

## **Report of the Sixth Consultation of the Corporate Engagement Program October 29-30, 2013**

The sixth Consultation of the CDA Corporate Engagement Program (CEP) was held in Cambridge, Massachusetts from October 29-30, 2013. The Consultation brought together representatives of extractive and energy companies, multilateral organizations, international NGOs and institutes for corporate social responsibility and citizenship (CSR). Participants expressed eagerness to engage in the collaborative learning process to discuss, share, and improve upon the existing resources and corporate practice in maintaining constructive stakeholder relations and upholding international human rights standards in conflict-affected and fragile operating environments.

CEP is now in its thirteenth year of engaging in field-based learning to document best practices and develop practical management tools for constructive engagement between companies and local communities, governments, and NGOs. The Consultation was held to assess the direction of CEP's portfolio of work and to discuss both the internal and external challenges that continue to weaken relationships between companies and communities. The Consultation provided a platform for continued dialogue about both internal management challenges as well as external factors related to conflict contexts and sustainable business practices. Over the course of the Consultation, participants discussed experiences, challenges, and successes from their own work, other CDA programs (RPP, Listening Program (LP), and Do No Harm (DNH)) presented guidance and tools from their current work, and CEP shared findings from its field and desk research that has been integrated into a range of policy and guidance documents. The consultation also presented CEP's current projects, including its new learning project on Business and Armed Non-State Actors (ANSAs) and CEP's contribution, in collaboration with CDA's Reflecting on Peace Practice Program (RPP), to the chapter "How do our operations interact with the environment" in the book *Management in Complex Environments: Questions for Leaders*. The book focuses on addressing the challenges that companies and their leadership face while operating in environments experiencing political, societal, economic instability.

The first day of the Consultation focused on internal impediments to effective engagement with communities and management across all departments within a company. Issues discussed included adapting company policies to specific social and political issues in operational contexts; resources needed to integrate CSR practices and relevant international standards and guidelines into all departments and polices within the company; and ensuring headquarter level knowledge translates into practice in the field. The second day shifted attention to external issues related to communities and other stakeholders, with particular focus given to making community development projects more sustainable and dealing with actors present in situations of high insecurity and conflict. Finally, the Consultation also introduced a new member of the CEP team, Program Manager Sarah Cechvala.

## KEY MESSAGES FROM THE CONSULTATION

- **Internal Leadership:** Company managers find it difficult to transfer knowledge gained from experience and to secure the time and resources necessary for developing corporate leaders who are equipped to deal with operational realities in complex environments.
- **Implementing Standards & Guidelines:** Companies struggle to determine which guidance is appropriate to their unique operating environments and to operationalize guidance in their policies and practices.
- **Role of Companies in Fragile and Conflict-Affected States:** Companies find it challenging to see a role for themselves in contributing to a 'positive value add' in complex operating environments, where uncertainty prevails about how to meet social responsibilities and uphold human rights standards.
- **Defining Successful Community Development:** Companies struggle with defining and quantifying the impact of their social investment initiatives and are looking for ways to measure success.

## INTERNAL ORGANIZATIONAL CHALLENGES

Internal management structures and processes significantly determine a company's ability to advance and institutionalize practices that meet social and human rights responsibilities. Individual leaders, across all departments within the company, can further contribute to or undermine the achievement of a company's social performance objectives. While companies have become increasingly aware that the lack of internal communication and capacity as well as the qualities of management play a significant role in shaping the nature of the relationships that companies build with stakeholders. Participants discussed internal challenges to getting it right, which are often as numerous and as external ones, and how to identify key practices that can address them.

The skills and knowledge of individual corporate leaders were identified as critical to the company's ability to improve its social performance. When companies create internal mechanisms for the promotion of field operations-level professionals to senior-level management, it can bring a wealth of experience regarding field-based challenges to the senior management level. This type of promotional hierarchy can implant at the headquarters-level individuals who are better equipped and understand these operational challenges, and therefore capable of making more informed decisions. In contrast, the transfer of professionals from stable operating environments to more complex or volatile contexts is often done without sufficient training and support for facing the unique challenges of those environments. In addition, managerial structures are often characterized by a high-level of turn-over, which inhibits experience sharing and can further limit the retention of important learning that is gained from time and experience in the field. When companies use external contractors it can also impede the development of internal institutional knowledge that might then be shared across departments.

Many issues emerged regarding the lack of knowledge of and support for CSR and conflict sensitive practices and policies. The challenge for company managers to identify or communicate the “business case” internally, across departments, is a common issue for companies. When staff do not fully understand how their individual actions affect the company as a whole, it can pose real challenges for external relations, particularly with local communities. It can be difficult for managers to find ways to communicate how all staff can have an impact on a positive corporate-community relationship and thus affect the company’s bottom-line over the long-term. This challenge can be further exacerbated when corporate leadership, particularly at the headquarter-level, does not understand the contextual challenges faced by operational-level staff. In such instances, decisions made at headquarters, primarily based on cost-analysis, often do not clearly translate at the operational-level, which leaves both staff and local stakeholders wondering why and how a company made its decisions. Embedding CSR policies – referred to as a “Trojan Horse of CSR practices” by one participant – into the corporate management system is one method to ensure CSR expectations are communicated and infused into different departments.

Consultation participants also discussed the lack of practical knowledge and training given to field-based staff regarding best practices in dealing with CSR and conflict challenges. One participant noted the importance of making training useful rather than another check-box exercise; the business case for training should be presented as for a tool to ensure successful field operations and to reduce risks to the company. Requesting different departments within the company to attend local community affairs meetings was a suggested approach to increasing understanding of the cross-departmental significance of social responsibility. Multi-departmental involvement in community affairs activities can demonstrate the challenge of cultivating positive community relations, while highlighting the role that each department plays in sustaining those relationships.

Participants acknowledged that a cross-functional approach within a company would call for the CSR department to set and guide corporate practice and policies, with each department holding the responsibility for implementation of CSR policies; this is similar to the role of the safety and security department in companies. In this context, the topic of language and framing was discussed, and participants agreed that the CSR department would need to work with each department to translate policies into specific activities of each department. By positioning CSR considerations in terms more commonly used in other departments, CSR practices become more tangible for all departments and encourage a more collaborative approach within the company. Finally, increased interface between the CSR team and other departments would support more systematic lessons learned from company failures, with the development and cataloguing of best practices as one possible outcome.

### **OPERATIONALIZATION OF STANDARDS**

Consultation participants grappled with the challenge of integrating into company policies the myriad social performance and human rights standards and guidance that currently exist. Participants discussed the many assessment and implementation tools available to companies, and suggested that very often these tools can be difficult to combine. Tools that companies might find useful often do not address the full scope of risks that a company faces. For example a CSR guide might not look at political or conflict risks that would affect a company’s day-to-day operations. Participants also discussed the impediments to implementing these standards in day-to-day operations, and suggested that even if these standards were all understood throughout the company, adapting them for challenging environments can be quite

difficult. This struggle is often apparent in corporate efforts to implement human rights standards, as many external stakeholders in operational contexts do not view human rights as a material issue, making the promotion of such policies within a company challenging.

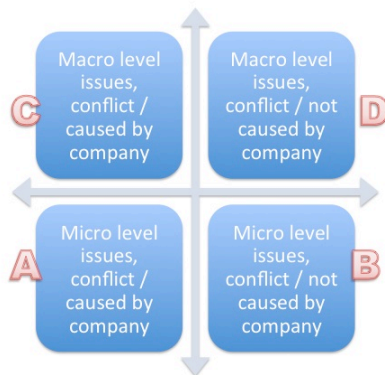
Consultation participants discussed a tension that exists in developing corporate policies and standards, particularly between standards that are adaptive and can be structured and implemented based on the context, versus standards that need to be applied uniformly throughout the corporate structure. Furthermore, adding another layer to the challenge in creating practical policies, one participant suggested that there is a gap in development of policies at headquarter-level and what is actually being done in the field. Often the approach that companies employ in the field is one-off, for example community investment programs, and lacks integration into the corporate operational strategy, on the one hand, and the field operations’ activities, on the other hand. Managing and upholding corporate principles throughout the supply chain was another challenge discussed with regards to operationalization. Participants suggested that it is often a misconception that procedures will “trickle down” from headquarters to operations-level, and ultimately out to suppliers. To this end, companies need to examine whether supply chain management challenges are internal management issues or if they are a product of external factors, or both. Overall, company participants explained that supply chain challenges were mostly context-based, and that this is an area of interest that could be further explored.

Finally, companies that lag behind on the implementation of human rights’ standards and social responsibility guidelines were discussed as a current corporate challenge. A notable development in this area is the increase in collaboration between Western and Chinese enterprises, particularly when it comes to integrating human rights and social responsibility agendas into those business partnerships. Several corporate participants discussed ways in which working with Chinese companies has allowed them to share best practices and ease tensions between managers and staff that work with Chinese suppliers and contractors.

### OPERATIONS IN FRAGILE AND CONFLICT-AFFECTED STATES, AND IN THE PRESENCE OF ARMED NON-STATE ACTORS

A discussion regarding the company’s role in conflict affected and fragile states was led by CDA’s Reflecting on Peace Practices Program (RPP). While participants recognized that companies’ focus on

#### Influence vs. engagement



conflict issues is generally limited to issues would fall into Quadrant A (in the figure at left), there was less agreement among participants in identifying the appropriate role for companies in dealing with and addressing conflict issues present in the other quadrants. Participants agreed companies must be particularly careful to not become involved in the political activity of a country, particularly in fragile and conflict-affected states. However, analysis of complex environments indicates that corporate presence has farther-reaching impacts on conflict and fragility than just micro-level issues that fall into

## Quadrant A.

Participants discussed the increasing pressure on companies to fill the role of the state when the state cannot meet its social obligations. It was noted that this type of service failure on the part of government can often engender unreasonable expectations from local populations regarding what a company might be responsible for and what is the appropriate corporate role in addressing social needs. However, interestingly, when discussing the risks and benefits of widening the corporate role in addressing conflict, several participants pointed to limiting factors, specifically, that company responses to social issues of any kind must support the company's business strategy and its relationships with relevant stakeholders and local communities. Corporate decision to take on a more active peacebuilding role thus depends heavily on the context and should not be understood as a normative standard of corporate citizenship.

Armed non-state actors (ANSAs) often make the operational challenges of working in fragile and conflict-affected environments more pronounced. Companies are very often unsure of how to operate in ways that mitigate the risk these groups pose to their operations while also meeting their social responsibilities. The CEP team is developing a new workstream focused on the issues companies face when operating in environments with ANSAs. This session of the Consultation was intended to be a continuation of the conversations that emerged from the July 2013 Geneva Consultation. Participants discussed the different approaches companies can take in identifying the potential avenues for engagement with the local, municipal, and national government (which is dealing with an ANSA within its territory), humanitarian and development organizations (which themselves need to develop approaches for dealing with the presence of ANSAs in their work), and the local community (which is directly impacted by the ANSA's actions).

Understanding motivations - whether they are political, economic or social - and the 'operational area' of an ANSA is critical for generating creative solutions to address the challenges an ANSA might pose. Using several examples, such as Colombia, Nigeria, and Cameroon, participants indicated the need for a high-level of trust between the company, government, and the local community in situations where ANSAs exist. One participant acknowledged that the security of a company is intrinsically linked to the trust that exists among all actors involved in the situation. However, understanding the relationships and motivations of all the actors that are part of the context emerged as a critical challenge and important mechanism for identifying better approaches to operations in these contexts. Performing conflict analysis is essential for determining the dynamics of the situation and how best to engage all actors involved. Using a conflict analysis allows companies to understand the patterns and relationships that exist, and can give them a tool on which to base decisions. Moreover, findings from conflict analyses should be integrated into aspects of the company's internal management system in order for the company to not only understand the dynamics surrounding their operations, but also to ensure conflict-sensitive action is taken across the company.

Examples in which a company was able to successfully mitigate the violence and impact engendered by an ANSA emerged from the conversation. These case studies often represented different context-specific approaches that companies used to ameliorate the violence that not only impacted the local community, but also the company's operations. One participant discussed the success that some companies have had with Peace Bonuses, which is a method of incentivizing peaceful operating environments with monetary benefits for the community. Additionally, the Chevron example in the Niger Delta was discussed as an instance where the company was able to establish a negotiated

agreement between conflictive communities through a Global Memorandum of Understanding (MOU) that focused on the fair and transparent allocation of benefits and increased local acceptance of the company. This MOU also fostered a space for Chevron to create the Foundation for Partnership Initiatives in the Niger Delta (PIND), which developed partnerships between all relevant actors (Nigerian state and local governments, international donors, NGOs, and local communities) in order to generate regional level-programs that addressed the ongoing causes of violence in the region.

## DEFINING SUCCESS IN DEVELOPMENT

The identification of ways to measure and assess the social change effected by a company's community development projects was discussed as an area of emerging interest for participants. The discussions centered on what it means to have a successful community development project; whose definition of success is being used to measure such projects; and the need for these activities to move beyond risk-based objectives to ensure that social and economic aspects are equally considered in such measurement.

A representative of the IAMGold Corporation presented a new framework under development called "Beyond Zero Harm", used for measuring the impact of mining companies' social investment projects. The framework is intended to quantify the social impact of development projects, ultimately providing data for reporting and for decision-making by management. The presentation generated dialogue about the challenges that arise when creating an impact matrix for social investment projects. Engaging the community perspective, disaggregating the social impact of one project from those of changes in the larger socio-economic arena, identifying outcome-based indicators, and taking into consideration the historical context were some of the challenges that emerged from this discussion. Other tools for social investment impact analysis were also discussed, including the International Finance Corporation's (IFC) Financial Valuation Tool for Sustainability Investments (FV Tool). Several corporate participants discussed how these tools could help communicate the significance of community-based initiatives across a company. The tool is available at: <http://business.un.org>.

## NEW RESOURCES FROM CEP AND PARTNERS

**Management in Complex Environments: Questions for Leaders:** Companies require a rigorous understanding of the economic, political, social and conflict dynamics of which they become part when they operate in complex environments. Such insight helps them navigate substantial risks and challenges, grow their business even in unexpected places, work more effectively with local, national and international actors, and make meaningful contributions to stability and development. This book combines expert analysis, company case stories, and reflections from more than 100 business leaders. Drawing on a vast repository of knowledge and experience, it poses essential questions that can help improve understanding of a particular complex environment and how to lead the company within it. It concretely demonstrates how leaders can help their companies meet their full range of goals - technical, financial, legal, reputational and social - by addressing the questions set out in this book. It is an invaluable resource for corporate practitioners and others concerned with company operations in complex environments. The chapter is available at: [www.nir.se](http://www.nir.se).

**Responsible Business Advancing Peace: Examples from Companies, Investors & Global Compact Local Networks:** Presents case study examples of how companies, investors and Global Compact Local Networks have used the "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors" as a tool to align their policies, to engage with investee companies and to advance the implementation of responsible business practices in difficult operating environments around the world. The study is available at: [www.unglobalcompact.org](http://www.unglobalcompact.org).

**Do No Harm in Land Tenure and Property Rights: Designing and Implementing Conflict Sensitive Land Program:** This tool is aimed at helping technical specialists in incorporating conflict considerations into their work on land interventions of all types. Both the English and Spanish versions are available at: [www.cdacollaborative.org](http://www.cdacollaborative.org).

## **MOVING FORWARD – ADDRESSING INTERNAL CHALLENGES AND GUIDANCE ON DEALING WITH ANSAs**

Feedback from Consultation participants strongly supported CEP continuing to maintain its role as an independent entity and endorsed the collaborative approach for producing lessons on responsible business practice and social performance. Additionally, several participants strongly advocated for CEP to continue to focus its work on conflict-affected and fragile environments where companies may struggle with issues of conflict sensitivity and mitigating violence.

Throughout the Consultation, participants continued to offer additional ideas on the value of the Program, its future direction, and suggestions for future implementation.

### **1. Continued Development of Resources from Lessons Learned**

Participants overwhelmingly endorsed the need to create resources that looked at best practices as well as lessons learned from environments in which companies “get it wrong.” Several company representatives suggested that this sort of documentation could help them better advocate across departments about the repercussions of neglecting CSR and conflict-sensitivity, particularly in complex environments. One participant offered the idea of creating an “options manual” in different areas that shows what companies have done as good practice guidance with issues such as water and land rights.

Focusing more on internal challenges for corporations was also raised. It was mentioned that perhaps CEP could create case studies centered on how businesses have identified, addressed, and dealt with internal challenges.

### **2. Convening Role**

Many participants urged CEP to continue its role as a convener of relevant actors in this field. One company participant offered the idea that CEP expand its work to convene local stakeholder consultations in areas of conflict or fragility. Bringing together the local community, all relevant companies operating in the area, as well as local, municipal, and national governments could foster the opportunity for a more open dialogue between all actors involved in order to identify ways to mutually benefit and foster peaceful collaboration among actors. Additionally, the option of expanding CEP global consultations to include more government and investor representatives was suggested as a way to create a stronger and wider community of practice.

### **3. Analysis and Development Resources:**

- Resources focused on CEP's ANSAs work were highly requested and participants encouraged continuation of this workstream.
- Continue working on engaging Chinese enterprises and identifying methods to integrate CSR and human rights standards into these partnerships.
- Consider looking at supply-chain management, and the challenges to human rights that this might foster for the company and its stakeholders.

### **FOLLOW-UP ACTIONS**

- CDA will consult with our corporate and government donors on the above menu of programmatic options when deciding the future work plan for CEP.
- Consultation participants agreed to remain involved in the next phases of CEP work.