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Business in Fragile Environments: Capabilities for Conflict Prevention

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Abstract

While normative frameworks proscribing and prescribing company action in conflict-prone environments grow in number, both the practice-oriented and more theoretical literature have been relatively silent on the question of whether and how a company's distinctive organizational capabilities contribute to conflict risk mitigation or conflict resolution in fragile contexts. This article links the practical experience of company managers with conflict management theory to posit that organizational capabilities are a crucial explanatory variable for the gap between desired and observed company performance in fragile contexts. It models a management system for conflict prevention with empirical and theoretical referents. The model provides practitioners with useful diagnostic entry points as they work to improve company operations. At the same time, it brings together diverse conflict management perspectives on company operations in fragile environments so that future case data may be ordered and compared and further theoretical propositions developed and tested.

International investment in conflict-prone environments is increasing in scale and scope. Mining "has moved from developed to emerging economies…. Huge investments have taken place in Latin America, Africa, and parts of Asia and these are likely to escalate in the next ten years" (International Council on Mining and Metals [ICMM], 2012, pp. 5–6). Developing countries have leased or sold to companies more than 83 million hectares for commercial agriculture since 2000, roughly the surface area of France and Italy combined. These leases are concentrated in fragile environments, among the most prominent of which are Sudan, the Democratic Republic of Congo, Ethiopia, Madagascar, Mozambique, Tanzania, Zambia, Indonesia, Laos, and the Philippines (Anseeuw et al., 2012). International development banks advocate the doubling of infrastructure investments in Africa, including dams, roads, railways, and ports (Foster & Briceño-Garmendia, 2010). For many, such investment represents hope for greater stability and more inclusive development in conflict-prone environments.

Yet the promise of private sector investment remains unkept as investments confront the realities of complex contexts. Countries of investment may be characterized, for example, by dysfunctional land tenure systems that create adverse impacts on the poor and a heightened sense of grievance around projects with large and disruptive footprints. Conflict over tax revenues or employment may break along regional or ethnic divides. Communities may feel that company operations directly threaten their health, safety,

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or livelihoods. Taken as a whole, large-scale investments in the extractive industries, commercial agriculture, and infrastructure are more likely to cause or exacerbate conflict in fragile environments than they are to contribute to conflict risk mitigation or conflict resolution (Ganson & Wennmann, 2012).

To reduce conflict that large-scale investment introduces into already-fragile contexts, or more ambitiously to see such investments contribute to the reduction in preexisting tensions and stress factors in the environment, international actors have generated an enormous body of normative advice for companies. Comparatively little attention is paid, however, to the conflict assessment, conflict management, and conflict resolution capabilities required of a company operating in a conflict-prone environment. As documented in the interviews conducted for this study, even willing corporate actors struggle to put existing normative advice into action. As expectations of companies rise, the distance between our understanding of the capabilities that would enable desired company action and actual business performance continues to grow.

This article links insights from the practical experience of company managers with conflict management theory to help bridge this evident theory-practice gap. It surfaces the conflict management capabilities implicit in the normative frameworks proscribing and prescribing company action in conflict-prone environments. Within the boundary conditions of a company attempting to meet both business needs and social expectations within a conflict-prone environment, it models a management system for conflict prevention along with its attendant enabling capabilities useful to both practice and further theory development.

Normative Approaches to Business in Conflict Environments

Normative thinking and practice on business in conflict-prone environments reflect the dual nature of business impact in these contexts. On the one hand, “the war economy is often predatory, and profits can be made by exploiting an unstable and violent situation” (Mac Sweeny, 2008, pp. 18–19). On the other, measured voices such as Amartya Sen’s remind us that “no economy in world history has ever achieved wide-spread prosperity, going beyond the high life of the elite, without making considerable use of markets.” (2006, p. 137). This duality is reflected by growing interest in both *business and conflict* and *business and peace.*

Business and conflict confronts the darker side of companies in fragile contexts. “The scale and duration of the civil wars in Angola and Sudan were extended because of the weapons and armies that oil revenues financed” (Shankleman, 2006, p. 144), with foreign direct investment increasing in those countries even during periods of overt civil war (p. 146). In the Sudan, protection of oil revenues resulted in the forced mass displacement of civilians (Deng & Morrison, 2001). As the Organisation for Economic Cooperation and Development (OECD) noted in its review of multinational corporate activity in the Democratic Republic of Congo, economic activities “all too often provide both the ‘means and the motive’ for violent conflict” (2004, p. 2). And since such economic operations require material, technical expertise, and access to markets, “conflict actors will always be involved in the private sector at a large scale” (Mac Sweeny, 2008, p. 35).

Research and practice on business and conflict, grounded perhaps most strongly in law and in conflict studies but also expressed in the emerging field of corporate social responsibility, therefore engage in “mapping patterns of alleged human rights abuses by business enterprises; evolving standards of international human rights law and international criminal law; emerging practices by States and companies; commentaries of United Nations treaty bodies on State obligations concerning business-related human rights abuses; the impact of investment agreements and corporate law and securities regulation on both States’ and enterprises’ human rights policies; and related subjects” (Ruggie, 2011, p. 4). The intent is not only to stop companies from benefiting from conflict. It seeks to ensure that business enterprises “act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved” and to increase “access by victims to effective remedy, both judicial and non-judicial” (p. 6).

Hopefulness that business can play a substantial role in ameliorating conflict at the same time endures. Mill (1848) claimed that "it is commerce which is rapidly rendering war obsolete, by strengthening and multiplying the personal interests which are in natural opposition to it" (p. 582). The classical liberal view held that business interests would contain the destructive forces of war. Recognizing that history proved Mill wrong, contemporary liberal thinking is more nuanced. The argument, backed by substantial quantitative analysis, is that economic freedom—including factors such as ease of establishing a business and wide-spread legal protections that bring the old formulation of trade and commerce closer to Sen's (1999) *freedom of economic interchange* —"significantly decreases the probability that a country will experience a dispute" (Gartzke, 2005, p. 34). "The flowering of economic freedom," said Erik Gartzke, "has begun to dampen the fires of war" (2005, p. 39).

Such thinking underpins research and practice on business and peace, grounded most strongly in development economics but increasingly engaging the field of peacebuilding. It underscores that "the private sector is also crucial for countries coping with and emerging from violence. While in the short run, recovery from violence can be supported by external assistance or natural resource revenues, the path to longer-term development is dependent on a healthy private sector" (World Bank, 2011, p. 132). The intent is to describe examples and prescribe action by policymakers, development actors, and business that can "generate the kind of economic development which both addresses the underlying economic dimensions of conflict and also provides for the urgent priorities of creating jobs and ensuring basic services are delivered to the population" (Gündüz & Vaillant, 2006, p. 3). A related inquiry looks to the role of business in peace processes, noting that business can "have significant impact on the course of a peace process, for better or worse" (Tripathi & Gündüz, 2008, pp. 16–17).

Whether oriented toward business and conflict or business and peace, a broad range of international actors have generated over the past decade a substantial opus of normative direction for companies. This advice and, to a growing extent, regulation tell companies what they should and should not be doing to decrease the negative impacts and increase the positive potential of business in conflict-prone environments. These take various forms:

- Binding legal frameworks, such as the conventions against corruption of the United Nations (UN, 2002) and Organization for Economic Cooperation and Development (OECD, 1997) as well as their soft-law cousins, such as the Guiding Principles on Business and Human Rights or "Ruggie Principles" (Ruggie, 2011).
- Widely referenced standards of conduct, such as the International Finance Corporation performance standards (2012) and the OECD Guidelines for Multinational Enterprises (2011b) as well as expert reports, such as the International Commission of Jurists' expert panel report on corporate complicity in international crimes (2008).
- Voluntary principles to which increasing numbers of companies promise to adhere, such as the Voluntary Principles on Security and Human Rights (2000) and the Extractive Industries Transparency Initiative (2013).
- Good practice frameworks, such as Getting It Right: Making Corporate Community Relations Work, growing out of research on Do No Harm and Corporate-Community Engagement (Zandvliet & Anderson, 2009).

These are, of course, only illustrative examples of a substantial and growing—one might say daunting—body of prescription and proscription for companies.

Capabilities for Conflict Prevention

This proliferation of normative advice and standards implies a theory of change that, if companies knew what to do and understood the consequences of their actions, they would follow-through with better behavior. Implicit in the advice-giving is an assumption that companies have inherent capacity to implement the proffered advice. But this may not be broadly true. At their most positive, companies have established operations in environments of heightened conflict risk but have all the same succeeded in preventing disruptive conflicts from erupting or escalating. Other operations, however, seem to experience endemic conflict to which company actions may be contributing. Even with best efforts, companies "encounter community dissatisfaction, unrest, opposition, delays, and worse yet, threats and violence" in their own operations in difficult environments (Zandvliet & Anderson, 2009, p. 6). It is well documented that aid providers far too often cause harm because of the unintended consequences of their actions (Anderson, 1999), and the same appears true for companies. Furthermore, there seems to be great variability of company performance within industries and even within different operations of the same company (Ganson & Wennmann, 2012).

As a starting point for understanding this gap between aspiration and achievement for companies attempting to meet both business needs and social expectations vis-à-vis a conflict-prone environment, company managers were engaged in the inquiry. With a dearth of extant frameworks addressing the interplay between business and conflict in fragile contexts, this was a necessarily inductive process using expert informants to help generate actionable insight. As such, it draws on grounded theory, in particular the goal to develop insights that have grab, fit the data, and are useful in the real world (Glaser & Strauss, 1967).

Two data sets inform the discussion that follows and the model that emerges. The first draws on 32 interviews with senior managers and advisors of major multinational enterprises. Casting broadly for insight into general applicability, interviewees intentionally included senior managers with experience across industries (oil and gas, mining, timber production, manufacturing, apparel) and functions (headquarters management, operations functions, legal, strategic planning, purchasing, and community relations). Voices included corporate partners, among them project finance lenders, legal counsel, and corporate social responsibility consultants. Experiences and examples were drawn from Africa, Asia, and Latin America, although virtually all companies were based in the global north.

Interviews were built around a single open-ended question: How did the respondent explain the apparent gap between corporate promises and corporate performance in developing markets? They were individual, except for two small groups of three. Once responses were noted, a second phase of the conversation introduced insights and experiences from prior interviews for further reflection. Interviewees were also asked to articulate questions that for them remained unanswered. These were summarized and related forward to subsequent interviewees. This process allowed different perspectives to be brought into contact through an open and emergent process (Maykut & Morehouse, 1994), largely mimicking the criteria for a focus group (Morgan, 1997). Insights from such a process of course cannot be taken at face value. But they should have a high level of content validity—that is, capture the problem framing and perceived levers for action—from the company perspective (Babbie, 2006). As the exercise involved both theory generation and provisional testing of theory, a constant comparative method of analysis was used (Glaser, 1965) based on interview notes. Additionally, a working paper captured preliminary insights from the first interview series. It was broadly circulated, discussed in cross-sectoral roundtables, and commented on by academics, company managers, and specialist practitioners.

Thirty subsequent interviews targeted country managers of global companies in fragile environments. Prior interviews suggested that country managers would be particularly rich sources of insight. They link headquarters and the field and, therefore, straddle strategic and operational perspectives of the company. They also sit at the nexus of company operations, government and community relations, and increasingly cross-sectoral partnerships, with specific responsibility for adapting the company to its environment. Managers all came from companies that can be considered willing actors: They all have, for example, human rights and anticorruption policies in place, and all monitor and report on their social responsibility. Managers interviewed led operations across a variety of industries in Africa, Asia, and Latin America. Their companies were headquartered in both the global north and south.

These semi-structured interviews included three questions that benefited from the coding and sensemaking of the first round of interviews. The first asked company managers to describe expectations of the company in the fragile environment; the second, for them to describe past blind spots or missteps relevant to the particular conditions of the fragile environment; and the third, to describe experiences or approaches the manager found promising to meeting the dual imperatives of business need and social responsibility. In the second set of interviews, all were individual, and there were no explicit forward or backward linkages of interviews.

Both interview series invited general reflection on company performance in challenging environments rather than using an explicit conflict management frame. Yet, if we aggregate (a) references to conflict the company experienced with local communities, government, or other stakeholders, (b) impacts on the company of conflicts among actors not including the company within the fragile context, and (c) intraorganizational conflict within the company related to operations in those environments, 53 of 62 respondents, or fully 85%, spontaneously raised issues of conflict assessment, conflict management, or conflict resolution. While not their sole area of inquiry or insight, conflict and capabilities for managing it more effectively are clearly on the minds of company managers.

By linking learning from practical experience with salient insights into the existing conflict management literature, we can address two related aspects of the capabilities question. First are the performance goals. We can surface the conflict management capabilities implicit in the normative frameworks proscribing and prescribing company action in conflict-prone environments. By doing so, we can articulate a proposition that is so far absent from the theoretical literature and largely left implicit or ignored in normative practice: *A company's capacity for conflict prevention is a crucial explanatory variable in fragile environments for the gap between desired and observed company performance.* Second are the performance levers. We can begin to unpack the conflict management challenges and opportunities for companies as they attempt to meet these internal and external expectations. We can then posit basic causal relationships and model a management system for conflict prevention as a series of linked processes and their enabling capabilities, exploring its use for future research.

Expectations for Business in Conflict-Prone Environments

Both practitioners and the normative literature on business in conflict-prone environments describe a variety of expectations and aspirations for companies operating in fragile contexts. We can usefully segment these into four normative imperatives and their attendant conflict prevention capabilities. Manager perspectives presented throughout represent a notional consensus view based on the strong weight of the interview feedback. Quotations in italics provide typical voices.

Stop Predatory Behaviors

Business leaders first of all note growing consensus around the need for more vigorous measures to stop predatory behaviors, defined as exploitation of conflict or weaknesses in the local environment for business gain. Corruption, for example, was officially fostered as recently as 2000 by developed countries that gave tax breaks for bribes. International treaties (OECD, 1997; United Nations, 2002) now require that state parties impose criminal sanctions for bribing a foreign public official. The Guiding Principles on Business and Human Rights as well as the Voluntary Principles on Security and Human Rights proscribe entanglements with public or private security services likely to use excessive force. The contours of corporate complicity in international crimes are expanding in mainstream thinking (International Commission of Jurists, 2008), requiring more determined company action.

Ensuring that the company stop predatory behaviors makes more modest demands from a conflict prevention perspective. Antibribery measures require control and audit capabilities at every level of the company, for example, but their implementation is straightforward in process terms (Transparency International, 2005). Nonentanglement requires the board to distinguish, for example, potentially permissible activities in the diamond sector of Ivory Coast (where one study found that diamonds were "not a significant factor in sustaining the rebel movement"; Powell & Yahya, 2006, p. 8) from nonpermissible activities in neighboring Guinea (where the study found "scrambling for power" created "conditions ripe for a potential security problem"; p. 26). Solid conflict analysis that "identifies the key factors relating to conflict and the linkages between them, pointing to sources and dynamics of conflict as well as peace" (OECD, 2008, p. 28) is required. But the actions required are ones that the company can, for the most part, unilaterally take and, to some extent, outsource.

Minimize Negative Impacts

Senior managers report increasing emphasis on the careful management of company operations to avoid the unintentional creation or exacerbation of conflict. In one case, a company built a model village to improve relations with communities within its area of operations. Communities outside the self-defined zone, however, threatened that they would "go into this area and take what they wanted because 'those people got so much'" (Zandvliet & Anderson, 2009, p. 35). Avoiding such scenarios falls at the intersection of *do no harm* (Anderson, 1999) with what would be understood by many businesses as risk mitigation: The ensuing escalation provoked intercommunal violence and disrupted company operations.

The first challenge for conflict prevention is that companies are required to see their own operations through others' points of view; whether a particular action is so unfair or disrespectful as to merit a violent response is, in the end, in the eyes of the beholder. But while "perspective taking increased individuals' ability to discover hidden agreements . . . and appears to be a particularly critical ability in negotiations" (Galinsky, Maddux, Gilin, & White, 2008, p. 378), "power channels behavior toward accomplishing a specific goal, but diminishes the ability to take the perspectives of others." The company's relative power in the conflict environment may be "associated with a reduced tendency to comprehend how other people see, think and feel" (Galinsky, Magee, Inesi, & Gruenfeld, 2006, p. 1068).

A related challenge is that the company must constantly scan the environment for potential impacts. The focus on oil caused conflict tensions to rise in Uganda even at the preproduction stage, for example, although these were easy for exploration companies to overlook (Banfield, 2009). This is consistent with studies that show that "the complex organization of which we're a part is structured in such a way that many features of our environment are outside the purview or our job or functional specialty. Those are usually the features we fail to see as salient" (Martin, 2007, p. 45). Going about its legitimate business, it may be easy enough for the company to be blind to the impact of its actions on others.

Among the most frustrating conflict prevention challenges reported by interviewees are those of mobilizing a response to conflict or conflict risk within the company. Where community relations or corporate social responsibility (CSR) functions work to align internal stakeholders to address what may be only potential conflict, managers confirm that "intergroup bias, group territoriality, and poor negotiations across the organization" result that, in "decentralized organizations, it is harder to work with other divisions or departments of their own organization" than it is to work with stakeholders outside the organization (Caruso, Rogers, & Bazerman, 2007, p. 2). This may reflect both the ways in which the *prior ideology* of the dominant functions within the company affects the framing of strategic choices (Child, 1972). In particular, managers report a tendency to see operations through a technical lens—"*we're only crushing rock*"—and a belief that the company is a neutral actor in the conflict environment. Designed to efficiently deliver against technical and financial goals, functions with operational or profit and loss responsibility may find it difficult to take conflict or conflict risk seriously.

Create Positive Externalities

Companies are increasingly encouraged to harness positive externalities of their core business in ways that promote peace and inclusive development. One example is the multistakeholder effort to transform the coffee industry in Rwanda. As employment, incomes, and interactions across previous divides increase, there is evidence of a lessening of the sense of ethnic distance among members of Rwandan society, greater levels of trust and conditional forgiveness, and more positive attitudes toward reconciliation (Boudreaux, 2010). Some highlight such examples to argue that "a bolder approach could draw together capacities from development agencies, the private sector, foundations, and NGOs in a new global partnership to galvanize investments in countries and communities where high unemployment and social disengagement contribute to the risks of conflict" (World Bank, 2011, p. 31).

From a conflict prevention perspective, such approaches put additional and substantial demands on company capabilities. To begin with, problem dynamics found in individual negotiations may also be typical of organizational collaborations: asymmetric levels of engagement (Austin, 2000), power imbalances (Selsky & Parker, 2005), the real versus apparent purpose of engagement (MacDonald & Chrisp, 2005), multiparty dynamics (King, 2007), and uneven or misaligned interests (Yaziji & Doh, 2009), to name only a few emerging in the literature. Particularly in the presence of both conflicting and convergent initiatives by partners in complex multistakeholder initiatives (Covey & Brown, 2001), these the company must learn to manage.

Major disconnects in structure, culture, and outlook can divide multinational enterprises from prospective partners in peace and inclusive development. Often the teams expected to work across the organizational interface require negotiation and team-building skills to work effectively; facilitation and collaborative planning skills help them engage other stakeholders (Chayes & Chayes, 1999). Dialogue is required to negotiate not only the details of cooperation but shared purpose, direction, and joint decisions (London, 1995). Particularly for firms driven by so-called *plan and deliver* cultures, "a generalised ability to sustain conflict within a collaborative relationship and the development of experience in non-structured relationships based on continually emerging processes"—flagged as critical aspects of business–NGO partnerships (Seitanidi & Crane, 2008, p. 20)—may be difficult to cultivate.

As when working to minimize negative impacts, discussed above, internal challenges may be as daunting as external ones. On the one hand, there may be growing acceptance that "an affirmative corporate social agenda moves from mitigating harm to reinforcing corporate strategy through social progress" (Porter & Kramer, 2006, p. 10). On the other, the closer the external partnership moves toward impact on core business strategy in an already difficult context, the more corporate representatives to a multistakeholder initiative must manage Kelman's *reentry problem*: The more cohesive the external coalition, the more diminished its effectiveness within the home organization (Kelman, 1993). The broader organization may resist reframing of its understanding of its role and its purpose in the conflict environment (Je Ber & Branzei, 2010), undermining the external collaboration and its goals.

Be Peacemakers and Peacebuilders

Finally, some international actors explore a more prominent role for business in peace writ large. Opinions differ on business's relative strengths and weaknesses. Some, for example, are concerned that "businesses tend to have a short time horizon" (Tripathi & Gündüz, 2008, p. 25), while others argue that "outreach to the private sector can help build a sense of the long term, which is critical for planning, investment in the future, and sustainable growth" (World Bank, 2011, p. 122, citing Mack, 2003). There is a warning that "when business is seen as acting according to self-interest, its intervention can be counter-productive" (Tripathi & Gündüz, 2008, p. 25), while evidence from other contexts suggests that transparent self-interest serves to build credibility and trust (Committee for the Encouragement of Corporate Philanthropy & McKinsey & Company, 2010).

Despite these differences on the margins, many examples demonstrate roles for business in relationship-building, reaching out to excluded parties, breaking down horizontal and vertical divisions, convening, mobilizing support, and bringing technical expertise or resources to the table. These "suggest that the private sector can directly or indirectly participate in peace processes" (Wennmann, 2011, p. 9) and that "defining a role for . . . business as partners for peacemaking is an important element to strengthen the transition from war to peace" (p. 103). In the postconflict environment, business engagement for inclusive growth may in particular help create "signals and commitment mechanisms to build collaborative coalitions, demonstrating a break from the past and building confidence in positive outcomes" (World Bank, 2011, p. 16).

This invites companies to become partners in peacemaking and peacebuilding assessment, planning and execution. Here, we may need to acknowledge that we are asking companies to function effectively within a broken system. Although alignment of efforts is critical, "joint planning and assessment tools have not generally been used to their full potential" (World Bank, 2011, p. 192, citing Chandran et al., 2009). The OECD Fragile States Principles Barometer noted that donor commitments both to implement "do no harm" and to "agree on practical co-ordination mechanisms between international actors" are "off track" and trending negatively (OECD, 2011a, p. 10). At the very least, companies will require capabilities to help bridge what Lederach (2008) called the *interdependence gap,* relating "their particular piece of the wider puzzle" to "other actors, levels, processes and activities" (p. 102).

A Hierarchy of Norms and Expectations

The segmentation of normative expectations along with illustrative examples and attendant conflict management capabilities can usefully be illustrated as the hierarchical continuum presented in Table 1, reflecting insights from both theory and practice:

First, as action to prevent or ameliorate conflict deepens from bottom to top along the continuum, the conflict management skills implicated are likely cumulative. All sound conflict prevention is based in conflict analysis; perspective-taking and intraorganizational negotiation are also required to maximize positive externalities, and so on. By the time we arrive at peacemaking and peacebuilding roles for business, the full range of mediation and conflict transformation capabilities have come into play.

Second, movement along the continuum indicates increasingly outward focus and, therefore, interdependence. Whereas anticorruption measures may be executed by the legal and audit function largely within the company, inclusive value chain initiatives typically involve deep engagement with a variety of organizations and individuals likely to advocate very different frames, perspectives, priorities, and modes of operation, but on whose performance the company must increasingly rely. This increases the complexity of the systems the company must manage to meet heightened expectations.

Third, progression along the continuum will increase the likelihood of role conflicts inside and outside of the business. Norms around stopping predatory behaviors, for example, appear most deeply imbedded

Table 1
Hierarchy of Conflict Prevention Expectations

Hierarchy	Expectation	Examples	Illustrative capabilities
Increasing skill, interdependence, and potential role conflict ↑	Be peacemakers and peacebuilders	• Convene conflict actors • Signal long-term commitment	• Mediation • Conflict transformation
	Create positive externalities	• Develop local value chains • Create productive roles for youth	• Collaborative planning • Multiparty processes
	Minimize negative impacts	• Distribute benefits fairly • Treat the community with respect	• Perspective-taking • Intraorganizational negotiation
	Stop predatory behaviors	• Make no bribes • Avoid nasty entanglements	• Conflict analysis • Reliable execution

within willing companies. One manager discussing corruption noted that "*the era of 'don't ask, don't tell' is over. That's the practical reality*." This is unlikely to be contradicted inside or outside the company. Discussions of shared value or peacebuilding, however, remain contested. One experienced manager commented wryly, "*Weren't they telling me just a few decades ago to get out of politics?*" Some may hesitate to invite companies into positions of even greater social, political, or economic influence, even as others call for greater company commitment to improving the societies within which they operate. Conflicts not only over the company's actions and their impacts but also around its very values and goals must be managed.

Challenges and Opportunities for Conflict Management within Companies

Even this cursory analysis should help explain the challenges companies face when they respond to calls for more impactful action. The more we expect companies to turn from inward to outward focus, and the more we hope they engage and partner with diverse stakeholders in complex and interdependent systems, the predictably harder it will be for them to execute. The question of how companies work to meet these challenges remains. By again linking insights from the practical experience of company managers with understanding of conflict management from the existing literature, insights emerge. These allow us to map processes for managing conflict at a company level and provide understanding of the tailored capabilities the company will need to execute against them.

Analytic Skills

Managers emphasize the need for individuals within the company to clearly understand and analyze a complex environment. One noted that it was "*necessary to know everything going on around the company: Geography, politics, economics, expectations of the company.... While the company is trying to shape the environment, it is important to remember that other actors are trying to shape the company*."

Few leaders, however, believe that companies take manager preparedness seriously. An executive of a multinational energy giant told of a career move. The global head of human resources called to say that because of her outstanding performance as country manager for one of the company's most important European operations, she had been selected for a challenging assignment. In just a few weeks, she would lead operations in a country where the company was in partnership with a despised regime facing multiple armed uprisings and where the company's operations were constantly scrutinized in the press and protested by international stakeholders. Correctly sensing that the ensuing silence was in part due to her questioning of her own capabilities to take on such a role, the head of human resources quickly moved to reassure her. "Don't worry," he said. "It's a gas project, too." From the company's perspective, the old assignment involved getting raw materials out of the ground, and so did the new one.

Senior managers express frustration at the underpreparation of company managers for effective action in conflict environments. Anderson (2008) noted that, for outside interveners, "peace is not an area for amateurs" (pp. 125–126). Effective actors must perform accurate and up-to-date conflict analysis; establish comfortable, trusting, and transparent relationships with diverse people who may not share their values; use specialized mediation skills to identify common concerns that can unite antagonists while also respecting fundamental differences and opposing positions; and have the ability to be calm and comfortable in situations of danger, threat, and emotional and physical stress. Senior managers largely agree with Anderson's assessment that these "are not common, everyday skills found among corporate managers" (p. 126). They echo studies suggesting that global companies require business competencies in which most managers have no background or training, including the competencies needed to deal with foreign country interests, multiple domestic and foreign pressure groups, or international conflict (Saner, Yiu, & Søndergaard, 1993).

Leaders report curious gaps in their companies' development of leadership models, *knowledge, skills, and abilities* (KSAs) and development plans for staff in conflict environments. One senior manager noted that her company considers tenure in a difficult environment an important stage in career advancement, although it takes no particular steps to prepare managers for success. She reflects that the company is probably right in assuming that a leader who survives trial by fire amid sociopolitical tensions will be successful elsewhere later on. But she questions whether this is a strategy for success, either for a company or a society in conflict. Others note that "it has become an essential organisational skill to be able to effectively identify and properly engage with stakeholders" and that "organisations need to better understand the multiple perspectives of many stakeholders and the interrelatedness of the systems in which they operate" (Hollesen, 2009). Yet conflict prevention is still largely perceived to be the domain of the CSR, or "*community relations ghetto*," not part of mainstream management training and development. Given the ways in which various blind spots lead to environmental threats remaining unchecked (Bluedorn, Johnson, Cartwright, & Barringer, 1994), effective company action may require greater senior management sensitization to conflict prevention as well as its data and analytic needs. Some recent works do begin to address questions of general manager development (Ganson, 2013).

Governance and Management Systems and Processes

Companies are tempted to explain conflict as "*force majeure*": largely unpredictable and certainly outside the control of the company. Yet when asked to critique their systems and practices for conflict prevention, senior managers pointed to common weaknesses. These seem to represent challenges in translating what individuals see and understand into plans and action for the company as a whole. As one leader noted, "*We're rarely surprised as individuals—somebody somewhere saw conflict coming. But we're far too often 'surprised' as an organization*." Leaders describe systems and processes that anticipate and recognize potential conflict (overcoming what we might call organizational myopia or shortsightedness), as well as calibrate and mobilize response to it (overcoming what we might call organizational dyspraxia or motor impairment), as critical to conflict prevention.

Overcoming Organizational Myopia

One manager reflected that the majority of corporate analytic resources vis-à-vis a conflict environment are invested before operations begin. Political and operational risks are assessed as part of the presentation to the board of directors for the go or no go decision; environmental and social impact assessments are conducted by outside consultants as part of the check-off list for the project finance lender before the first disbursement of funds. New large-scale operations may entail many handoffs within the company, from a strategic planning team to a deal-making team to a start-up team to an operations team. Along the way, much of the insight about significant risks may be lost. Additionally, the company most frequently deals with aligned players—local partners who support the company, government officials responsible for economic development, and the like—further narrowing its field of vision. Operations people then concentrate on operations, not the socio-political environment.

Recent work by Clemons and Gray (2013) is one example of approaches to scenario planning that help move companies toward dynamic analysis and understanding of the environment as part of general management practice. Like traditional methods, their scenarios identify key risk factors and likely developments. Clemons and Gray, however, draw more explicitly upon context and historical patterns in their derivation of driving uncertainties. Since they start with a dynamic model, they are able to go further than prediction, facilitating active monitoring of the scenario as it actually unfolds as well as developing options for the company to influence outcomes.

Whether through dynamic scenario planning or otherwise, it appears critical to make explicit the task of listening carefully. Companies thereby come to understand how *others* balance the direct costs and benefits of company operations, the social impact of its presence in the country or the community, and the company's action or inaction on problems in the social political environments. What emerges is a counterpart to theories of change, a kind of theory of possible negative impact. Looking to its own actions, the company might note that "if our failure to develop local contractors results in large and visible imports to support our operations, then we will lose the support of both local business and the community." Paying attention to the actions of others, it might see that "if the government does not follow-through on its commitment to fairly resettle displaced communities, then we will be complicit in human rights violations." Such explicit theories of possible negative impact signal to the organization what is important and what should be watched out for.

Overcoming Organizational Dyspraxia

Even once the company registers conflict risks, managers report sluggish responses. Local management may be slow to develop a plan of action and headquarters even slower to approve it. One manager described a situation where the labor relations team realized that the company was inadvertently hiring almost exclusively from one ethnic group in a postconflict environment, largely tied to past discrimination in access to education. This was exacerbating tensions between the communities and building resentments against the company. Finance, operations, community relations, legal, and government relations functions, responding to different concerns and constituencies, all expressed different views on what should or should not be done. Internal wrangling delayed a company response until after violent incidents had occurred.

Some companies find such paralysis easier to overcome when the company incorporates social and political risk scenarios into the core business case, company strategies, and every function's operational plans. "*If the risk of encountering a granite ledge is front and centre in the exploration plan*," said one manager, "*the risk of losing local community support should be, too*." Insights, risks, and mitigation strategies so codified stay on the radar beyond any one manager's tenure or internal function's leadership of company operations. They become an integral part of management review and dialogue, both among the site manager and her leadership team, and between headquarters management and the local operations. Companies such as Talisman Energy—which conducted a top-to-bottom review of its governance and management practices after a bruising experience in the Sudan—report success with cross-functional assessments, unified plans for managing *below the ground* and *above the ground* risks, stop-gate processes that make it easier to press the pause button when necessary on operations in conflict environments, and clarification of board level and executive roles (Talisman Energy, 2006).

Operational Capabilities

Decisions must then be put into action. Interviewees largely agreed that "the principal distinction between investments in weak and in stronger governance host countries lies not in differences in the concepts and principles that apply to managing them, but in the amount of care required to make these concepts and principles a reality" (OECD, 2006, p. 12). Or, as noted in a study of successful businesses in complex operating environments, "creativity was not the issue, implementation was" (Anderson, Markides, & Kupp, 2010, p. 16). Nelson Mandela was reportedly fond of saying that an issue "was not a question of principle; it was a question of tactics." In the same vein, one senior manager noted that "*we need to get past the notion that managing social performance is somehow different from managing other parts of our business*." Managers described a range of performance levers relevant to conflict prevention. Table 2 gives illustrative examples.

These describe management approaches that place accountability on operational management. If protesters are blocking the gate, the plant manager may tell community relations to fix the problem. Yet the root cause may be contractors not paying promised wages or the community believing that company drilling is causing its wells to dry up. Certainly the community relations function plays plays a critical role. But leaders doubt that companies can meet their conflict prevention goals by turning them over to

Table 2
Conflict Prevention Performance Levers

Performance lever	Weaker use	Stronger use
Risk scenarios imbedded in strategic and operating plans	Proliferation of risk studies, impact assessments, and CSR reporting	Unified risk assessment, strategy setting, and operational planning to meet technical, financial, and social goals
Clear, concrete goals and metrics	Aspirational standards and process measures	Hard (even if modest) targets
Well-understood systems and procedures	"Because every environment is different, we leave it to the local operating head"	Common approaches to analytic inputs, decision milestones, resource calculations, and management review
Personal and organizational accountability	"You can't hold us responsible for what we can't control"	Organizational and personal objectives aligned with risks, strategies, and goals
Professional and leadership development	Trial by fire	Sensibilities and capabilities beyond technical expertise, including conflict prevention

a small subteam within the company. They believe that goals and accountability for their achievement must be broadly shared across the company. This is consistent with studies that have found, for example, that "delivery of social performance is ultimately a shared responsibility of the management team" (Fossgard-Moser, 2005, p. 113).

Companies may argue that they cannot be held accountable for what they cannot control. Yet some overcome such thinking. A single workplace fatality, for example, will lower the year-end bonus for every employee in the regional division of a mining company with a strong safety culture. In such companies, safety is on the mind of every person regardless of role. By contrast, many companies that tout labor rights as a corporate policy have supply chain management or contracting departments whose year-end bonuses are driven by PQT—price, quality, and timeliness—but not by labor standard compliance. As another example, Shell had developed a credible strategy for reconciliation with the Ogoni in Nigeria, but its strategic approach did not "mandate business units to perform in a particular way." This validated doubts over "whether Shell Nigeria has the internal capability and the will to play a full part in Shell's corporate journey towards a more sustainable approach to development" (Wheeler, Rechtman, Fabig, & Boele, 2001, p. 194).

Mechanisms for Stakeholder Engagement

A common complaint heard from company managers is that "*all of us are out 'consulting' all the time. So why does everybody still complain that we aren't listening?*" This problem is overcome, say leaders, only when stakeholders agree on the mechanisms for when and how they are consulted as well as the consequences of reaching or not reaching agreement. This requires an explicit architecture for engagement, negotiated together with the external stakeholders.

Companies report progress in resolution of labor grievances that may highlight principles of more general applicability. One mechanism negotiated among farmers, labor organizations, and NGOs in South Africa uses a multistakeholder Oversight Stakeholder Body to ensure that grievance processes are fairly conducted and independent of pressure from any party. Both management and labor receive the same information about their reciprocal rights, duties, and obligations. Grievances can be raised with access points on the farms but independent from management. Mediation support is available where parties do not settle. Finally, the unresolved disputes move to the Commission for Conciliation, Mediation and Arbitration, supporting rather than bypassing government institutions. The mechanism was successfully negotiated despite significant labor–management tensions over farmworker unionization and the use of farm labor brokers. There is evidence that confidence-building through the grievance mechanism negotiations has enabled more productive discussions on other issues. The key seems to be companies' willingness to help build a process where they are an equal participant with other stakeholders (Rees, 2011).

Multistakeholder dialogue, problem-solving, and decision-making are also critical before grievances arise. Innes and Booher (2010) argued that "collaborative planning is well-adapted to dealing with a complex, changing and fragmented system" and can "lead to changes in the larger system that help make our institutions more effective and make the system itself more resilient" (p. 10). Laplante and Spears' (2008) extensive study of consent processes in Peru in situations of heightened and often violent conflict reached the conclusion that "durable agreements cannot be reached unless companies and communities have the capacity to engage in meaningful consultations." Furthermore, "consultations must be part of consent processes in which companies relinquish some measure of control over decision-making" (p. 70).

Managers note that the company must align internal management systems with the interorganizational mechanism. They reflect that the outward-facing interfaces of the company are often relatively weak players within the corporation itself, with limited capacity to make credible promises or deliver performance on the part of the company, echoing a study reporting that "there is a bit of an 'us' and 'them' relationship between CSR staff and country managers" (Mamic, 2005, p. 92). One manager related the successful transition his company had made. Formerly, he said, "*our CSR staff were promising 'a new paradigm.' But their 'award winning' CSR report bore little relationship to our actual company operations*." This meant that promises made externally were not delivered on internally, undermining trust and credibility. Now, "*government relations is at the table for strategic and operational planning and review. If it's not in the plan, they can't do it. And if it is in the plan, we're all accountable for making it happen*." He reported that commitments made to stakeholders can more quickly and automatically become part of the operating goals of the company. Company ambassadors in turn develop reputations for credibility, integrity, and the ability to deliver.

Systems Learning and Improvement

Managers interviewed describe working in turbulent environments. "*The only thing predictable*," said one, "*is that everything will go differently from what you expect*." The company reaction to such uncertainty is often to rely increasingly on centrally and predetermined processes and outputs. Yet such focus on predictability "*traps the company in a plan that doesn't reflect reality*." Related another, "*the only viable plan in a context of great uncertainty and volatility is a plan to stay nimble*."

The value in such contexts of systems approaches "in which socio-technical systems are treated as dynamic processes that are continually adapting to achieve their ends and to react to change in themselves and their environment" seems evident (Marais, Dulac, & Leveson, 2004, p. 14). The conceptualization of a systems approach to conflict prevention has been articulated in the peacebuilding context (Ricigliano, 2011). Whether through Senge's Fifth Discipline (1990) or by *going meta* on learning (Argyris, 2003), some higher degree of organizational learning is in order. More profoundly, in the context of conflict prevention and amelioration, the system necessarily includes a variety of actors outside of the company, and higher expectations imply greater interdependence. Where their role in the environment is contested, "companies will also have to be prepared to re-visit how they engage with external stakeholders and to contemplate greater external involvement in planning and performance review processes" (Kemp, Boele, & Brereton, 2006, p. 401).

A Model for Conflict Prevention

Company operations in fragile environments are defined by heightened sociopolitical tension and conflict risk. Interview data, all the same, suggest that in the majority of cases the external environment does not determine whether conflict will threaten the company's operational goals or whether company operations will exacerbate or help mitigate conflict. Managers' practical insights paired with theoretical referents allowed us to posit that a company's capacity for conflict prevention is a crucial explanatory variable in fragile environments for this gap between desired and observed company performance. They identify capabilities implicit in the normative frameworks proscribing and prescribing company action in fragile environments. Further exploration documented management challenges for companies as they attempt to meet internal and external expectations in dynamic and unpredictable contexts as well as approaches that managers found more promising along with their reference points in the literature. In a field where theory is relatively weak on what effective organizational-level conflict prevention may entail, this allows us to model a company's capacity for conflict prevention as a management system comprised of a series of linked processes with their attendant enabling capabilities (Figure 1).

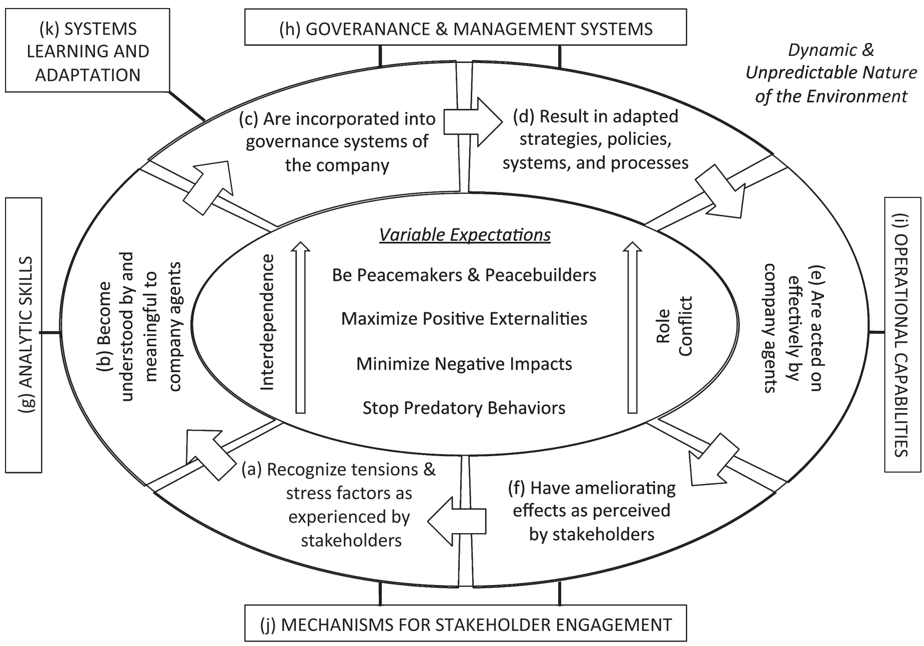

Figure 1. Management system for conflict prevention in fragile environments.

The management system begins with (a) recognition of tensions and stress factors as perceived by stakeholders in the environment, whether caused by, exacerbated by, or simply impacting on company operations. These must (b) become understood by and become meaningful to individual agents of the company. What is understood by the individual must become known by the organization, first (c) incorporated into governance systems of the company and then (d) resulting in adapted strategies as well as the policies, systems, and processes for acting on them. These in turn must be (e) effectively operationalized by agents across the company. Action must be tested and measured on the basis of (f) their ameliorating effects as perceived by stakeholders in the environment. Located around the system are the organizational capabilities that enable the processes as well as the system's continual adaptation and improvement: (g) analytic skills, (h) governance and management systems, (i) operational capabilities, (j) mechanisms for stakeholder engagement, and (k) systems learning and improvement. (The nature of each distinctive to fragile environments is explored in detail in the main discussion above.) We can posit that these processes (a–f) and their attendant capabilities (g–k) are links in a chain: The failure of any one process element or the insufficiency of any capability will increase conflict risk to the company and its environment.

The management system for conflict prevention along with its attendant enabling capabilities will be tested across two dimensions highlighted by interviewees and incorporated in the model. On the outward boundary of the system are the defining dynamic and unpredictable elements of a fragile environment. Each element of the system must be attentive and responsive to conflict risks whether caused by, exacerbated by, or simply impacting on company operations. On the inward boundary is the hierarchy of expectations as well as the differentiated challenges of interdependence and potential role conflict they imply when internal and external constituencies disagree on the company's responsibilities or level of engagement. Each component of the system must again be alert and capable of responding appropriately to these tensions. We can further posit that the more conflict prone the external environment, or the greater the divergence of expectations for the company's role among internal and external constituencies, the more robust the system and rigorous its implementation must be across these interrelated dimensions. Taken as a whole, the model posits that conflict risks are mitigated and chances to ameliorate conflict improved commensurate with the degree to which the management system aligns these processes and their enabling capabilities with the demands of the environment and the demands of stakeholders for the company in that environment.

Usefulness to Practitioners

The model provides practitioners with useful diagnostic entry points as they work to understand and improve company operations. All interviewees expressed at least partial dissatisfaction with their own companies' performance in conflict, postconflict, or other volatile sociopolitical environments. Despite being committed to ethical operations in difficult places, they report often enough failing to meet the technical, financial, legal, reputation, and social responsibility goals they have set for themselves. The model invites managers to consider, for example, where in the system for conflict prevention company processes may be weak and whether the company has capabilities at levels necessary to deliver as promised. It invites managers to design systems appropriately robust for the demands of a particular environment and to consider the specific performance levers for their implementation. Used across internal and external constituencies to calibrate expectations or improve collaboration on conflict prevention, its strength may be, as with soft systems approaches, "its ability to bring to the surface different perceptions of the problem and structure these in a way that all involved find fruitful" (Chapman, 2004, p. 76).

Usefulness to Theory Development

Built inductively from practical insight into the management challenges for business in conflict-prone environments, the model guides further inquiry. It posits explanatory variables as entry points for research on the effectiveness of company conflict prevention and resolution in fragile contexts. As such, the model serves as a constructed type, selecting and accentuating distinctive aspects of corporate capacity to prevent conflict with empirical and theoretical referents, that allows future case studies to be described in comparable terms (McKinney, 1966). It posits causal relationships among capabilities, the environment, and company performance that guide exploration of conflict prevention outcomes and their association with different variables, building toward a more robust explanatory typology (Elman, 2005). Such typologies have proven important to management research, as they allow us to "represent organizational forms that might exist rather than existing organizations" and to explore combinations of multiple organizational dimensions to arrive at ideal types (Doty & Glick, 1994, p. 233). Given the lack of conflict management research focus in this domain, there may be particular value to a meeting point for theory and practice through "a parsimonious framework for describing complex organizational forms and for explaining outcomes such as organizational effectiveness" (p. 230). The model developed is a modest but necessary step toward such an empirically rigorous and theoretically sound description of the organization that can prevent and ameliorate conflict in fragile contexts.

Conclusion: The Importance of Bridging the Theory–Practice Gap

Conflict in the context of large-scale business investment in fragile environments is a growth industry. Yet the conflict management literature has been relatively silent on the question of whether and how distinctive organizational capabilities contribute to conflict risk mitigation or conflict resolution. This article advocates shifting some share of mind from the *what* to the *how* of company operations in conflict-prone environments. Beyond normative standards of conduct to which companies are expected to adhere, inquiry into the company's capacity to meet its obligations and take more constructive action is required. Research that rallies diverse perspectives on management, organizational, and conflict management theory can better explain and guide company operations in fragile contexts. It can explore, for example, specific forms for conflict prevention systems that provide the greatest leverage for mitigating conflict risks in environments of already-heightened sociopolitical tension. It can propose the indicia or leading indicators of an organization possessing an adequate degree of conflict prevention competency, permitting early warning of an organization that is not effectively identifying and preventing conflict even before disruptive conflict breaks out. It can even test more rigorously the grand theory unpinning this discussion: That these conflict management capabilities matter to the prevention and amelioration of conflict in fragile contexts. Such inquiry by practitioners and scholars can help keep the promise of private sector investment as a foundation for stability, inclusive development, and economic growth, even in the world's most difficult environments.

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