and Sinoe/Cocopa rubber plantations were under the control of guerilla groups as recently as that month. (UNMIL Report 2006)

The task force reported on conditions at Cavalla, Sinoe, Guthrie, Cocopa, Firestone, LAC, and Salala rubber plantations. It was found that Guthrie and Sinoe/Cocopa were the two in greatest need as a result of having been taken over by guerillas. They were established to provide additional sources of rubber latex to Firestone for purchase by the firm and continue to provide that resource to Firestone today. As a result, Firestone, through supply chain connections, is the end recipient of the negative ramifications of events there.

The report highlighted a need for employment creation for the ex-combatants currently occupying both plantations. Both are in arrears on their
financial obligations to the government. Ownership and management company rights are currently under review for both locations.

As of August, 2007, a consultative process had been established between the ex-combatants holding the plantations, community members and leaders, and county authorities. (UNMIL 2007) Issues under discussion include security and rule of law on the plantations and in communities local to the plantations, employment creation, and the legal tapping and selling of rubber.

The Rubber Planters Association of Liberia has been in the lead in the interim management team created to manage these combatant-held rubber plantations until a management firm can be selected through the legal selection process. (UNMIL 2007) This team has a support group of other civil society infrastructure as well as oversight from a board made up of ministerial level officials.

International donor assistance with community projects in these locations for health and education as well as for job creation – for both ex-combatants and local populations – is being sought.

At issue here is the fact that other rubber firms in the area are purchasing the rubber tapped at these combatant-held plantations leading the combatants to prefer the option of continuing to illegally hold the plantations over participation in the DDRR (Demobilisation, Disarmament, Rehabilitation, and Reintegration) program. (Analyst, 2006) This program (DDRR) of the UN was closed as of
October, 2007 with a report stating that 90,000 of the 103,000 demobilised troops had been successfully reintegrated. (UNDP Liberia DDRR 2007)

An additional issue at the combatant-held sites is illegal detention. Illegal security forces called Plant Protection Divisions (PPDs,) are illegally arresting, detaining, trying, and punishing citizens for illegal rubber tapping and other offenses. (Analyst, 2006) The cells for detention are also said to be inhumane, being narrow and overcrowded while also lacking sanitation, ventilation, or natural light. All detainees – male, female, children, and adults, are regularly housed together. These private forces of security guards are said to be operating through to punishment without oversight of any governmental law enforcement agency. (Analyst, 2006)

**Other Interventions During Same Time Period**

**1. Timing for Stabilization Perpetuation**

It is during times of relative stability that opportunities to create the institutions to perpetuate stability exist.

As we assess this time period for potential re-stabilizing initiatives by a private sector coalition, we will be looking at both triggering events and at deeper tensions. We will look at each with an eye toward what can be done if anything to reduce or prevent each. No attempt at identifying these as causal will be indicated. Each is mentioned only as a contributing factor, mitigation or reduction of which reduces the escalation potential of the whole.
In 2007, the following key points for successful investment protection through linking firm success with others’ success were identified by the lens of the Investment Sustainability Toolkit.

2007

- diversification (crops, industries, manufacturing)
- monitor governmental goals and actions
- while also monitoring economic and health metrics

Monitor Governmental Goals and Actions

The interim Poverty Reduction Strategy (PRS) adopted by Liberia’s government in 2006 will act as its guide for two years. (National Investment Council of Monrovia) It is a four pillar approach as follows:

1. Enhancing National Security,
2. Revitalizing economic growth,
3. Strengthening governance and the rule of law, and
4. Rehabilitating infrastructure and basic service delivery.

Within those pillars and the two year timeframe, Liberia’s key priorities are as follows:

1. Completing the reform of the security sector,
2. Revitalizing pro-poor agricultural growth,
3. Rebuilding transport and electrical networks,
4. Accelerating capacity building,
5. Strengthen private-sector growth and environment for such,
6. Create jobs, and
7. Promote good governance and the rule of law.
Along with the PRS, a Governance and Economic Management Plan (GEMAP) has also been adopted. It is this document that required the now-completed review of concession agreements with Firestone, Mittal, and all concession agreements signed by preceding governments.

The Investor’s Guide to Liberia (2007) of the National Investment Council of Monrovia indicates strong growth in percent of contribution from the Service Sector to overall GDP – from 18 to 26% of GDP from 2000-2004. This could be a significant and appropriate indication of successful movement in the evolution of the economy from agriculture to manufacturing and then to a service-orientation. However, this must be assessed cautiously since the statistics of the World Bank (2008) indicate that agriculture as a percentage of the economy has skyrocketed from 33% (1986) to 66% (2006.) During the same twenty years, World bank statistics indicate that industry and services sectors have plummeted (though manufacturing as a percentage of industry has crept up from 8-12% of that sector.)

The current president, a Harvard educated economist, well understands and is addressing many of the critical areas for successful reconstruction. However, though President Sirleaf discusses pro-poor growth within economic development in terms of her understanding of the benefits to the country, the region, and to violence prevention, we must still question further. This is because discussion within the government published Investor’s Guide to Liberia is of Foreign Direct Investment only in terms of natural resources and not in terms of
pro-poor, value-added investment – reflecting an older perception that all economic development is equally beneficial. (Investor’s Guide, p.13) The same source indicates an 8% growth in GDP for 2006 and a predicted decrease from 7.5% inflation in 2006 to 5% in 2008.

**Monitor Economic and Health Indicators**

Though the Investor’s Guide suggests promise, according to the World Bank’s Data and Research office all other data points showed negative trends between 1986 and 2006. External debt soared to nearly 600% of GDP, GDP itself dropped from .93 Billion USD to .63, GNI per capita fell from 280 USD 1990 to 110 in 1995 and is now climbing – to 140 in 2006, and finally, exports fell from 50% of GDP in 1986 to 27.8% in 2006.

In the life and health category, the situation also suggests small mitigating initiatives to the alert investor. Life expectancy (42 yrs) is 17 years lower than the average for all low-income countries while Tuberculosis has nearly tripled and Onchocerciasis (River Blindness) is hyperendemic. Despite a surge in immunizations, Infant and Child Mortality Rates have stayed constant at twice that of the average of all low-income countries (15.7% of Infants and 23.5% of Children under 5) between 1990 and 2005. The population has increased – itself an issue – and, despite this, undernourishment continues to climb in percentage as well as real numbers while access to Improved Sanitation has fallen from 39 to 27% of the population.
And Economic Diversity

Major Private Sector Actors of Liberia as of 1998 and beyond:

<table>
<thead>
<tr>
<th>Company</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bong Mining Co.</td>
<td>Iron ore mining, Processing</td>
</tr>
<tr>
<td>Firestone Plantations</td>
<td>Rubber plantations</td>
</tr>
<tr>
<td>The Liberia Company</td>
<td>Rubber plantations</td>
</tr>
<tr>
<td>LIAC</td>
<td>Iron ore mining</td>
</tr>
<tr>
<td>LISCO</td>
<td><strong>Iron ore mining</strong></td>
</tr>
</tbody>
</table>

Source: Europa Regional Survey 1998

Mittal Steel | Steel     | Added 2007
---|-----------|-----------
Equatorial Biofuels Plc (EBF) | Palm Oils | Added 2007

Iron ore and rubber have led Liberian industry and Foreign Direct Investment since Firestone opened the Harbel plantation in 1926. Cocoa too has been an industry in Liberia since the early 1900s.

With the signing of a Memorandum of Understanding between Equatorial Biofuels Plc (EBF), a United Kingdom public company, and the Liberian government, to invest in the palm oil industry of Liberia, additional industries begin to be developed supplementing those historically in Liberia. This agreement and the developing industry it represents are in direct response to efforts by the Liberian government to increase their edible oils industry while also working to increase the markets for these products. (See Sidebar on EBF and Mittal Steel, p.153)
COUNTRY DATA

The Investor’s Guide to Liberia 2007 indicates an 8% growth in GDP for 2006 and a predicted decrease from 7.5% inflation in 2006 to 5% in 2008.

All other data points available for 1986 and also for 2006 (below) showed negative trends in setting. (data points World Bank Data and Research.)

Economic Metrics

External debt soared to nearly 6 times (591% of) GDP.

GDP fell from 930 million USD to 630 million USD.

GNI per capita fell from 280 USD 1990 (per person per yr) to 140 USD. (GNI has been increasing since its low of 110 in 1995 to 130 in 2000 to 140 in 2006.)

Exports fell from 50% of GDP in 1986 to 27.8% in 2006.

Health and Life Metrics

No data is available on HIV/AIDS prevalence. Tuberculosis cases however, have nearly tripled since 1990 – from 113 cases per 100K people to 301 fifteen years later.

Infant and Child Mortality Rates have stayed constant at twice that of the average of all low-income countries (15.7% of Infants and 23.5% of Children under 5) between 1990 and 2005. This constancy has
appeared despite an increase in immunizations during this timeframe to 94% of the population.

Life Expectancy is 42 years (2006,) 17 years less than the average life expectancy for all low-income countries.

Undernourishment has increased since 1990 from 34% of the population to 50% in 2005. (Population increased during this time by 50%.)

Improved Sanitation has fallen from 39 to 27% of the population with access to improved sanitation.

Diseases such as Onchocerciasis (River Blindness) are hyperendemic in many regions.
CONCLUDING REMARKS

We have taken a look at a few of the initiatives that have been identified through the Investment Sustainability Toolkit during different time periods in the most recent era of Liberian history. Though we cannot say definitively that these would have been evident, we have taken care to assess each setting within its then current context in an attempt to recreate each as closely as possible. In this way, we have offered the best test of what can be identified by the toolkit from a retrospective look.

Other issues in setting can be addressed by The Toolkit’s efforts even without the specific issue having been identified. That is, that by mainstreaming conflict prevention within the firm’s culture, behavior and choices will be affected in such a way as to create action that reduces conflict and violence far prior to a specific conflict, or factor leading up to a conflict, being identified on any early warning screen.

Business has powerful, valuable roles to play in development and, through development, in the prevention of destabilizing conflict. 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 Investment Sustainability Toolkit goes the farthest among assessment and prevention tools to protect both the state and the firm and to do so through
articulation of these roles in development and violence prevention. The Toolkit does so by working within three levels.

Governments of developing nations, as well as the private sector, can also utilize the Toolkit. They could use it first as a check list themselves, in doing the same things here recommended for the private sector. Additionally, it could be employed toward the related goal of attracting Investment 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 Investment Sustainability Toolkit is valuable to corporations and governments, then, in two ways. The first is in 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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Appendix I

Decision Making Tree

Decision Making Tree Showing Affect of Representational Systems

Step 2 then, is to cross compare the costs of options under any version with the action options of any of the other versions.

This produces a differential diagnosis for us, of the situation at hand, representing what is occurring in as many ways as it can be represented. In this way, we are better able to do three things.
1. stay open to all the representations and action options from each – instead of going with, instinct driven, the first or most reinforcing representational system
2. See the costs of an action under one representative system when it is another representational system that is more accurately describing the situation.

Blue lines represent costs of one action when interpreted through an alternative representational system

This can assist with one of the most extensive and far-reaching challenges involved in the prevention of conflict – and that challenge is present for public sector, foreign-policy decision makers as well as for private-sector, corporate decision makers – and that is, the “…capacity to know about and correctly interpret events early…” (emphasis mine. George and Holl in Jentleson 2000)
Appendix II

TIMELINE (BBC Oct 2007)

1979 - More than 40 people are killed in riots following a proposed increase in the price of rice.

1980 - Master Sergeant Samuel Doe stages military coup. Tolbert and 13 of his aides are publicly executed. A People's Redemption Council headed by Doe suspends constitution and assumes full powers.

1984 - Doe's regime allows return of political parties following pressure from the United States and other creditors.

1985 - Doe wins presidential election.

1989 - National Patriotic Front of Liberia (NPFL) led by Charles Taylor begins an uprising against the government.

1990 - Economic Community of West African States (Ecowas) sends peacekeeping force. Doe is executed by a splinter group of the NPFL.

1991 - Ecowas and the NPFL agree to disarm and set up an Interim Government of National Unity.

1992 - The NPFL launches an all-out assault on West African peacekeepers in Monrovia, the latter respond by bombing NPFL positions outside the capital and pushing the NPFL back into the countryside.

1993 - Warring factions devise a plan for a National Transitional Government and a ceasefire, but this fails to materialise and fighting resumes.

1994 - Warring factions agree a timetable for disarmament and the setting up of a joint Council of State.

1995 - Peace agreement signed.
1996 April - Factional fighting resumes and spreads to Monrovia.

1996 August - West African peacekeepers begin disarmament programme, clear land mines and reopen roads, allowing refugees to return.

1997 July - Presidential and legislative elections held. Charles Taylor wins a landslide and his National Patriotic Party wins a majority in the National Assembly. International observers declare the elections free and fair.


1999 April - Rebel forces thought to have come from Guinea attack town of Voinjama. Fighting displaces more than 25,000 people.

1999 September - Guinea accuses Liberian forces of entering its territory and attacking border villages.

2000 September - Liberian forces launch "massive offensive" against rebels in the north. Liberia accuses Guinean troops of shelling border villages.

2001 February - Liberian government says Sierra Leonean rebel leader Sam Bockarie, also known as Mosquito, has left the country.

2001 May - UN Security Council reimposes arms embargo to punish Taylor for trading weapons for diamonds from rebels in Sierra Leone.

2002 January - More than 50,000 Liberians and Sierra Leonean refugees flee fighting. In February Taylor declares a state of emergency.

2003 March - Rebels advance to within 10km of Monrovia.
2003 June - Talks in Ghana aimed at ending rebellion overshadowed by indictment accusing President Taylor of war crimes over his alleged backing of rebels in Sierra Leone.

2003 July - Fighting intensifies; rebels battle for control of Monrovia. Several hundred people are killed. West African regional group Ecowas agrees to provide peacekeepers.


2003 September-October - US forces pull out. UN launches major peacekeeping mission, deploying thousands of troops.

2004 February - International donors pledge more than $500m in reconstruction aid.

2004 October - Riots in Monrovia leave 16 people dead; the UN says former combatants were behind the violence.

2005 September - Liberia agrees that the international community should supervise its finances in an effort to counter corruption.

2005 23 November - Ellen Johnson-Sirleaf becomes the first woman to be elected as an African head of state. She takes office the following January.


2006 April - Former president Charles Taylor appears before a UN-backed court in Sierra Leone on charges of crimes against humanity. In June the Netherlands-based International Criminal Court agrees to host his trial.

2006 June - UN Security Council eases a ban on weapons sales so Liberia can arm newly trained security forces. An embargo on Liberian timber exports is lifted shortly afterwards.

2006 July - President Johnson-Sirleaf switches on generator-powered street lights in the capital, which has been without electricity for 15 years.
2007 April - UN Security Council lifts its ban on Liberian diamond exports. The ban was imposed in 2001 to stem the flow of "blood diamonds", which helped to fund the civil war.

2007 May - UN urges Liberia to outlaw trial by ordeal.

2007 June - Start of Charles Taylor's war crimes trial in The Hague, where he stands accused of instigating atrocities in Sierra Leone.
Appendix III:

Information on Conflict Prevention work:

* USIP
* Carnegie Studies on Violence Prevention
* Fund for Peace
* http://www.gppac.net/ global partnership for the prevention of armed conflict
* http://www.conflict-prevention.net/ European Center for Conflict Prevention
* European Platform for Conflict Prevention and Transformation
* FEWER – Forum for Early Warning and Early Response