



How to Employ Conflict Sensitive Business and Investment Practices in Frontier and Emerging Markets

Jennifer Oetzel
Professor of International Business
Kogod School of Business, AU

Businesses in fragile and conflict affected countries

- ▶ **Managing risk or peacebuilding? What might lead companies to consider the latter?**
 - ▶ Limitations of current strategies
 - ▶ Changing expectations of business
 - ▶ Increasing need to better understand the complex challenges facing business
 - ▶ Peacebuilding strategies and competitive advantage
 - ▶ Need for context specific knowledge

What do companies do and why?

The good....

- ▶ Intel and conflict minerals
- ▶ Starbuck's and refugees

...and the bad. Business as usual can fuel conflict

Microsoft and Coca-Cola in Myanmar

- ▶ Microsoft formed a multimillion dollar joint venture with the Shwe aung Group in 2013. The leader has been flagged by the U.S. Treasury as a major drug trafficker and money launderer.
- ▶ The CEO's family are subject to EU sanctions for corruption and money laundering in his former role as owner of Myanmar's largest bank.

...and the bad. How should this be done differently?

Heineken and Colombia – outsourcing risk

- ▶ Anheuser-Busch InBev controls over 90 per cent of Colombia's beer market and generates nearly 80 per cent of Colombia's consumer tax revenue on sales of US\$10bn/year.
- ▶ For decades SABMiller–AB InBev has subcontracted the delivery of beer to areas controlled by rebel groups in the country, drug traffickers and other conflict actors.
- ▶ These checkpoint revenues generate a substantial revenue stream that is used to fund insurgent activities.

What would conflict sensitive practices look like in these cases?



Reference

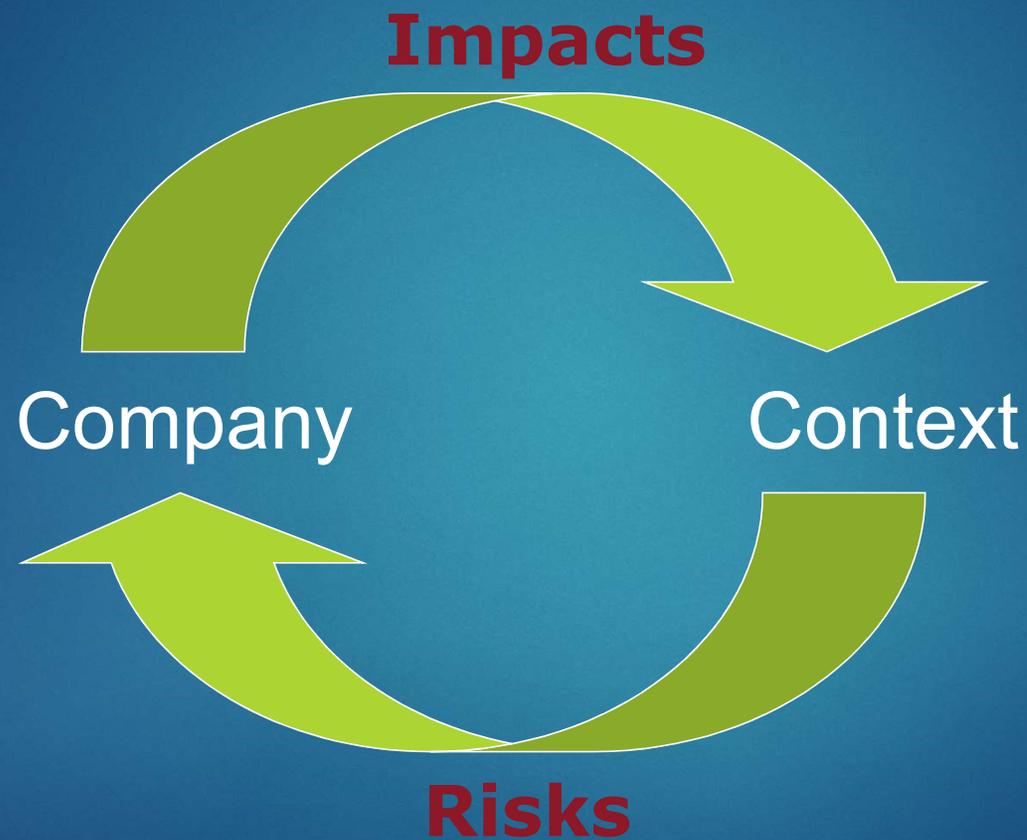
Oetzel, J. & Miklian, J. 2017. Multinational enterprises, risk management, and the business and economics of peace. ***Multinational Business Review***.

- ▶ <http://www.emeraldinsight.com/doi/full/10.1108/MBR-09-2017-0064>

Conflict-Sensitive Business Practice



Conflict-Sensitivity & Business



Managing Unintended Negative Impacts

- ▶ Company's presence is never neutral
- ▶ Perceptions Matter
- ▶ Unmanaged impacts are often negative

Six Impact Areas

- ▶ Social Cohesion
- ▶ Quality of Life
- ▶ Violence
- ▶ Respect
- ▶ Capacity
- ▶ Human Rights Abuses



Community expects **tangible** benefits

But...

When the relationship breaks down, it is about the **intangibles.**

Key Principles

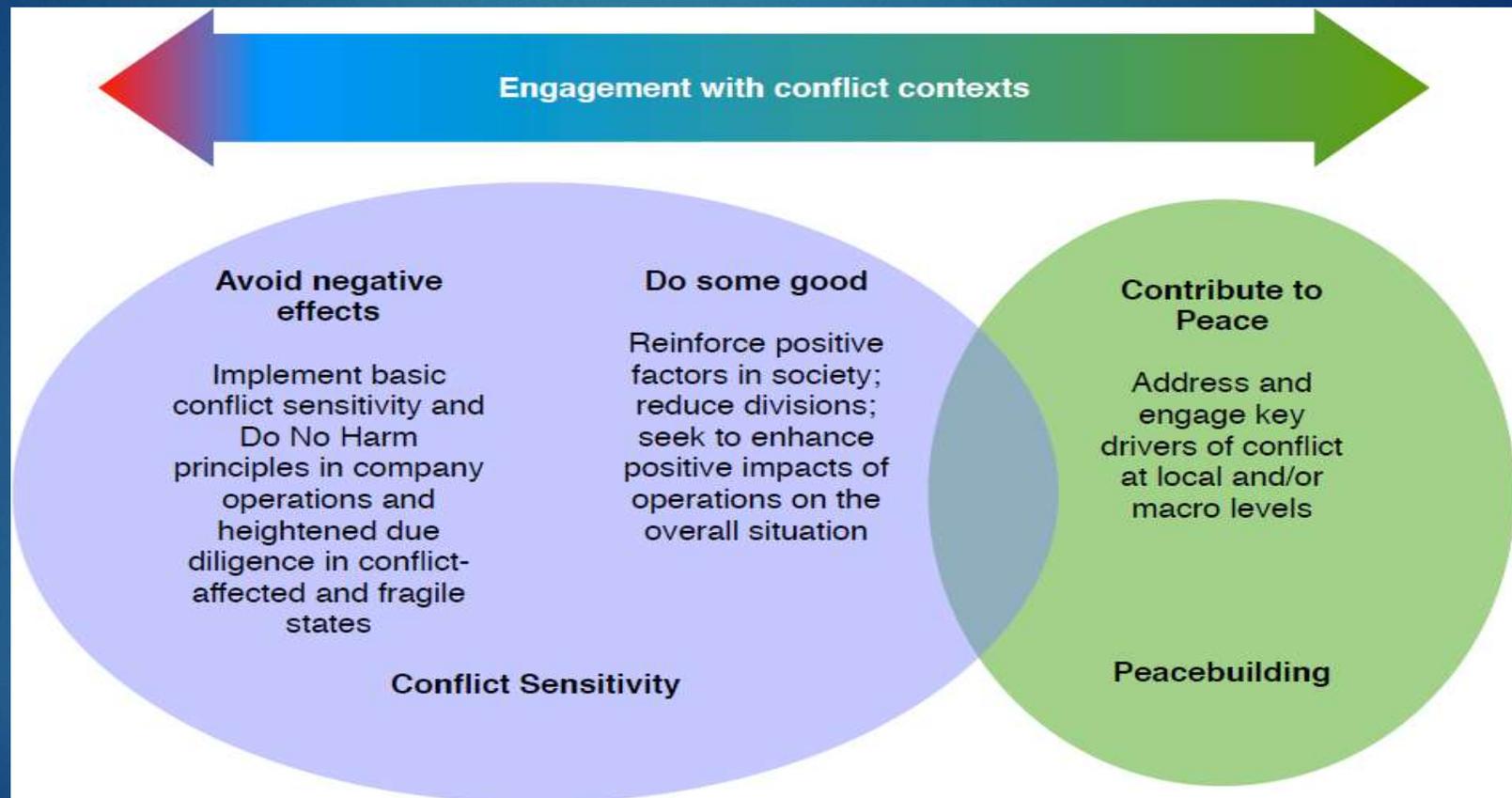
- ▶ 4 principles to determine impact

1. Fairness
2. Respect
3. Broad Accountability
4. Transparency

Conflict-Sensitivity for Business

- ▶ Approach to assess and address conflict costs and risks for companies - **sensitive to existing or potential conflicts**
- ▶ Helps better understand, and plan to avoid, these risks - **reduce conflict-related risks and costs**
- ▶ Helps to maximize positive contributions
- ▶ Helps a company to get a **social licence to operate** on the local, national and international level

Companies in Conflict Contexts



Conflict-Sensitivity versus Peacebuilding

- ▶ Creation/reform of political institutions
- ▶ Contributes to momentum for peace
- ▶ Prompts people to resist violence
- ▶ Increases people's sense of security
- ▶ Improvement inter-group relations

Business for Peace: A Business Leadership Platform

Launched in September 2013 by Secretary-General Ban Ki-moon, and identified in Forbes as [one of the five areas defining the future of CSR](#), Business for Peace supports companies in implementing responsible business practices that are aligned with the Global Compact principles in conflict-affected and high-risk areas.

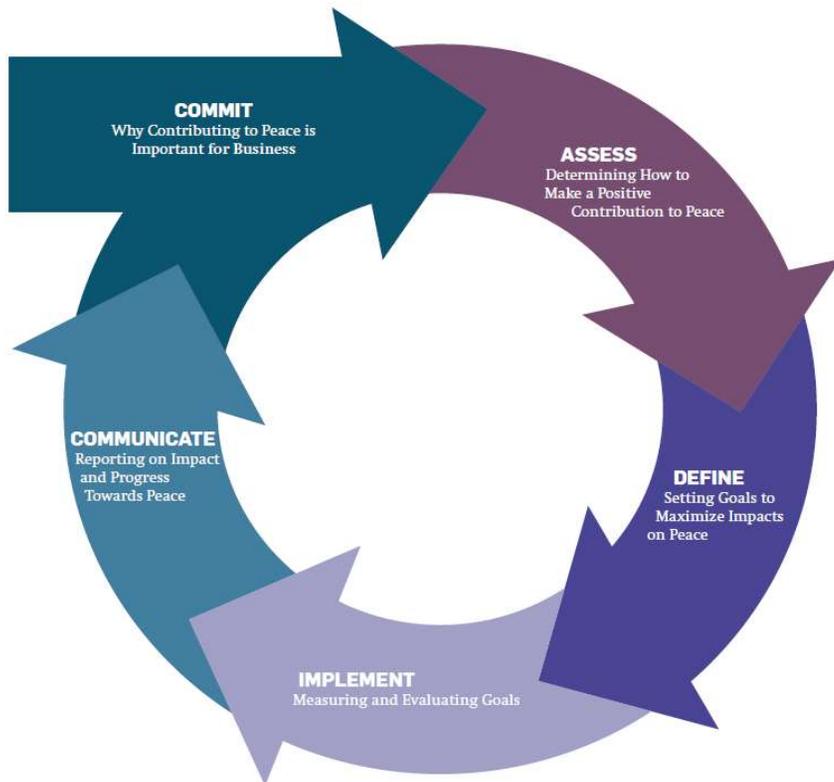
Companies who join B4P commit to:

- 1) Pay heightened attention to implementing the **UN Global Compact ten principles** in high-risk/conflict-affected areas
- 2) **Take action**: Companies will commit to take action and engage in partnerships to advance peace and development
- 3) **Annually communicate on progress**: Companies are encouraged to use their annual Communication on Progress to make their actions for peace public



United Nations
Global Compact

Management Model & Peace Frameworks



HUMAN RIGHTS

- Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 make sure that they are not complicit in human rights abuses.

LABOUR

- Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and
- Principle 4 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- Principle 7 Businesses should support a precautionary approach to environmental challenges;
- Principle 8 undertake initiatives to promote greater environmental responsibility; and
- Principle 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

THE PILLARS OF POSITIVE PEACE



Responsible Business in Conflict-Affected Areas

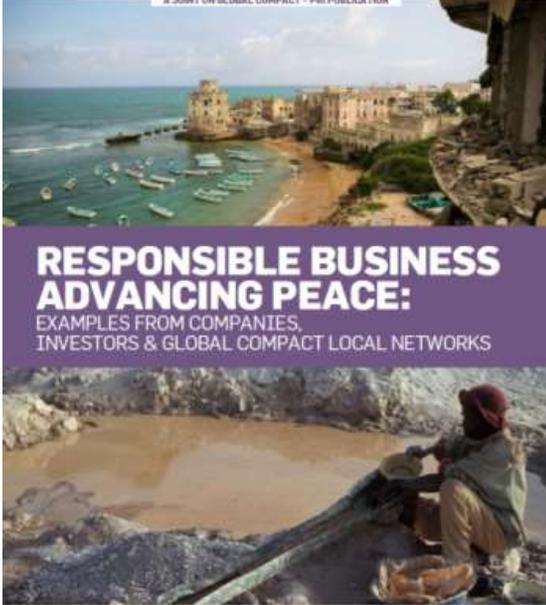


GUIDANCE ON RESPONSIBLE BUSINESS IN CONFLICT-AFFECTED AND HIGH-RISK AREAS:
A RESOURCE FOR COMPANIES AND INVESTORS

A joint UN Global Compact – PRI publication

Operationalising the UN Global Compact PRI
"Guidance on Responsible Business in Conflict-Affected and High-Risk Areas"
A JOINT UN GLOBAL COMPACT – PRI PUBLICATION



RESPONSIBLE BUSINESS ADVANCING PEACE:
EXAMPLES FROM COMPANIES,
INVESTORS & GLOBAL COMPACT LOCAL NETWORKS

Case Study Discussion

Discussion (Company Case Study)

What are the company's business drivers to address this scenario?

What policies and/or programmes would be recommended for the company?

What are some foreseeable challenges for the company in delivering/implementing the proposed policy and/or programme?

What would be the expected outcomes from the engagement?

Discussion (Investor Case Study)

What are investment rationale?

How should the investor engage with the company?

What are some foreseeable?

What would be the expected outcomes from the engagement?