COLLABORATIVE LEARNING PROJECTS

CORPORATE ENGAGEMENT PROJECT

Issue Paper

Social Investment Projects

This paper is one of a series of Issue Papers based on preliminary findings from the site visits and consultations carried out by the Corporate Engagement Project (CEP). CEP is a collaborative learning project involving multinational corporations that operate in areas of socio-political tensions or conflict.

Based on visits to companies' field site operations, CEP identifies and analyzes the challenges for corporations that recur across a wide range of different companies and contexts. From the patterns that emerge, CEP develops practical management tools to managers for supporting stable and productive relations in the societies where corporations work.

The Project is based on two fundamental premises:

1. Inevitably, corporations become a part of any context in which they operate. Companies' day-to-day activities have impacts on the societies where they work. These impacts can be either positive or negative, but, in a context of social or political tension, never neutral.

2. Most companies channel their interactions with local communities through community relations programs, often related to the objective of conflict management. However, daily operational interactions with communities such as compensation policies, hiring policies or stakeholder consultation are equally, if not more, important in establishing the terms by which communities view the impact of the corporation on their lives.

This paper is a working document, not a final product of the Project. *Rather, its purpose is to elicit further thinking, experience, ideas and suggestions. Additional site visits and consultations are being carried out to encourage further engagement, challenge, and refinement of the ideas presented here.*

More information on CEP can be found at http://www.cdainc.com.

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SOCIAL INVESTMENT PROJECTS

Many companies have undertaken extensive efforts to implement community investment programs—such as building schools, hospitals, or roads—in the areas in which they operate. For some companies, this is a strategy for risk mitigation; for other companies, it stems from a desire to deliver a ‘net benefit’ to the communities that are affected by their operations.

Unfortunately, many social investment projects show disappointing results. Well-intentioned development initiatives such as school construction or promoting local economic activities can all unintentionally feed into conflict.

Companies tend to go into their projects with the following assumptions, which feed into detrimental policies or impacts:

- **“Social Investment Projects are always good.”**

Companies often assume that social investment or community relations efforts will, by definition, contribute to improved relations between companies and communities. There is evidence from a range of contexts that programs that benefit some people, at the same time, very often disadvantage others and do not contribute to inclusive justice or peace and stability. Some social investment programs can even feed into conflict or exacerbate existing social tensions. Unless the community relations program is carefully designed so that it does not reinforce divisions among subgroups or historical inequities and concentrations of wealth and power, these efforts can worsen, rather than improve, both corporate-community relations and relations among subgroups within the local community. In conflict areas, the latter impacts can be extreme.

- **“The community needs to see immediate, tangible benefits to be satisfied.”**

Companies assume that local communities will not be satisfied unless they see direct benefits from a company’s presence in tangible terms in the form of physical structures or financial investment. This assumption often leads to an emphasis on outcomes without determining how the social investment projects will be implemented, and, more importantly, who will benefit from them and who will not. Instead, we have seen that when companies work to anticipate impacts (including avoiding negative impacts), respond to community needs, and communicate with communities during the process, communities are often satisfied despite the fact that tangible benefits are slower to come.

- **“The community is against us, so we need to pacify them.”**

Companies assume that conflict with communities is an inevitable part of doing business—that regardless of how they operate their core activities, communities will always seek compensation, and companies are subject to general waves of violence over which they have no control. Rather than analyzing the conflict and addressing root causes, community relations staff may address grievances through ‘giving away’ schools, speedboats, or soccer fields. This is an incomplete picture of the root causes of many grievances.

COMMON TRENDS IN HOW SOCIAL INVESTMENT EFFORTS TAKE PLACE

1. Companies implement their social investment strategies in response to only the most visible and apparent threats. For example, companies will establish a community relations project in the village that is 'most affected' by the company's presence and with whom the company inevitably has had the most contact.

The effects of this approach are:

- **It reinforces smaller identities rather than broader identities.** For example, a focus on "affected" communities rather than on the wider region that is also indirectly affected can feed into jealousy between groups. Such an approach includes a risk of fragmentation of societies and increased intergroup conflict. This approach can backfire on the company when those that feel they have been left out direct their grievances towards the company or try to obtain "their share" through violent means.
- **It rewards violent behavior rather than non-violent behavior.** If companies only respond to threats of violence or work obstruction, communities often feel that they can only achieve their goals through violence. By rewarding violent behavior or the threat of violence with social investment projects, companies reward negative rather than positive behavior. By only responding to a trigger, companies ensure that a trigger will happen.

2. "Social Investment" is typically defined in infrastructural terms rather than in terms of enhancing the capacities of local communities and having them determine the course of their own future.

The effects of this approach are:

- **A focus on community assistance over community development.** Companies often focus on how much or how fast they can build structures (such as schools or clinics), rather than assessing what communities need, and responding to those needs. Many community members have characterized community assistance programs as "throwing expensive and useless projects at us." Instead, they argue that a community development approach, involving building sustainable, long-term capacity would contribute to an increased quality of life of local communities.
- **A continued dependency on company projects.** An approach focused on infrastructure alone can also increase communities' dependency on companies. By introducing large financial investments that communities would otherwise not have access to, companies often create a standard of living that cannot be maintained once they are gone.

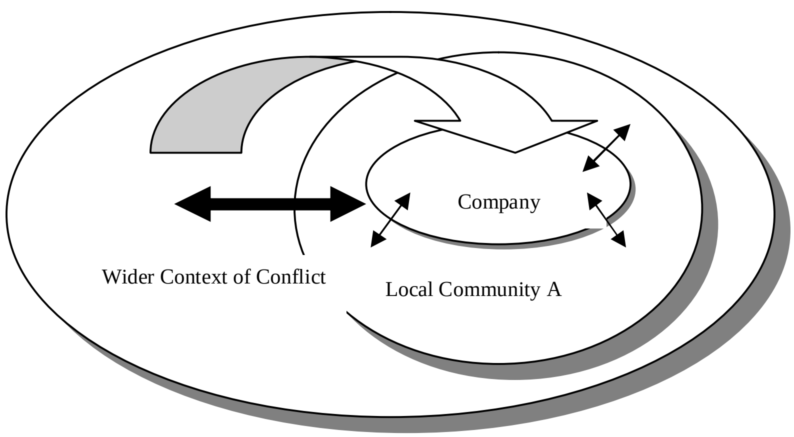
OPTIONS AND ALTERNATIVES

1. Look at social investment thought an operations 'lens' rather than as an 'add-on.'

Establishing and maintaining relations with local stakeholders through social investment projects cannot simply be contracted out or delegated to a specialized department while all other departments conduct "business as usual." Responsibility for community relations projects may be localized in one department, but its implementation needs to be shared throughout the company through the manner in which all corporate activities are implemented. For example, as long as the personnel department's hiring criteria are perceived as unfair by local communities or local staff is badly threatened by operations, the efforts of the community relations department will be unsuccessful.

2. Conduct a context analysis prior to designing a social investment policy. A first step in establishing relations with local stakeholders is to identify the pre-existing schisms in the society and identify how the day-to-day activities of the company either positively or negatively impact existing conflict. This must form the basis for an effective social investment policy aimed at both establishing cordial relations and a stable working environment for the company and, at the same time, supporting existing societal forces that integrate communities and build toward a peaceful, inclusive future.

We have seen that a critical dilemma is that in their efforts to "do good," most corporate managers do not understand the relationship between local communities, or groups within local communities, and the wider social context. This wider context is particularly relevant with regard to conflicts between groups in which the company, initially, has no part. Even when a company is an outsider to pre-existing and ongoing local conflicts among groups, normal, day-to-day business operations are viewed by those involved in local conflicts as impacting the outcomes of their struggles. This approach can backfire on the company when those that feel they have been left out direct their grievances towards the company or try to obtain "their share" through violent means. This is depicted in the following diagram.[1] Thus, companies must consider how they are viewed in the context of broader inter-group dynamics, and what their impact on those dynamics will be.



3. Ensure that social investment projects address root causes, and are not just reactions to episodic symptoms. When a company considers implementing a social investment projects in response to a demand or an episode of violence, companies should evaluate with the community the root causes of their dissatisfaction, and develop a project that will address those. Social

[1] See also CEP's article "Corporate Options for breaking cycles of conflict" in which these dynamics are further explained.

investment projects should not just be “rewarded” to address community demands that do not address the underlying root causes of the violence against the company. Simply building “another school or hospital” will not solve underlying deeper problems.

4. Involve the government. Companies should ensure buy-in from local government authorities prior to establishing social investment projects. This can be done by upgrading existing facilities, or working with the government to implement an existing development plan (provided the plan ensures equal distribution of services). Without government buy-in, there is often no local funding or staff capacity to manage the facilities once they are constructed. We have seen school buildings constructed in areas in great need of education that continue to stand empty for lack of salaries to pay teachers or funds to purchase blackboards or other basic supplies. This leads to frustration and anger among community members, who often direct their grievances at companies, or at governments once companies have departed.

5. Focus on impact rather than input. Very often, people assess effectiveness in terms of the successful completion of plans. For example, if the plan was to run fifteen training sessions, or to rehabilitate four clinics, then when these goals are achieved, the activity is judged successful. In fact, these kinds of “indicators” only tell about programmatic “inputs” but they give no information about how doing these things affected either the intended beneficiaries or the larger society. For a genuine assessment of their social investment program impacts, companies must develop systems by which to trace the impacts of a given program input on the people and societies it was intended to benefit. Some companies do this assessment through community meetings in which they hear from communities themselves about their reactions. Others monitor increasing, or decreasing, trends in the number and type of complaints they receive in suggestion boxes. Again others point at trends in security related incidents. (See also the forthcoming CEP Issue Paper on Indicators.)

6. Be clear about the objectives of social investment projects. Companies themselves are often unclear about being specific and strategic about the objective of their social investment efforts. They feel pressure to ‘do something’ or have vaguely defined conflict reduction objectives. Companies need to be clearer about their objectives for their projects (rather than they will just “do good”), as well as about the strategies for implementing them.

Caution:

Social investment projects cannot be seen as a guarantor for maintaining cordial relations with local communities or as the “fix-all” of all company-community problems. These projects are only one element of a company’s engagement with communities. Consultation and negotiation processes are also important activities through which the company engages with local communities, as are the company’s daily operational activities (such as trucks driving on the roads, hiring policies, security management, etc.). In particular, these day-to-day operations are equally, if not more, important in establishing the terms by which communities view the impact of the corporation on their lives. CEP has seen situations where a well-designed social investment program is encouraging community support for corporate activities, while the daily operations decisions are angering communities and undermining goodwill toward the corporate presence.

Some companies succeed in reinforcing peace rather than war through their daily operations. In one war-torn country where two corporations have operations, one spends annually over one-hundred times as much as the other on programs designed to better community relations and, nonetheless, suffers repeated staff kidnappings and plant attacks while the company that spends less on ostensibly “bettering relations” experiences virtually no disruption or violence. This divergence suggests that “peace” for the company cannot be bought though social investment projects.