Berghof
Research Center
Forschungszentrum
for Constructive
für konstruktive
Conflict Management
Konfliktbearbeitung

Opportunities for Synergy:
Conflict Transformation and the Corporate Agenda

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1. Introduction

It is unlikely that many corporate managers would read a chapter titled *The Role of Business in Conflict Transformation*. Most company managers would initially regard such a topic as irrelevant to their operations, imposed by the outside world, and likely to distract them from their core business. In addition, most companies consider activities such as operating mines or drilling for oil in (post-) conflict areas as neutral activities and unrelated to conflict. As a result, even though discussions about conflict transformation frequently focus on companies, they generally occur without the participation of those companies.

A close look at how companies operate within countries that are in, or just coming out of, conflict reveals that many international companies are, in reality, already involved in conflict transformation practices. However, companies do not view their actions in terms of ‚peace and conflict' but see them in terms of good or bad business practice. Additionally, corporations rarely get credit for good efforts and receive an abundance of criticism when they are perceived as doing the ‚wrong' thing. This contributes to a corporate understanding that it is difficult to convince outsiders of a company's positive effort and that it is ‚safer' not to attract attention and operate unnoticed.

This divide between the conflict transformation community and the corporate community is remarkable as there is significant overlap between business interests to establish a stable and peaceful working environment and the peace and conflict transformation agenda. So why is it that, generally speaking, companies and conflict transformation advocates have difficulties hearing each other within this debate? Exploring the answers to this question is the starting point of this article. From there, it is necessary to gain an understanding of how companies view conflict transformation, what leverage companies have in relation to their project cycle, what types of conflict transformation activities companies are currently engaged in, and what will be expected from them in the future. Once this is done, it is then possible to discuss some options that are available to both companies and conflict transformation advocates to increase their engagement and become more strategic in working together in areas of mutual interests and joint concern.

2. The disconnect between corporate and conflict transformation actors

Think tanks, multilateral organisations, and other policy groups increasingly discuss the potentially positive role of the business community in conflict transformation. Companies themselves are notably absent from this debate. Even companies that have publicly committed to principles of corporate social responsibility and signed up for initiatives such as Global Compact are

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1 For clarity, this article is based on experience working with international companies that want to be, and be seen as, responsible companies that impact their context of operations positively. We focus here on the role of international and public companies that benefit from a stable and peaceful environment.

wary of terms such as peacebuilding and conflict transformation. This situation arises mostly out of a lack of communication. Specifically, the lack of shared definitions and clear mutual expectations is evident in each of the following main issues contributing to this disconnect.

2.1 No shared definitions of the problem and the goals to work from

- *Lack of a shared definition of conflict:* Companies largely define conflict as countries at war. For example, when asked if they work in zones of conflict, more often than not companies will respond, "Zones of conflict? No, we only work in countries such as Nigeria, Indonesia, and Venezuela; we don't work in conflict areas." Obviously, this lack of a clear definition of conflict makes it difficult to even start a discussion about the role of companies in conflict transformation.
- *Different definitions of the scope of conflict transformation:* Most corporate managers generally think of conflict transformation as macro-level issues, referring to nationwide conflict or longstanding issues that they cannot, and should not, try to affect. Companies view conflict transformation and peace building as part of the political domain. Therefore, they see it as something from which they should remain separate and neutral, as outsiders in a country.
- *Different objectives of conflict transformation efforts:* Most corporate managers believe that outsiders consider the ill-defined notion of peace to be the ultimate objective of conflict transformation. On their part, companies define the opposite of conflict as *stability*, rather than *peace*. Hence, to ask companies to become involved in conflict transformation without specifying the objective contains the risk of overshooting the target and losing the support of companies.

2.2 Companies perceive that NGOs offer criticism, not solutions

Companies are still in the process of getting used to the NGO community. In general, most managers tend to generalise the NGO community as much as many NGOs tend to generalise corporate behaviour. Many advocacy NGOs and companies accuse each other of exactly the same types of behaviour. They each find that the other frequently has a hidden agenda, that the other group is powerful and always wins, and that the other is not accountable to anybody. In addition, companies perceive that NGOs and peace groups are perfectly able to identify how companies contribute to war or conflict, but once companies acknowledge that they have to change their behaviour, NGOs have little to offer when it comes to providing options for how companies can contribute to conflict transformation while maintaining corporate objectives.

3. Societal expectations companies will face in the future

Despite tension between NGOs and some companies, most managers (informally) acknowledge that NGOs play a very important role in helping companies understand changing societal expectations. These expectations increasingly demand that companies not only conduct activities in a manner that (at least demonstrably) does not fuel conflict but also make concerted efforts to further peace. Companies realise that these demands are persistent and that they need to be ready to meet these expectations. With respect to conflict transformation, the following trends are most notable:

- *An emerging definition of 'complicity' in human rights violations.* Court cases that are currently being discussed in the US courts and that are filed under the Alien Tort Claims Act (ATCA) aim to extend the definition of complicity to include companies that knew of (or could have known

of), and were benefiting from, human rights violations that were committed by state security providers working to further corporate interests. The settlement between Unocal and its plaintiffs in December 2004 in an ATCA case has set a precedent that is currently closely watched in the industry.

- *Positive corporate impact on human rights and development*. Increasingly, companies will have to demonstrate to their stakeholders (their financial providers in particular) that their presence has a positive impact on not only the human rights situation but also the developmental progress of the communities with whom they work. For example, some companies in Colombia have managed to establish a positive and constructive relationship between themselves and local communities, but at the same time, revenue that the company helped generate has attracted paramilitary groups who terrorise local communities – and thus furthers a war economy. In the future, it will be expected that companies address these inadvertent impacts of their presence more explicitly.

- *From supply chain responsibility to user chain responsibility*. The notion that companies need to take responsibility for their own supply chain is fairly well established and is evidenced through public outrage over the Coltan trade fueling conflict in the Democratic Republic of Congo and the diamond trade providing revenues to warring parties in countries such as Liberia, Sierra Leone and Angola. Increasingly, companies are also expected to take responsibility for their ,user chain.' Four categories define user chain responsibility:

  · Ensuring that company-generated revenues do not fuel or finance a war or a conflict economy
  · Ensuring that the company's products (computers, telephones, aeroplane fuel) are not being used to wage war in ways that violate either International Humanitarian Law (IHL) or international human rights laws
  · Ensuring that the company's assets (such as vehicles or helicopters) or infrastructure (such as buildings or airstrips) are not used by warring parties
  · Minimising the legitimacy that the corporate presence provides to warring factions or to governments accused of violating IHL or international human rights law

  Some companies have already been held accountable for their user chain responsibility. For example, Shell decided to stop providing fuel to the Sudanese air force when the air force was accused of indiscriminately bombing civilians.

Based on these cases, some companies are starting to incorporate (future) expectations into the manner in which they conduct their business today. As one manager of a leading Canadian oil company observed, "We are already thinking about how our activities today will be viewed by society in fifteen years from now."

4. Conflict transformation seen from a business perspective

It is relatively easy to determine what companies ought to do from a moral or theoretical perspective, but much more difficult to package this message in terms that resonate with companies. To bridge the gap between theory and practice and to understand what role companies can most effectively play at which phase of the project cycle, we need to take a look at conflict transformation from the business perspective.

The governments of most conflict-affected countries seek foreign investment and vie for the favour of multinational companies. Such companies operate globally and consider numerous

options for investment in different countries. Investing in regions in, or just coming out of, violent conflict contains a risk. Companies weigh the risks and opportunities of one context against the risks and opportunities of another and try to assess how risks related to conflict can be mitigated or addressed. Hence, conflict is only one parameter in their decision-making model. If investment decisions were based merely on the existence of conflict in a country, companies would find it difficult to invest in countries such as China (Tibet), Russia (Chechnya) and India (Kashmir).

The risks associated with operating in conflict-affected areas are largely defined as

- Security risks from operating in areas that lack law and order, either due to criminal groups, rebels or other armed non-state actors
- Legacy or dependency risks when companies are compelled to provide services (such as electricity, healthcare, education) that normally should be provided by governments – the so-called ‚double taxation‘
- Legal risks for the company to be, either directly or indirectly, associated with human rights violations in a country
- Reputational risks of providing revenues and legitimacy to authorities whose practices are publicly and internationally questioned

Therefore, the business perspective sees conflict as a factor of risk management, not social responsibility; and, in order to make investment decisions easier, companies actively engage with governments to decrease the risk-level of the investment. Before discussing examples of this kind of engagement, it is important to first understand how a company's leverage opportunities will vary over time.

## 5. Corporate leverage to impact conflict depends on the timing of intervention

The common perception of outsiders is that a company's political and economic leverage can be applied to address any kind of conflict at any time. In reality, companies can affect different levels of conflict at different phases of the project cycle. In other words, a company's ability to effectively transform conflict depends on both the *level* of conflict and the *timing* of their intervention. To determine what type of corporate activity is most appropriate, the conflict levels are defined here broadly as national or macro conflicts, which take place outside the direct working environment of the company, and local or regional conflicts, which take place in the areas where the corporate presence has a direct impact – the footprint area.

Companies can impact both levels of conflict, but their ability to do so effectively varies over time. The leverage a company has to impact conflict on a national or macro level *decreases* with time, whereas the leverage it has to affect conflict on a local or regional level *increases* over time.

On a macro level, the company has a relatively high degree of leverage or bargaining power *prior to investment* over the authorities that want to attract foreign companies. In this phase, companies can build conditions of investment into their negotiations with a regime. This leverage decreases after the final investment decision (FID) is made and contracts are signed; and it sharply decreases after the company starts investing in the country, for example, through the construction of its plants. When a company has already made considerable investments in a country, its ability to influence a government through an implicit threat to "do something" if conditions are not met is relatively low. At that point, the investments that governments sought after have been made and,

as experiences from Sudan and Myanmar/Burma demonstrate, state-owned companies from India, Malaysia or China are keen to take over the assets of Western (public) companies that are leaving the country. In addition, decreasing *leverage* after investment is accompanied by decreasing corporate *willingness* to use leverage. Corporate boards need very compelling reasons to put pressure on a government to change behaviour or, ultimately, to divest from a country once millions or even billions of dollars have been invested.

On a local level, a company's leverage to impact conflict (both positively and negatively) increases with time. This leverage is due to two factors. First, a longer presence on the ground provides the company with a better sense of the local context. For example, over time a company is better able to distinguish the root causes of conflict from its manifestations, to identify the constructive thinkers from the spoilers, and to distinguish outside from inside conflict (transformation) actors. Secondly, the means of the company to use its resources to affect conflict dynamics in its footprint area can increase over time through the provision of employment and contracting opportunities, training of local contractors, economic development projects, conflict workshops, and efforts to attract government services. These are all examples of initiatives that, if properly implemented, could be seen to serve a conflict transformation purpose.
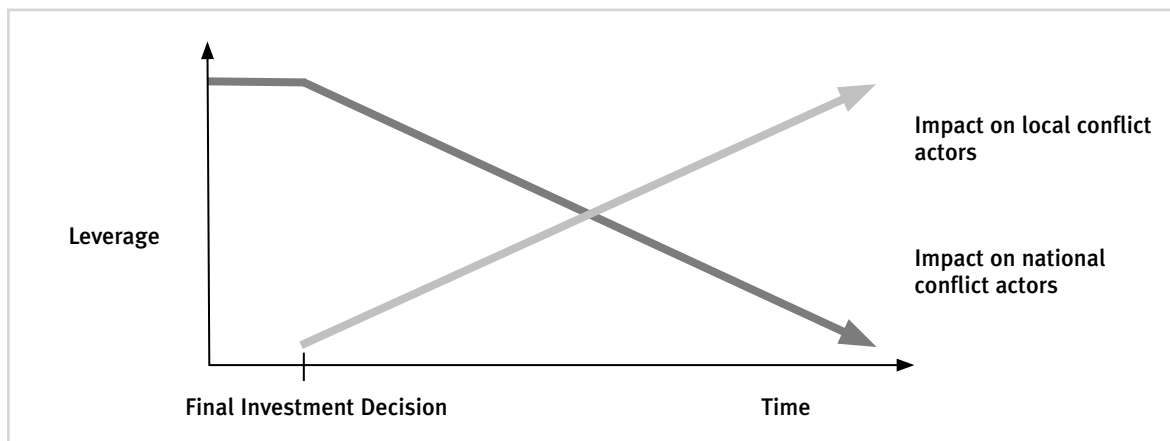
These variations imply that ‚the' corporate sector is dynamic and self-organising, not monolithic, when it comes to its capacity to transform conflict. While there is merit in engaging the sector as an organised force (such as in South Africa and in Sri Lanka), each individual company has leverage based on the particular phase in their own project cycle.

6. Existing corporate conflict transformation activities

Most companies are already involved in aspects of conflict transformation on a daily basis, whether through community relations campaigns, development initiatives, local partnerships, or through engagement with governments. However, from a corporate perspective, these types of activities are not conducted following a moral paradigm with the goal of conflict transformation. Rather, these activities simply make good business sense as they serve to reduce the risk to the company and provide a more constructive working environment.

In different stages of their project cycle, companies apply different strategies to influence different types of conflict actors. It is essential to differentiate here between practices that take place prior to investments, and activities that take place during the operations phase. The relationship between the company and conflict actors can be characterised as follows:

- To affect macro-level conflict prior to their investment, companies can use their contractual force with macro-level actors (e.g. the government) during the Production Sharing Agreement (PSA) negotiations.
- To affect local level conflict prior to investment, companies can also work with their home governments to put pressure on the same macro-level actors. However, in this area, companies themselves seldom play hard-ball with authorities, for example by threatening not to invest, as they feel they have possibilities to impact local conflict during operations.
- To affect macro-level conflict during operations, companies can encourage governments to change policies, suggest options, and enlist diplomatic pressure. In this phase, once operations have begun, the leverage companies have to affect macro conflict actors is the weakest.

The ability of a company to play a role in conflict transformation is the lowest when the outside pressure to do so is the highest. This inverse relationship coincides with the phase where companies are the most vulnerable and experience the strongest outside criticism from NGOs for operating in areas of conflict: countries such as Angola, Sudan and Myanmar/Burma.

- To affect local level conflict during operations, a company's leverage lies largely with local conflict actors such as local communities, politicians, rebels, or local governments. The relationship here is commonly characterised both by applying negative pressure to stop negative behaviour (drawing the line) as well as by engaging with local actors in a positive and constructive manner.

Relationship between companies and conflict actors	Corporate practises affecting **macro** conflict	Corporate practises affecting **local** conflict
Prior to investment	Conditional/ Contractual force on *macro* conflict actors	Pressure (less strong) on *macro* conflict actors: the government
During operations	Support/ Encouragement to *macro* conflict actors	Best practices/ Constructive Engagement with *local* stakeholders

Companies are actively impacting each of these four sectors. The following are examples of corporate practices that correlate to each category in the matrix described above.

6.1 Examples of corporate practices prior to investment affecting macro conflict
Make the start of operations conditional on peace
        One oil company that is negotiating with the government of a country in conflict in Africa has proposed to start operations when a peace agreement is a) signed, b) effective, and c) sustainable. The exact definitions of "effective" and "sustainable" are deliberately left open, and the agreement

between the company and the government states that both parties must arrive at a consensus to determine the moment for starting operations. This provides the company with the leverage to pressure the government in a way it would not have been able to had it locked itself into a defined starting date (which is normally the case).

Make investments conditional on the government signing the Voluntary Principles on Human Rights and Security

One company operating in Colombia has made its decision for further investment in the country conditional on commitments from the government to reform its security sector. The company has made consistent efforts to encourage the Colombian government to sign up to the Voluntary Principles on Human Rights and Security. The company acknowledges that signing the Voluntary Principles is the first step in a strategy of working with the government to move towards positive conflict transformation. The next steps in this strategy are to encourage the government to
- Get the language right: Incorporate human rights and development clauses into government contracts.
- Get the actions right: Train government officers, and set up accountability mechanisms.
- Demonstrate impact: Increase security for local communities, decrease violence in the area, ensure revenues are not used for a war economy, and decrease corruption.

Negotiate revenue transparency

Talisman convinced the government of Sudan that providing transparency on revenues flowing from the company – as well as from all other oil companies operating in Sudan – towards the government was in the interest of all parties involved. It negotiated permission from the Sudanese government and now makes its revenues public in its corporate responsibility report. Although not a direct conflict transformation effort, this is a first step towards international donors being able to demand greater accountability from the Sudanese government in terms of how it uses its revenues, and could possibly lead to making bilateral assistance conditional on good governance.

> During the process leading up to the peace agreement signed on 9 January 2005 between the Government of Sudan and the Sudan People's Liberation Army (SPLA), Talisman provided, on several occasions, geological data, information on revenues and commercial/ contractual issues to political bodies and think tanks advising the US Government, and to facilitators of the peace negotiations. This information was used in the peace talks to negotiate the future distribution of oil revenues, which had been one of the obstacles to reaching a peace agreement.

6.2 Examples of corporate practices prior to investment affecting local/ regional conflict

Ensure that communities benefit directly from the taxes paid by the company

Some companies insist that the government establish or reinforce social services in areas where there is no governmental presence. Others take more direct responsibility. For example, Placer Dome negotiated a tax credit mechanism with the government of Papua New Guinea. As a result, part of the taxes the company would otherwise have paid to the federal government is now used by the company for infrastructure projects in the company's area of operation. This was, in part, a response to local concerns that the revenues generated by gold exploitation would stay in the capital

and would not benefit the people most impacted by the corporate activity. Placer Dome took an approach based on four concepts:

1. *Renovation in place of construction*. The company focused on upgrading existing structures (e.g. schools) rather than building new ones. This approach avoided the problem of structures not being used after their completion because of a lack of staff or materials.
2. *Work from pre-existing development plans*. When it concerned new infrastructure activities, the company worked from an existing regional development plan, which was developed prior to the arrival of the company. By consulting with the community, the company ensured that the content of the plan was perceived as fair and that benefits were distributed equitably across groups. This approach avoided jealousy and the perception that some projects were favoured over others.
3. *Take a regional approach*. Rather than only focusing on the villages closest to its operations, the company focused on the entire region. Again, the objective was to limit tension between the have's and the have-not's.
4. *Reward peaceful, not violent, behaviour*. Rather than pacifying those villages that were the most obstructive or demanding (which is the general practice), Placer Dome first implemented projects in those villages that were the most positive. The company hoped that locals would hold saboteurs from their community accountable for the fact that their behaviour negatively affected all the people of their village.

Negotiate army behaviour in the company's area of operations

Total has made it clear to the government of Myanmar/Burma that it does not tolerate human rights abuses (typically incidents of forced labour) in a well-defined area of operations for which the company takes responsibility. If incidents are reported, they are immediately investigated and communicated to the highest levels of the government. Thus far, this system has been effective in the sense that no systematic violations have taken place. Over the years, the company has also enlarged the geographical area for which the company takes responsibility, thus physically enlarging the ‚safe' area.

> Total's approach has effectively created one of the safest areas in Myanmar/ Burma. However, as an example of unintended negative consequences of a good effort, there is evidence that the pressure on communities just outside the safe area to provide forced labour has been increased, since the military still ‚needs' manpower to reach its targets.

Insist that the company hire security providers of its own choice

Many countries insist that corporations use state security providers to secure their staff and assets. In some countries, authorities may feel this is necessary because the company's activities are vital to the country's revenues, and they want to protect national assets (such as mineral deposits). In other countries, such as in Indonesia, the military is required to generate part of their own budget by providing paid security services to corporate operations. However, making use of such services on-site can have a negative impact on conflict because state security forces have a reputation for taking a military approach towards conflict management. Unocal Indonesia recently found an arrangement with the army and the police whereby it would hire people from local communities to guard the gates and provide security on its sites, rather than taking the deterrent approach of a visible presence of the police or the army. Communities have responded positively to this change and recognise the efforts of the company to take a much more constructive approach to conflict resolution. As a result, protests have not escalated to a violent level.

6.3 Examples of corporate practices during operations affecting the macro conflict

Soft diplomacy or offer of training

Most companies express concern regarding conflict outside their direct working environment. Some companies provide training on human rights to military officers or suggest to governments that they allow the International Committee of the Red Cross (ICRC) to train the military in International Humanitarian Law.

Legitimise and support the government's own peace and justice efforts

All governments – even the most oppressive regimes – have a department, an ombudsperson, or a focus group that deals with peace, justice or human rights. These positions often exist only to pacify international demands and are (deliberately) under-funded to prevent them from properly executing their mandate. Some companies have designed strategies around supporting such departments financially and, equally important, legitimising their work. They set up partnerships with these offices or individuals, support workshops on peace and human rights, and legitimise the officials that are responsible for such activities in front of their own colleagues. Companies justify these actions to authorities that may be wary of such activities by saying they are simply helping the government to implement its own policies more effectively.

6.4 Examples of corporate practices during operations affecting local conflict

Tripartite partnerships

Some companies use their leverage to encourage governments to take part in tripartite partnerships. These partnerships aim to use government revenues for social services or infrastructure projects that otherwise could be used for war-economy-related activities. Tripartite partnerships are between communities, the company, and the government. Each party contributes to the partnership in order to implement a programme. For example, to build a road, communities provide labour, the government provides materials, and the company provides equipment. Such an approach reduces the risk of local dependency on companies. From a conflict transformation perspective it also provides legitimacy to local authorities in the eyes of local communities and addresses issues around the lack of the presence of the state, which can be a contributing factor to conflict.

Economic development, diversification of the economy, and local content plans

Many companies engage in activities aimed at providing local economic opportunities to address local unemployment. They are directly engaged themselves, or indirectly through financing NGOs, in micro-credit programmes that support economic diversification activities (for example, BP Colombia supports palm oil farmers and orange growers in an oil and gas region) or by providing electricity to local communities, which can be used for small-scale business activities. Some other companies invite NGOs to train communities in basic business development skills.

Also, an increasing number of companies are taking a more proactive role in ensuring that local people receive maximum benefits from the presence of their company by developing local content policies. These types of policies specify which type of contracts and jobs can be awarded to local people. In order to increase employment opportunities, larger contracts are split into smaller ones, which local contractors can handle, and manual labour is preferred to machines. At the same time, local content policies assist local job-seekers and contractors to reach the company's standards through targeted scholarships, pre-employment courses, and guidance to contractors on how they can become company contractors. Most activities are aimed at youth.

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Workshops and training on peaceful coexistence, community cohesion, and good governance

In some countries, companies recognise that much of the conflict they face originates in a lack of community cohesion, a lack of civil leaders, and interference by outsiders into community affairs. The corporate arrival (and the revenue it helps generate) can exacerbate these schisms in society. Companies such as Sipetrol and Talisman in Colombia provide workshops in this field for local communities, and BP Colombia provides leadership training to civil and public leaders, all with the objective of assisting communities in determining strategies for how they can best contribute to conflict transformation on a local level.

Some ‚enlightened‘ companies make deliberate efforts to create or strengthen what they call social capital through workshops and training. The issue is that companies consider increasing social capital as an objective in and of itself, rather than determining with communities how to best use this social capital to address conflict issues. For example, in Colombia, increased training and empowerment enables communities to successfully demand new community development projects from their local government. However, the real issues remain those that nobody talks about, such as increasing levels of fear, intimidation and impunity, due to the increased presence of paramilitary groups attracted by the corporate spills. Hence, a next step for companies may be to also develop strategies to help communities address these negative impacts of the corporate presence.

Support to (re-) establish a Law and Order system

Companies operating in countries where state security forces are known to take a heavy-handed approach often face a dilemma. When they support state security providers (through training or provision of infrastructure) they risk being accused by human rights groups of legitimising a bad regime. On the other hand, companies argue that if they do not engage with these security providers they risk an excessive response from them in the case of an incident. As one company representative stated, "When you do not provide good housing to inexperienced 18-year old soldiers that are homesick and sleep in leaking shelters, you are going to create very unhappy soldiers that become unpredictable. Building a barrack that allows them to sleep in a dry place will likely have a positive impact on how they engage with local communities." In addition, better living conditions for police and other security providers can create a more sought-after posting. In Indonesia, this allowed a general manager of a mining company to insist on higher levels of training and performance of security providers. Failure to comply meant that individuals were transferred.

Some companies go further than providing infrastructure to security providers. When Placer Dome found itself in a region of Papua New Guinea without a functioning law and order mechanism, it subsidised the arrival of a prosecutor to the area. At the same time, it engaged in the systematic training of local police forces. The company also set up mechanisms by which residents could report incidents of violence to the company, which were then forwarded to the local police. The company argued that, since it would be blamed for poor police behaviour, it had a direct interest in ensuring a stable working environment in which the police were seen as responsive to demands, fair, and constructive. This approach resulted in crime and violence levels that were below the national average despite the fact that thousands of job-seekers had entered and were staying in the area.

BP Colombia used its leverage to help establish a House of Justice in their area of operations. This building houses multiple justice and law and order institutions under one roof

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and serves as a one-stop-shop for civilians. The improved logistical efficiency of the system has, according to the local police commander, meant that more cases are solved and, as a result, the level of impunity has decreased. People see that local conflicts are addressed and say they feel encouraged to bring more cases to the House. BP's role has been to use its leverage to set up a partnership between USAID (who funded the construction of the building), the government (responsible for salaries and maintenance), and the company itself (who provided office infrastructure).

A focus on shared interest and a common agenda

Many companies implement policies and practices that favour ,host' or neighbouring communities over those groups living further away from the corporate plants. Corporate thinking goes that when such fence-line communities are satisfied with the corporate benefits, the risk for community actions against the company is reduced. Unintentionally, such an approach creates have's and have-not's which can result in (violent) clashes not only between these different communities but also between the group that feels left out and the company.
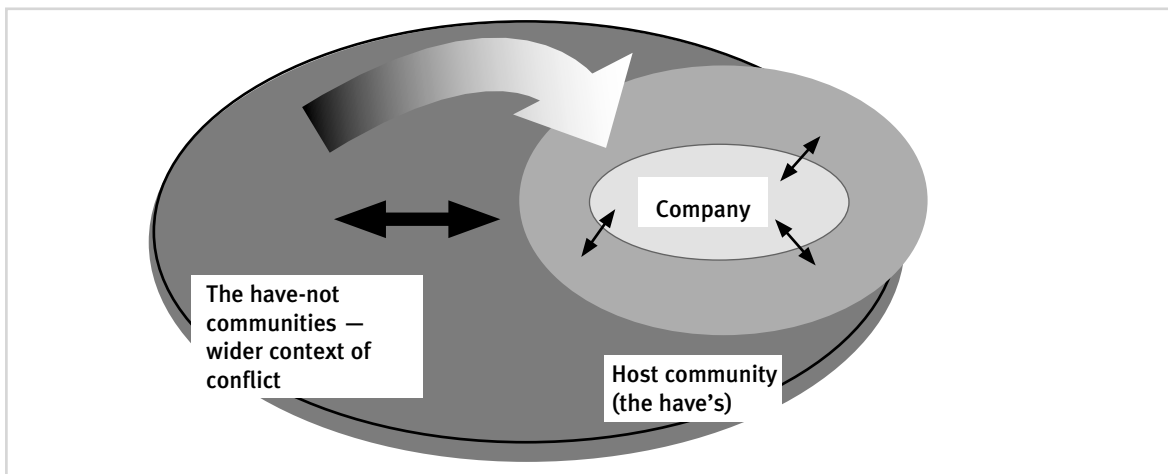
Shell Nigeria hired a mediator at the start of one of its pipeline projects, which crossed an area where various communities were at war with each other. Instead of an exclusive focus on the most apparent and nearby communities, the mediator facilitated a negotiated agreement between all communities based on 1) population size, 2) proximity to the area of operation, and 3) ,nuisance' issues they would experience during construction. Based on previous experiences, communities that normally would have received the majority of compensation acknowledged the risk of conflict if other communities were left out. The project was implemented without any conflict either between communities or with the company.

7. Options for change

The examples mentioned above are few especially in relation to the number of corporations operating in areas of conflict. Many companies still have a long way to go when it comes to making deliberate efforts to transform conflict. This is not because of poor intentions; no manager wakes up in the morning thinking about how he or she can create more conflict or tension. Rather, most corporate managers lack the information, partnerships, and creativity to make a more concerted effort towards conflict transformation. Here lies an opportunity for outside experts to play a significant role.

There are two main obstacles or gaps impeding a comprehensive conflict transformation effort. The first is a *relational gap* between companies and conflict transformation groups, whereas the second is a *content gap*. Addressing these gaps will clarify the role that outside groups can play in developing, with companies, more strategic approaches towards conflict transformation.

Relational Gap: Stakeholders active in the same conflict transformation or peace building efforts do not speak with each other.

Companies and outside groups often focus on their differences, rather than on their mutual interests. Generally speaking, the trust level between corporate entities and most NGOs is low, and both groups challenge each other's observations. However, when asked individually, each group is keen to engage and get to know each other better. The lack of communication between the different actors often results in missed opportunities to join forces and be more strategic in conflict transformation efforts. At best, stakeholders each do their own thing and work in isolation. At worst, NGOs and companies create conflict among themselves.

Options

Focus on mutual interests of peace and stability rather than on differences

There is much focus in the NGO community on how companies contribute to conflict. However, there is remarkably little creativity put towards helping companies think about how they can use their political and economic leverage most effectively from a conflict transformation perspective. Engagement with the corporate sector must go further, and be more concrete than asking them to "take a role in conflict transformation." The key to engaging with companies is pitching conflict transformation activities in a way that highlights the business case for such activities. Stressing the moral duty of companies to impact conflict may resonate with senior management but is likely insufficient to change behaviour throughout the organisation as is needed to effectively address conflict.

Define what is, and can be, expected from companies

A first step in closing the communication gap between companies and the conflict transformation community is to define what is, and can be, expected from companies. These expectations need to be realistic and feasible for companies to achieve, and they need to be agreed upon by all actors involved. Evidence shows that when expectations are unrealistically high, managers feel that there is no point in aspiring to reach them.

When outside groups establish clear and practical benchmarks, it creates a good starting point for discussions with companies about how they can best operate within a conflict or post-conflict context. The best example of this comes from the European Coalition on Oil in Sudan (ECOS). This is a group of peace and development agencies that has established the benchmarks under which, in their opinion, oil companies could start oil exploration in Sudan. ECOS is discussing these benchmarks with interested oil companies, who have responded positively to such discussions.

> The European Coalition on Oil in Sudan is a group of over 80 European organisations working for peace in Sudan. It was established when these groups realised that oil, rather than bringing peace and prosperity to the people of Sudan, caused massive human suffering. A peace agreement may open opportunities to oil companies to work in a responsible manner. The

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underlying principles for such a policy are generic, and ECOS therefore designed principles that apply to all sectors, all regions and all companies, hoping they will contribute to mobilise the potential of the entire private sector to shape a prosperous and peaceful Sudan. In answer to the special challenges the oil industry faces, the coalition developed "Benchmarks for Oil Exploitation in Sudan" in 2002, which were updated in May 2004 to "Benchmarks for Oil Exploitation in Sudan during the Interim Period." (More information can be found at www. ecosonline.org.)

Be more strategic in including companies in larger conflict transformation efforts

Many opportunities for strategic collaboration between groups working on conflict transformation and companies have been missed because of a lack of communication. There is virtually no contact between conflict transformation groups, UN agencies, and others to determine how each group can contribute to conflict transformation. The result is a spotty range of uncoordinated activities. Opportunities to coordinate the activities of various peace actors more strategically could arise from inviting some international corporations to informal working groups aimed at creating synergy between the activities of various stakeholders.

This implies that outside groups need to be more strategic in discussing with the corporate sector what individual companies can contribute based on their leverage and depending on the project phase. As we discussed earlier, the corporate sector is not monolithic; each individual company has a different capacity and opportunity depending on the phase of their project cycle.

Start engagement with companies prior to their investment

Obviously, it is of paramount importance for conflict transformation groups to engage with companies prior to their investment decision, as this is the phase when companies have the most leverage to impact conflict at large.

Acknowledge when companies get it 'right'

Other than avoiding the risk of reputational damage or loss of staff when companies get it 'wrong', companies perceive there is little incentive for them to get it ‚right.' In fact, even the most progressive companies, which are ahead of their colleagues in demanding conflict transformation related conditions from governments, are often criticised when their efforts are not successful. For this very reason most companies openly state they do not want to take the lead in furthering the benchmarks of good corporate behaviour but position themselves, as a COO of a large mining company described it, "just behind the leaders and in their shadow." Obviously, a climate of criticism makes it more difficult for companies to take risks. This may change as some investment banks, such as Goldman Sachs, have begun to rank the value of companies partly based on their capability and track record in dealing with the non-financial and non-technical challenges they face.

Content Gap: Companies are remarkably non-strategic in their conflict analysis.

Very few companies have an early warning system in place or conduct political analysis in a comprehensive manner. Within the corporate world, it is often assumed that defunct or non-existing government services, combined with high levels of youth unemployment, are the root causes of conflict. At the same time, when companies try to address these issues (for example through the provision of water and electricity) they find that the level of conflict is not significantly affected.

Options

Help companies increase their conflict analysis capacity

Companies assume they have little control over conflict. This explains why most companies, even those that recognise the negative impact of conflict on their operations, are remarkably poorly resourced to analyse and address conflict. As a result, companies design community projects with the goal of transforming conflict, but without the proper analysis to determine if their efforts are indeed addressing conflict.

Some companies engage in costly community development projects on the one hand; whereas, on the other hand, their operational policies and practices leave communities little choice but to use violent tactics. The creation of have's and have-not's by an exclusive focus on host or fence-line communities has already been discussed. Communities also complain that they get little attention when they behave in a peaceful manner, but much attention when they behave in an obstructive manner, for example through demonstrations or erecting roadblocks. Rewarding negative behaviour over positive behaviour directly undermines any positive conflict transformation efforts. In some areas, such as the Niger delta in Nigeria, corporate policies and practices of oil companies have actually contributed to the conflict dynamics. Here lies an opportunity for outside groups to help the company analyse both its context of operations and how its activities interact with, and impact, that context.

Help companies become more strategic in their conflict transformation activities

Companies can become more strategic in their activities on two levels. First, virtually all companies engage in community activities that are aimed at reducing conflict between the company and the community. Based on a context analysis, the company will need to ensure that a) its own negative activities are not undermining its positive efforts, and b) that its positive efforts are indeed impacting conflict. It is still frequently the case that companies engage in community activities based on the assumption that all good efforts, somehow, will transform conflict. The Collaborative for Development Action's Reflecting on Peace Practice project observes that conflict transformation activists often are guilty of the same wishful thinking and need to be more strategic in linking up their efforts as well.

Second, as we discussed, companies have a variety of leverage opportunities to impact each level of conflict at various times. Most companies focus on one phase or on one type of conflict without a careful analysis of what they can do at various points in their project cycle. Outside groups can assist companies in becoming more strategic in this respect, in developing opportunities for companies to positively transform conflict throughout the project cycle.

Demand that companies and governments implement 'best practices"

Advocacy and societal demands have proven to be effective in changing corporate behaviour. A wide range of activities, including consumer boycotts, the Kimberly process, the Extractive Industries Transparency Initiative (EITI), and court cases under the Alien Tort Claims Act, have increased the awareness among companies operating in difficult areas that managing the non-technical aspects of operations is increasingly a key success factor. Most managers acknowledge that, without external pressure, companies will continue to operate in a business-as-usual mode. It is up to outside stakeholders to keep pushing companies to improve their practices and their efforts to become more proactively involved in conflict transformation activities. This is for two reasons. First, no company is homogeneous. In every organisation there are people that find it easier to deal with societal expectations about 'difficult' concepts such as human rights and peace building, and

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there are those that are more resistant to such concepts. External pressure supports those within the organisation who champion a conflict transformation agenda; it legitimises their case to their colleagues. In fact, some company staff members admit that they sometimes encourage advocacy NGOs to write letters to the company's CEO in order to raise awareness of what are considered 'soft issues.'

Secondly, pressure on the company to behave in a certain manner or to sign on to initiatives such as the Voluntary Principles on Security and Human Rights or EITI strengthens the position of the company in its effort to demand change from governments. Companies use the pressure they are under to push for changes in how governments spend their revenues, to demand more transparency, and, for example, to discuss security sector reform.

8. Conclusion

Despite their different objectives, the conflict transformation agenda and the business agenda do overlap in areas of common interest. However, thus far, there has been little concerted effort to strategically focus on these mutual interests. Rather, there has been a tendency, from both sides, to focus on the differences between conflict transformation agencies and companies. This is unfortunate, as it undermines the effectiveness of both groups to make a positive impact on the lives of people whom they, both, claim to support.

A first step towards creating and reinforcing collaboration between all the stakeholders involves removing the obstacles that impede constructive dialogue. Here lies a tremendous opportunity for the conflict transformation community to start engaging more proactively, more concretely, and more strategically with companies. Such engagement is most effective when it concerns a specific conflict or a concrete problem and when engagement is ongoing, rather than consisting in organising one-off general workshops. Since such processes are, in our experience, most constructive when convened by a third-party (a government, the UN, a think tank), companies and conflict transformation groups could jointly take the initiative to approach such bodies and request them to provide their services.

The experiences described in this chapter are based on the work of the Corporate Engagement Project coordinated by the Collaborative for Development Action and reflect our current learning. With regard to the role of business in conflict transformation, we will start to explore in more detail the trade-offs between corporate impacts on the micro and the macro level of conflict. For example, there is some (but little) consensus in the NGO community when companies should not invest, or should not be present in a particular country. On the other side, there is no consensus when, or in what conditions, companies can invest in a country. An inevitable part of this discussion will be how to measure impact and how to determine indicators of success. Obviously, unpacking these questions will require a concerted effort of the business, academic and conflict transformation community – and may be a concrete project to bring these various groups together.

9. Reference

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