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The Business of Peace:

Understanding Corporate Contributions to Conflict Management[1]

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In 2016, much[2] of Colombia was celebrating a peace agreement ending the longest civil war in the Western Hemisphere between the government and the Revolutionary Armed Forces of Colombia (FARC). Signs of the end to conflict were widespread and inescapable: government offices touted banners proclaiming their partnership with “paz,” cosmetic companies marketed nail polish colors “tolerant blue,” “inclusive pink,” and “glitter/ shine of trust,”[3] beer ads encouraged drinkers to believe in peace,[4] and milk ads proclaimed, “Today, we are all milk from the same cup.”[5] While the government’s interest in supporting the deal they helped design is obvious, peace also has some less traditional champions. As the country transitions through the challenges of disarmament and reintegration of rebel troops, private companies are also helping to build peace—and not just with their marketing campaigns. Through hiring practices, infrastructure projects, and economic investments, the private sector often helps “fill the gaps”

[2] Not all of Colombia celebrated as several agreement terms were revised after being voted down in a referendum. In addition, several of the initial corporate champions of the agreement later lobbied against it. Several authors explore the involvement of Colombia’s businesses in the peace process (see Rettberg 2003, Miklian and Medina Bickel 2018).

[3] Masglo, a Colombian cosmetics company, donates a portion of proceeds to women’s projects in conflict regions.

[4] Club Colombia imprints “soy capaz de creer” on their bottle caps as part of the SoyCapaz peace campaign of 100 national private sector firms and the Colombia National Industry Association. A similar campaign occurred in Sri Lanka with the “Sri Lanka First” initiative, which is an initiative for peace that “highlights the costs of war, and the socio-economic benefits of the peace dividend” (Tripathi and Gündüz 2008, 21).

[5] Alpina dairy company also participates in SoyCapaz and ran ads encouraging national unity.

where governments are unwilling or unable to provide needed goods and services. That said, the private sector has also been known to take advantage of the lawlessness resulting from a lack of government oversight, and several companies have been accused of hiring mercenaries (Stel 2014). When do private companies champion peace? What conditions encourage firms to invest in conflict prevention, management, and resolution?

Case-based evidence suggests a shift in corporate responses to instability and conflict: actors often viewed as exacerbating tensions due to gaps in accountability (Koenig-Archibugi 2004) are now discussed as engaging in both commerce and peacemaking (Fort 2007, Bais and Huijser 2005, Miklian, Alluri, and Katsos 2019). Given the costs of political violence, firms have an incentive to be proactive in facing these threats. The private sector can reduce conflict by creating value, encouraging development, building community, promoting the rule of law, and engaging in track-two diplomacy (Deitelhoff and Wolf 2010, Oetzel et al. 2009). Investment in education programs (Thyne 2006) and programs that increase economic opportunities (Collier and Hoeffler 2002) are two ways by which firms can reduce conflict since these factors increase the opportunity costs of violence, thereby encouraging political participation and reducing the risk of violence. Such efforts can build on and contribute to international conflict management activities in important ways. This study examines conflict management-related actions taken by large, domestically-headquartered firms that aim to prevent violence in places without recent conflict, as well as resolving on-going violence and rebuilding in post-conflict societies.[6]

International organizations are increasingly calling on firms to proactively engage in collaborative and practical action to advance peace, such as with the United Nations (UN) Global

[6] I limit the study's scope to domestic firms earning revenues over $100 million for empirical and theoretical reasons discussed further below.

Compact's "Business for Peace" program. There is a proliferation of advice and practical guides, such as the Organization for Economic Cooperation and Development's (OECD) *Guidelines for Multinational Enterprises* (2008), as well as stakeholder and industry-led initiatives, such as the Extractive Industries Transparency Initiative (EITI).[7] The private sector is often heavily engaged in peace negotiations, suggesting conflict management interdependencies among public and private actors are helping generate many of the outcomes we observe. While there are cases of corporations preventing conflict (such as Tesco's mechanisms addressing labor grievances in South Africa, see Boudreaux 2008) and solidifying peace (as in the transformation of Rwanda's coffee industry, see Boudreaux 2008), some corporations remain bystanders to atrocities and human rights abuses (as in Talisman Energy's experiences in Sudan, see Leary 2007). While theoretical work and case studies suggest firms are building peace in innovative ways (Deitelhoff and Wolf 2010, Jackson and Nelson 2004, Wenger and Möckli 2003), a more systematic analysis is warranted.

Despite examples of private sector conflict management-related activities, we do not understand when and why they occur or how these efforts are linked with those of peacebuilders. I argue corporations are likely to engage during ongoing international conflict management, since additional actors create synergies that reduce the costs, increase the benefits, and lead to more successful firm engagement. The presence of international actors often signals problems in the functioning of the state, however. Firms respond to such problems and instability, filling gaps in governance, especially when they are norm entrepreneurs or their reputation is threatened. These variations in a corporation's operating environment and culture offer insights into how

[7] While the EITI focuses on corruption, the originators linked corruption to conflict.

corporations respond to local dynamics and shifts in political capacity, as well as threats to their ability to conduct business.

This manuscript offers several important contributions. First, it tackles a question of increasing relevance: under what conditions do firms engage in conflict management-related activities? This understudied topic is generally approached through frameworks for action and best practices and has yet to be a part of broad conversations on peace and conflict. Second, as existing scholarship is either theoretical or based on single case studies, the data offer initial quantitative evidence of the conditions that encourage peacebuilding cross-nationally.[8] Finally, it highlights the value of the private sector in creating conflict management interdependencies through contributing to ongoing international efforts. While corporate action does not equate peace, there is an opportunity for firms to help fill gaps left by governments and non-governmental organizations, as well as build on the efforts of more traditional international conflict managers.

Existing Research And The Need To Incorporate Corporations

Scholars in fields as varied as business, sociology, anthropology, and geography have noted that private firms can contribute to governance and public goods provision, often taking on responsibilities beyond those required by legal and profit-making concerns. Conflict and conflict resolution scholars, however, rarely address these actors, and this research has failed to break into dominant conversations in international relations. Conflict resolution scholars typically account for more "political" actors (Melin 2013, Greig, Owsiak, and Diehl 2019): international

[8] The need for quantitative research is discussed at length in Wolf, Deitelhoff, and Engert 2007. Oetzel and Getz' (2012) analysis of survey results is the only exception of this to the author's knowledge.

organizations (*e.g.*, the United Nations), regional governmental organizations (*e.g.*, the Arab League), individuals (*e.g.*, former US President Jimmy Carter), and states (*e.g.*, New Zealand). We have a strong understanding of how each of these actors builds peace through activities like peacekeeping (Henke 2016, Hultman, Kathman, and Shannon 2013) and mediation (Beardsley 2011). Can we extend these lessons to understand corporate conflict management-related activities? Or do private firms have different motives for involvement?

The failure to account for firm-led efforts when studying the causes of peace and conflict likely leads to biased results and inaccurate conclusions. For example, scholars highlight that international mediators help generate peace agreements in civil wars. As disputants have shown variation in their willingness to work with an outside mediator (Greig and Regan 2008, Melin, Gartner, and Bercovitch 2013), the presence of engaged firms might both encourage outside offers to mediate and disputants' willingness to work with them. Work attributing successful mediation to the activities of international organizations (Hansen, Mitchell, and Nemeth 2008) or major powers (Favretto 2009) is likely biased if it ignores ongoing activities of firms, which may directly support the mediation process (Iff and Alluri 2016). Accounting for firm contributions to conflict management allows scholars to develop a more accurate understanding of peace processes, reflecting a reality where private and political actors increasingly overlap.

Business scholars, and increasingly political scientists, reveal significant opportunities for private actors to strengthen preventive diplomacy (Eskandarpour and Wennmann 2011, Iff et al. 2010), support emerging economies (Hoskisson et al. 2000), and minimize negative company impacts (Ganson 2011). Companies promote economic development, the rule of law, and principles of external valuation. They add to a sense of community, as well as engaging in track two diplomacy and conflict sensitive practices (Deitelhoff and Wolf 2010, Oetzel et al. 2009). There is also evidence that businesses contribute to the mediation process (Iff et al. 2010, Iff and Alluri 2016). Much of this research is based on analysis of cases without scientific selection criteria, especially work seeking to change corporate policy. For example, Nelson (2000) uses various examples of business engagement to develop five principals of corporate engagement in conflict prevention and resolution. She and Jackson (2004) expand on this research to show businesses can offer value and simultaneously profit. Similarly, policy-oriented research shows governments and institutions (Banfield, Haufler, and Lilly 2005), as well as non-governmental organizations (Kolk and Lenfant 2012, Schepers 2006) and industry-led initiatives (Haufler 2001) can encourage firms to contribute to peacebuilding. Evidence from multinational mining companies in the Democratic Republic of Congo, South Africa, Europe, and North America suggests contemporary companies are committing to norms of corporate social and security responsibility (Hönke 2013). Research on business-NGO partnerships in the Democratic Republic of Congo reveals corporations can build trust and capacity in addressing governance problems (Kolk and Lenfant 2012). The tourism industry in post-conflict Rwanda suggests businesses contribute to economic growth and physical reconstruction as well as reconciliation and justice (Alluri 2009). Research on Azerbaijan, Bosnia, and Rwanda shows the host governments, international agencies, and international companies coordinated successful post-conflict reconstruction (Davis 2012). These case studies suggest firm-led peacebuilding merits further examination.

There is a need to connect business and peace research with the largely quantitative conflict processes scholarship. Using cross-national data to explore when firms engage in conflict management-related activities offers a first step in this connection. If firms do contribute to peace processes, then research ignoring their role is likely biased (Wolf, Deitelhoff, and Engert 2007). This study endeavors to add an influential actor to our understanding of peace and conflict processes through both addressing the lack of attention by conflict and security scholars to the private sector and bringing large-N empirical analysis to research dominated by case studies.

What Is Corporate Conflict Management?

To understand the contributions business can make to managing conflict, I draw from former UN Secretary General Boutros Boutros-Ghali's 1992 report "An Agenda for Peace." The report offers a broad approach to creating peace, introducing the concept of peacebuilding. His definition involves "action to identify and support structures, which will tend to strengthen and solidify peace in order to avoid a relapse into conflict" (Boutros-Ghali 1992, 204). The Brahimi Report further developed this concept as "activities undertaken on the far side of conflict to reassemble the foundations of peace and provide the tools for building on those foundations something that is more than the absence of war" (Brahimi 2000, 2). Following reports identified five priority areas: (1) support to basic security and safety, (2) political processes, (3) provision of basic services, (4) restoration of core government functions, and (5) economic revitalization (United Nations). Thus, peacebuilding is a broad concept including any activity meant to help create a less violent society (Doyle and Sambanis 2000). What peacebuilding looks like in action ranges from large-scale government reform (which often includes democratization, see Jarstad and Sisk 2008), to grassroots civil society programs (Lederach 1997).

Peacebuilding scholarship explores activities in the aftermath of conflict. Many post-conflict challenges are not unique to this environment, which is why Boutros-Ghali includes multiple stages of engagement in his Agenda. As with peacebuilding, conflict prevention and preventative diplomacy[9] seek to address the root causes of conflict, especially economic and social development. The same can be said of peacemaking and conflict management, which endeavor to bring actively conflicting parties to a peaceful agreement. Together, they offer a coherent way to secure peace, as envisioned by the UN Charter. I therefore consider corporate engagement in the preventative, ongoing, and post-conflict settings.

I link these research agendas using the rational choice framework, thereby considering the effects of national contexts on individual and group decisions. Drawing from the rational choice approach, which I outline further below, I define the conflict management-related activities examined in this study as **any activity attempting to raise the opportunity costs of violence, thereby preventing the occurrence, continuation, or recurrence of violence**. More precisely, this includes programs that help increase factors associated with positive peace: a well-functioning government, a sound business environment, low levels of corruption, high levels of human capital, free flow of information, good relations with neighbors, equitable distribution of resources, and the acceptance of the rights of others (Institute for Economics and Peace 2017). Such structures help to create and sustain peaceful societies through making violence a less attractive alternative. When these are absent, violence or fear of violence increases. This definition accounts for firm actions both in conflict-prone settings and peaceful ones.

The private sector can play an important role in managing and preventing conflict (Banfield, Haufler, and Lilly 2005, Ballentine, Haufler, and Compact 2005). Firms can alter the payoffs each party expects from conflict, thereby reducing the likelihood of conflict. One

[9] These include "action to prevent disputes from arising between parties, to prevent existing disputes from escalating into conflicts and to limit the spread of the latter when they occur" (Boutros-Ghali 1992, 204).

approach is to reduce the incentives for rebellion; another approach is to raise the costs of rebellion. For example, initiatives like the Kimberly Process, which limits the access to funding for rebel organizations by shutting diamonds from conflict zones out of the market, can limit the payoffs from rebelling. The incentives to rebel increase when individuals have poor access to alternative employment (Hegre 2004), living conditions are poor (Walter 2004), and average income is low or inequality is high (Collier, Hoeffler, and Söderbom 2004). Job training, educational, and employment programs create incentives for would-be rebels to engage in legal forms of commerce. In Colombia, companies like Electrolux, Coltabaco, and Exito[10] are training and hiring ex-combatants, thereby shifting opportunity costs for would-be rebels: individuals who might otherwise take up arms instead have peaceful means for bettering their lives and more to lose with violence. In post-conflict societies, reintegration programs add social ties and educational opportunities that decrease recidivism among ex-combatants (Kaplan and Nussio 2018). This can also offer the firm positive dividends later, as investing in training programs creates a more skilled and efficient workforce that increases future productivity (Aw, Roberts, and Winston 2007). Firm conflict management-related activities are not completely distinct from Corporate Social Responsibility (or CSR), as the benefits and costs overlap (Heal 2005).

While community-based programs change incentive structures, corporations can also be involved in more overtly political efforts to generate peace. Many countries do not distinguish between business and political actors, which can promote dialogue. Examples include Sri Lanka's National Committee for Peace, formed by the business community (see Keethaponcalan 2001), Northern Ireland's branch of the Confederation of Business Industry, which produced the

[10] The companies employ former fighters through the Colombian Agency for Reintegration (ACR), which helps former fighters prepare for civilian life (Aldenwinckle 2015).

so called “peace dividend paper” laying out the economic incentives for peace that lead to a 1994 ceasefire and increased corporate engagement through the Group of Seven (GoS or G7, see Aliyev 2017), and the negotiated agreement between the so-called “National Dialogue Quartet” in Tunisia that prevented violence in the country’s democratic transition (see Schraeder and Redissi 2014). Certainly not all companies are so proactive in working to create peace, however. I consider why firms engage in conflict management-related activities then examine this variation empirically.

Why Engage In Conflict Management As A Corporation?

While private companies have a long history of active involvement (consider the British East India Company, which came to rule and administer large portions of India in the mid-1700s, see Robbins 2006), private engagement is increasingly considered both acceptable and preferable (Avant and Haufler 2018). This is not to say all private engagement aims to better society, but we are observing a shift in corporate norms and standards of behavior, the merging of conflict prevention, development and environmental agendas, and changes in the acceptability of intervention in domestic affairs (Haufler 2005, Banfield, Haufler, and Lilly 2005). Firms operate in complex social, market, and political environments that demand concerns beyond short-term profit maximization (Wolf, Deitelhoff, and Engert 2007). The concept of complex market rationality requires firms consider reputational costs and normative expectations in their cost-benefit calculations.

Since internal motives for conflict management-related activities, such as firm culture and size, tend to vary little over time, I focus on external motivations. External dynamics can create an operating environment that requires a corporation respond, such as political instability, violence, or weak government. Such factors define the operational setting: does that environment require active engagement? I argue corporations engage in conflict management-related activities when there is a gap in state capacity to enforce laws, when they are norm entrepreneurs, and when their investments are threatened. These variations offer insights into how corporations respond to local dynamics and shifts in political capacity, as well as threats to their ability to conduct business.

(1) To Fill "Gaps" In Governance

State capacity is critical for political system performance, and states with a high capacity are able to provide public goods such as infrastructure, security, and education (Rotberg 2004). The state's capacity, or the "degree of control that state agents exercise over persons, activities, and resources within their government's territorial jurisdiction" (McAdam, Tarrow, and Tilly 2003, 78), reflects how likely a state is to provide goods and services. Weak government, lack of transparency and corruption can cause distrust thereby fueling conflict (Andrews et al. 2017). At the same time, conflict can inhibit the state's ability to levy taxes and formalize property rights (Ch et al. 2018). In the context of weak or failing states, the private sector's skills and resources can contribute to governance, peace, and security (Deitelhoff et al. 2010). When the state fails to provide security, the firm must account for security costs (Deitelhoff 2009) and provide security through CSecR activities (Wolf, Deitelhoff, and Engert 2007). The political environment directly influences corporate agendas (Pauly and Reich 1997). This has created a new type of global governance, putting firms at the frontline of peace and stability in fragile and conflict-affected areas (Schouten and Miklian 2017).

Corporate conflict management-related activities likely diminish at high levels of capability. Firms have less incentive to engage when the government provides stability and services. When a state provides good governance, or policymaking and implementation benefit the population at large, the risk of conflict and violence is lower (Hegre and Nygård 2015). Corporations can most influence political and social stability in low capacity states. I expect to find:

Hypothesis 1: Firms engage in conflict management-related activities in low capacity states.

(2) To Build Off Ongoing International Engagement

Ongoing international political development or peacebuilding efforts suggest outside actors are already working to bridge governance gaps. Conflict managers and international organizations operating in the state may relieve some of the pressure on corporate actors to engage. However, conflict management interdependencies encourage corporate involvement through three mechanisms: decreasing the costs of peacebuilding, increasing the benefits of peacebuilding, and increasing the probability of successful firm engagement. The very presence of international actors often signals problems in the functioning of the state (Gartner 2011).

First, ongoing efforts create a platform for business engagement in coordinating actors across different strata of society. For example, the UN's Business for Peace program integrates businesses in the peace process. Such platforms reduce the costs of firm engagement, streamlining their involvement and creating partnerships with organizations that specialize in reducing violence. Since different conflict management efforts inform one another (Owsiak 2014), firm engagement is unlikely to occur in isolation but builds off ongoing efforts.

Second, since conflict management can rewrite the "rules of the game" under which post-conflict business will operate, involvement is in the direct interest of corporations. Forward-looking business leaders desire a say in the content of agreements to ensure future operations. Engagement enables political access (Wang and Qian 2011). conflict management interdependencies offer additional political access increasing the benefits of engagement, since pro-business agreements ensure future profits.

Finally, the international community offers businesses legitimacy, thereby increasing successful engagements. Corporate involvement in political processes may be viewed suspiciously, so this approval offer businesses a legitimized role, with improved image and increased political power (Neiheisel 1992). Partnerships with international organizations embed private sector actors in public accountability frameworks (Schouten and Miklian 2017), and improve contributions to local well-being and prosperity (Bais and Huijser 2005).

For example, when FARC and ELN restarted negotiations in 2012, Colombia's business leaders paid foreign mediators to support the talks that led to the 2016 agreement. The government frequently consulted with business leaders throughout the peace process, and they were included in the negotiations at Havana, seen as a poignant reminder of the business community´s veto power over the agreement contents (Rettberg 2013). Business leaders provided the legitimacy and resources required to support the fledgling peace process, but engagement allowed corporations to shape the agreement content, which could have significant implications for their future operations. After the agreement failed to pass in a referendum, businesses remained actively involved, since business leaders were wary of truth commissions investigating human rights violations. The agreement was later modified to account for some concerns, one of which was to reduce international tribunal investigations into the role of businesses in the conflict (Board 2016). Thus, ongoing conflict management enabled corporate engagement. Similar events occurred with Sri Lankan businesses after the bombing of the Colombo international airport in 2001 and several telecommunications companies in Somalia (Iff et al. 2010). Empirical evidence suggests that international mediation encourages corporate engagement, especially during the pre- and mediation phase (Iff and Alluri 2016). I therefore expect to find:

Hypothesis 2: Firms engage in conflict management-related activities when there is ongoing international conflict management.

(3) To Ascribe To International Norms

Ample research highlights a shift in expectations with regards to the role of corporations in society. Companies now have obligations to a much broader range of stakeholders, and some level of social engagement is expected (Benoit 2019). Of course, not all companies have responded to this higher calling to address societal needs with enthusiasm. The very nature of these expectations is that they are voluntary, going beyond minimal legal requirements.

There are two notable avenues for corporate norms to spread: through international trade and investment and through international institutions. Foreign investment exposes local companies to knowledge, skills, technology, and ways of conducting business. This exposure is shown to increase human rights performance (Kim and Trumbore 2010), environmental standards (Prakash and Potoski 2006, Vogel 1997), and labor rights (Greenhill, Mosley, and Prakash 2009). It is therefore likely that companies exposed to international investment, competition, and norms engage in conflict management-related activities.

As evolving norms are institutionalized in international organizations and agreements, member companies operate on the forefront of social responsiveness, while others simply pay lip service to societal expectations. So called "norm entrepreneurs" spread new rules of appropriate behavior with the help of organizational platforms (Finnemore and Sikkink 1998). Firms with strong commitments to new norms of business practices are more likely to engage in conflict management-related activities. I therefore expect:

Hypothesis 3: Firms engage in conflict management-related activities when they are on the forefront of norm exposure and adoption.

(4) To Protect Their Investment

Financing conflict management-related activities entails costs, so engaged corporations have interests at stake. Their choice is not as stark as that of traditional conflict managers who can completely avoid involvement (Melin and Svensson 2009, Beardsley 2010). While transnational corporations may withdraw from a country (Haufler 2005), they do not always have the choice of investment locations, and exiting a market involves costs. Although transnational actors have clear opportunities to influence conflict dynamics (Banfield, Haufler, and Lilly 2005),[11] the focus of this manuscript is on local corporations, with fewer exit options.[12] Operating in high-risk environments involves challenges and opportunities. Altruism alone cannot motivate operating in such challenging environments, as there must be a positive business case for investing.[13] For example, Starbucks pledged to hire 10,000 refugees globally, but this will also help them overcome the barista shortage expected from Brexit (Oetzel and Miklian 2017). Similarly, third parties' strategic interests motivate mediation while creating peace

[11] Markets respond to peace processes, as investors responded negatively to Colombia's failed peace referendum (Repoza 2016). Broadly, global capital responds to crises, and the tradeoffs between political goals and economic stability has pacifying effects (Gartzke and Li 2003).

[12] This choice is further discussed in the empirical section.

[13] It is possible that a firm might lose money by being a part of an unpopular peace process or damage relations with the ruling politicians.

agreements (Melin 2011, Terris and Maoz 2005) . Peacebuilding enables firms to reduce risk at its source (Oetzel and Miklian 2017).

The immediate relevance of conflict is the starting point for research on Corporate Security Responsibility, or CSecR. While traditional Corporate Social Responsibility, or CSR, research explores the role of firms in peaceful environments, the CSecR agenda deals with those operating in a violent environment (Wolf, Deitelhoff, and Engert 2007), looking to understand firms' contributions to addressing violence. Violence increases the security costs associated with doing business. The company's investments are threatened, as conflict can damage production assets, infrastructure, local markets and labor (Wenger and Möckli 2003).

Active conflict and violence create pressure for engagement and action to protect a firm's investments. For example, although Colombia's economy took off as FARC rebels were pushed into remote areas, bombings remained a challenge for the expanding mining and oil sectors (Murphy 2012). Armed conflict in Colombia has accumulated costs amounting to around 3 percent of GDP (Ibáñez and Jaramillo 2006) and exacting burdens on the Colombian society and economy (Arias et al. 2014). These costs have pushed the business sector to support negotiations both "as a solution to armed conflict and as a strategy to protect assets and operations" (Rettberg 2007, 465).[14] The costs of conflict, such as kidnapping, violence, and pressure from leftist guerrillas, motivated firms to act (Rettberg 2004). As political instability (Barro 1991), crime (Gaviria 2002), and terrorism interrupt business activities and depress economic growth, promoting peace and stability is in firms' interests.

[14] Sri Lanka offers another example of corporate engagement following violence (see Alert 2005).

Hypothesis 4: Firms engage in conflict management-related activities when violence occurs.

Firms may also respond to domestic political instability. Domestic institutional change can have consequences on economic performance (North 1990), and corporations are especially sensitive to these changes since they create the incentive structures of the economy. As political involvement of firms is growing, there is no longer a strict dividing line between political and economic systems (Scherer and Palazzo 2011). Politically changes, especially autocratic shifts, create uncertainty in the economy and property rights. These can depress investments and lead mobile assets to flee for more stable locations. This has been the case in Tunisia, as many companies have fled the instability and uncertainty for their more stable neighbor Morocco. Such political changes increase violence and conflict (Cederman, Hug, and Krebs 2010), incentivizing firm engagement.

Hypothesis 5: Firms engage in conflict management-related activities when the state is politically unstable.

(5) To Protect Their Reputation

There is significant evidence that firms can negatively affect communities. As King shows, "There is a political economy to warfare that produces positive externalities for its perpetrators" (2001, 528). The wartime environment may have spoils that discourage peaceful settlement, as happened in Angola's diamond industry, Cambodia's timber industry, and coca in Colombia. Companies may work outside the law to ensure the security of immobile investments. For example, several large companies operating during Colombia's civil war have since been charged with crimes against humanity (teleSUR 2017). Multinational companies Del Monte, Dole, and Chiquita were named for voluntarily financing right-wing paramilitary groups that were a part of the so-called "Bananero Block." Many researchers see business as part of the problem facing countries embroiled in conflict, particularly in those states with natural resources (Switzer 2002).

Community engagement enables firms to build "reputational capital" and prevent the fallout from negative publicity (Decker 2012). Companies that are caught misbehaving must privatively ensure their product remains competitive. Thus, we should expect that:

Hypothesis 6: Firms engage in conflict management-related activities when they have been caught being "bad" actors.

Empirical Tests

I test the theoretical argument using a cross-national dataset of 924 firms based in Latin America, the Caribbean, Africa, and the Middle East. I select firms headquartered in these regions because their efforts tend to be localized, whereas companies in the United States, Europe and Asia often focus on international engagement. The unit of analysis is the company-year, including all companies with over $100 million US in revenue.[15] While this is not to say that smaller companies do not play a role in peace (see Iff and Alluri 2016, Banfield, Gündüz, and Killick 2006), this limits global businesses to a manageable number. While findings based on large corporations may not accurately reflect the activities of all businesses (especially as smaller businesses have different resources and interests), they offer insights about a relatively new actor in the processes of peace and conflict. Company financials are from Marketline Advantage, a market research program that uses an internal team of analysts to compile profiles

[15] This baseline is chosen for feasibility purposes, given that large firms better communicate and report community engagement activities (Baumann-Pauly et al. 2013). A challenge of working with business data is the focus on current year information. Thus, the cut point for inclusion is 2015 reported revenue.

on global companies. Due the years of coverage with some of the explanatory variables, the final analysis is of 1999-2013, examining 10,638 company-years.

Outcome Variable: Conflict Management- Related Corporate Engagement

Conflict management includes attempts to reduce, limit or eliminate the level, scope and intensity of violence and build a structure that limits future violence (Deutsch 1973, Maoz 2004). For firms, this often takes the form of social responsibility, “the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life” (WBCSD 2002, 2). While the concept has been criticized for being vague (Sternberg 2009), I add precision by quantitatively examining firm-led activities. Conflict management-related engagement has been highlighted as important because it sheds light on the intention to contribute to local security (Wolf, Deitelhoff, and Engert 2007).

I measure conflict management-related activities using original data, the Company of Peace and Conflict (COPC) data. Activities are identified building from the United Nations’ Business for Peace (2013) indicators of “economic,” “social,” and “environmental” mechanisms. These three types of peacebuilding are referred to within the business ethics literature as the “triple bottom line.” While not ideal, they offer an initial mechanism for operationalizing how theoretical work conceptualizes business contributions to peace (Miklian 2016), as well as measures employed by sustainability consultants (KPMG 2018). One possible shortcoming is that firms’ business strategies may differ based on conflict (Deitelhoff and Wolf 2010) or ongoing peace processes (Miklian and Rettberg 2017). Information on corporate engagement is coded from Lexis-Nexis and Google News searches of company names.[16] Focus on external news reports enables me to capture intentional efforts to build peace that are newsworthy rather than side effects of normal business operations. The outcome variable is coded 1 if there are any reports of firm engagement and zero otherwise.[17] The data show over 35% of companies invests in conflict management-related activities. I run a random effects model to account for time-invariant factors and differences across companies.[18] This controls for the effects of firm characteristics that are relatively stable across time and likely affect peacebuilding-related activities, such as corporate culture (Austin and Wennmann 2017, Dashwood 2012, Fort 2015), international norms (Haufler 2005, Banfield, Haufler, and Lilly 2005), industrial sector (Camacho and Rodriguez 2013, Haufler 2010, Oetzel and Getz 2012), and firm size (Forrer, Fort, and Gilpin 2012, Russo and Perrini 2010, Tures and Hensel 2000). Each variables is lagged one year to ensure peacebuilding-related events occurred after the causal event.

Explanatory Variables

I argue corporations actively engage in peacebuilding mechanisms to fill gaps in governance. I use the World Governance Indicators to account for *government effectiveness*, a dimension of governance that captures the "perception of the quality of public services, the quality of civil service, and the degree of its independence from political pressures, the quality of

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[16] Search terms included "sustainability," "peace," "social responsibility," "charity," "donation," and "environment." English and Spanish sources were coded.

[17] While the level of analysis is focused on individual firm actions, reports involving their collective efforts in partnership with international organizations or governments are included.

[18] As there is little variation in the outcome variable within companies, a fixed-effects specification would drop a vast majority of the cases (see Appendix).

policy formulation and implementation, and the credibility of the government's commitment to such policies" (Thomas 2010, 4).[19]

Numerous mechanisms of conflict management involve the international community (see Greig, Owsiak, and Diehl 2019 for an overview). To measure active international *conflict management*, I employ the United Nations Peacemaking Initiatives Data (this issue), which code information on 478 UN bodies aimed at conflict prevention and crisis management, mediation, peacekeeping and peacebuilding.[20] I include a dummy variable for the presence or absence of a United Nations peacemaking initiative, as well as the specific mission focus (diplomatic, technocratic, political development, and peacekeeping), in the previous year.[21]

To account for norm entrepreneurs, I consider both exposure to and acceptance of international norms, using contact to international businesses through foreign investment and

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[19] This is one of two dimensions of governance that measure "the capacity of the state to effectively formulate and implement sound policies" (Thomas 2010, 4). The other dimension is *regulatory quality*, a similar scale "capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development" (Thomas 2010, 4). I use the regulatory quality and rule of law as a robustness checks and generate similar results (see appendix).

[20] To ensure it is international conflict management that is encourages corporate peacebuilding-related behavior, I also test for international economic intervention through foreign aid, which does not significantly change the probability of peacebuilding.

[21] While there are additional methods of conflict management, the vast majority of datasets do not cover recent years. For example, the Threat and Impositions of Sanctions data (TIES) code through 2005, and the Civil War Mediation data (CWM) code through 2003.

Global Compact membership. Foreign Direct Investment, which captures the rate at which internationally based companies own companies in the country in question, includes direct involvement with daily operations in another country. This investment is more than just money; it brings skills, knowledge, technology, and norms. I therefore include the amount of foreign investment, which is commonly used to gauge general economic openness (Gilardi 2012) to measure how exposed companies in a given country are to international norms of business practices. *FDI* is the natural log of net inflows (BoP in current US dollars), from the World Bank Data (2018). While this measure does not allow me to test engagement norms of the investing companies, several studies have shown that international investment can have a positive effect on domestic social and regulatory standards (Vogel 1997, Prakash and Potoski 2006). To measure norm adoption, I examine United Nation's Global Compact membership. The Global Compact supports companies in doing business responsibly and aligning their strategies and operations with the "Ten Principals" on human rights, labor, environment, and anti-corruption. To join, corporations must operate responsibly, in alignment with the ten principals, and report annually on their ongoing efforts. Expanding membership offers evidence of the spread of the norm of good corporate behavior and peacebuilding (Berliner and Prakash 2012). I include a count of the number of years a company has been a *Global Compact Member*.

To capture *violent events* in the state where the country is operating, I use the Uppsala Conflict Data Project's Armed Conflict Dataset (Gleditsch 2002).[22] I account for any ongoing armed conflict in the previous year. To measure political instability, I use the Polity IV database

[22] I generate similar results using the number of years of ongoing UCDP Armed Conflicts (Gleditsch et al. 2002) and the number of years since a failed coup attempt (Powell and Thyne 2011)(see appendix).

to create a dichotomous variable of whether there is an *autocratic shift* or *democratic shift* in governance from the previous year (Marshall and Jaggers 2004).[23]

I also use the COPC data to test if the company is acting to overcome *"bad" behavior*. The data include a dichotomous measure of media reports on firm activities that negatively impact society, the economy or the environment in the previous year.[24]

Broadly, we can categorize these variables as describing characteristics of the firm, the conflict, and the state. I expect each of the measures to increase firm-led peacebuilding activities, with state capacity having a curvilinear effect. Summary statistics are in the appendix. I run separate models of violence and different methods of international conflict management as these are strongly correlated with one another.[25]

Findings And Discussion

Table 1 provides substantial evidence that a firm's operating environment can encourage or discourage conflict management-related activities. Many of these circumstances, such as international conflict management efforts, government effectiveness and stability, and rates of foreign investment, are beyond the corporation's control. Interestingly, the results suggest that government instability and effectiveness are more salient considerations than violence. In addition, international diplomatic efforts encourage firm involvement, but other UN

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[23] I also test the World Governance Indicator's measure of political stability and find that general instability does not explain corporate engagement.

[24] Search terms include "scandal," "corruption," "lawsuit," "protest," "disaster," and the company name.

[25] None of the other variables have correlations with one another at levels that might generate concern.

engagement mechanisms do not. Generally, we can say that corporations engage to protect themselves but also to fill gaps in governance. A firm's acceptance and exposure to international norms also promotes engagement.

The empirical findings suggest that corporations use engagement as a way to fill "gaps" in governance and that ongoing international diplomatic missions encourage investments in peace. First, each model specification supports my arguments about the relationship between state capacity and conflict management-related activities. Firm-led peacebuilding is most likely when state capacity is low but decreases with increases in government effectiveness. This supports case studies showing firms help contribute to governance, peace, and security in the context of weak states (Deitelhoff et al. 2010). It also speaks to findings in the mediation literature that state capabilities can make conflict more or less attractive to would-be conflict managers (Crescenzi et al. 2011).

Model 2 also shows that diplomatic conflict management efforts, such as mediators, special envoys, and advisors, encourage active corporate conflict management-related activities. Corporate actors provide important resources, expertise, networks, and help lobby for peace during international mediation (Iff et al. 2010). Other mechanisms of UN conflict management, including sanctions, political development programs, and peacekeeping missions, do not significantly affect corporate invests in peace. This highlights a need to explore how corporations may build on other efforts to create peace, as mediation and peacekeeping have an interactive affect that enhances reductions in violence (Beardsley, Cunningham, and White 2018). It also suggests that firms may be acting to fill gaps when others don't, adding value in places that have failed to attract international attention.

TABLE 1: Random Effects Models of Firm-led Conflict Management-Related Activities

	Model 1: Violence	**Model 2: Diplomatic**	**Model 3: Technocratic**	**Model 4: Political Development**	**Model 5: Peacekeeping**
Variable					
Filling Governance "Gaps"					
Government Effectiveness	-0.93** (0.29)	-0.82** (0.29)	-0.81** (0.31)	-0.90** (0.31)	-0.80** (0.31)
Diplomatic		2.26** (0.71)			
Technocratic			-1.54 (1.06)		
Political Development				-0.63 (0.80)	
Peacekeeping					-1.52 (1.07)
Norm Entrepreneurs					
Global Compact Member	0.11* (0.05)	0.10 (0.05)	0.10 (0.05)	0.10 (0.05)	0.10 (0.05)
FDI	0.35*** (0.09)	0.43*** (0.10)	0.35*** (0.09)	0.36*** (0.09)	0.36*** (0.09)
Protecting Investment					
Violence	-0.68 (0.63)				
Autocratic Shift	2.47*** (0.62)	2.80*** (0.64)	2.49*** (0.62)	2.51*** (0.62)	2.50*** (0.62)
Democratic Shift	-0.04 (1.03)	-0.52 (1.08)	-0.00 (1.03)	-0.01 (1.03)	-0.02 (1.03)
Protecting Reputation					
"Bad" Behavior	1.72* (0.84)	1.73* (0.84)	1.75* (0.85)	1.73* (0.84)	1.74* (0.84)
Constant	-13.47*** (2.13)	-15.40*** (2.37)	-13.48*** (2.14)	-13.63*** (2.14)	-13.57*** (2.13)
N	10,625	10,625	10,625	10,625	10,625
N (groups)	849	849	849	849	849
Wald χ^2	62.91	68.80	60.05	62.21	60.34
LR test	-389.24***	-385.86***	-388.36***	-389.56***	-388.43

Robust standard error in parentheses; Two-tailed test *p≤.05; **p≤.01; ***p≤.001

The model suggests that norm entrepreneurs, having been early adopters of higher expectations of firm behavior, are more likely to engage in conflict management-related activities.[26] Long time members of the United Nations Global Compact are more likely to engage in Model 1, but this measure is insignificant in the models accounting for UN conflict management.[27] The results offer mild support for case studies showing Global Compact members are positively advancing peace (Compact 2013, Williams 2008). Rather, exposure to norms through foreign investment strongly encourages corporations to proactively advance peace. Foreign investment helps spread rights-supportive norms and values, and supporting evidence that FDI increases human rights conditions (Kim and Trumbore 2010), environmental standards (Prakash and Potoski 2006, Vogel 1997), and labor rights (Greenhill, Mosley, and Prakash 2009).

Firms do not appear to engage in response to national-level violence. The empirical results suggest that recent violence actually decreases peacebuilding cross-nationally, although the relationship is not significant. Case studies show violence motivates firms to actively build peace (Rettberg 2004) and positively contribute to governance and security (Deitelhoff and Wolf

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[26] I also coded if the company is rated top on the Dow Jones Sustainability Index. This accounts for only five companies in the data and it was insignificant.

[27] Since the results are based on cross-national time series data, interpreting the coefficients include both within entity and between entity effects, or the average effect of X over Y when X changes across time and between firms by one unit. I therefore discuss the results in terms of percent change.

2010).[28] Other scholarship suggests the effects of violence depends on how vulnerable the company is, and that businesses may be wary of joining peace processes out of fear of being targeted (Iff et al. 2010). Another possible explanation is the use of national level violence data, as firms may be responsive to violence that occurs closer to their operations. Violence does not necessarily disrupt economic activity. Research shows firms respond when violence directly threatens the company's investments (Wenger and Möckli 2003, Berman 2000). For example, it was only in the 1990's that the link between continued violence and poor economic performance became apparent to Northern Ireland's business community (Portland Trust 2013). As violence is shown to attract international mediation offers (Melin, Gartner, and Bercovitch 2013) and create domestic and international political pressure for resolution (Beardsley 2010), national violence levels may have an indirect effect on business engagement through conflict management efforts. A more localized approach is necessary to fully understand business responses.

Firms do act to protect their investment during periods of political instability, as evidenced by firm responsiveness to autocratic shifts across models.[29] Shifts towards democracy do not result in firm-led peacebuilding, perhaps because democracies are more likely to agree to work with third party conflict managers in mediation (Beardsley 2010) and resolve their conflicts peacefully (Dixon 1993). Since violence and civil war are most likely to occur during times of

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[28] I also tested the intensity level of the conflict in a given year as a proxy for the conflict phase (see Wolf, Deitelhoff, and Engert 2007 for a theoretical justification). The results were not significant.

[29] While this measure is a stringent test, including single point shifts in autocracy, the results hold across larger autocratic shifts of two or more points in a single year. The results also hold when controlling for starting regime type.

political transition (Cederman, Hug, and Krebs 2010, Hegre 2004), firms may be especially sensitive to political change and its potential to threaten stability and investments. This finding builds on work suggesting a complex relationship between peacebuilding and democratization (Jarstad and Sisk 2008).

The results suggest corporations also act to protect their reputation. Firm engagement often occurs in response to negative media reports. This could be evidence of "brandwashing" after a crisis (Yoon, Gürhan‐Canli, and Schwarz 2006). It is also possible that corporations that have a history of negative publicity are learning to adopt policies that incorporate new norms of corporate engagement.

*****Figure 1 Here*****

Figure 1 depicts changes in the probability that a firm invests in conflict management-related activities. Autocratic shifts and low levels of government effectiveness have the strongest substantive increase in corporate investments in peace. A single point shift towards autocracy increases the probability of action from .05 percent to nearly five percent and companies operating under the least effective governments have a four percent probability of investing, compared to zero for those in the most effective governments. Diplomatic conflict management and corporate misbehavior both increase the probability that a company invests in conflict management-related activities from near zero to 2.5 percent. Companies are more likely to invest in conflict prevention and management when they are exposed to international investment, although the substantive effect is small.

While the individual probabilities of conflict management-related engagement appear small, the effect over time and across companies can be quite substantial. For example, a country that has twenty large corporations and experienced diplomatic conflict management in the last year has a fifty percent chance of corporate peacebuilding. Measures of model fit suggest each of the models perform well. The F tests and chi-square tests show each model is significant. The political environment in which a firm operates provides the motive for firms to invest in conflict management-related activities.

Conclusion

Do private firms act to prevent and resolve violent conflict? What conditions encourage these actors to invest in conflict management-related activities? The findings here contribute to a burgeoning literature suggesting firms engage in both commerce and peacemaking (Fort 2007). With original data, I show how a company's operating environment encourages active involvement towards preventing, managing and ending violent conflict.

While international relations scholars are developing an understanding of state- and international organization-led conflict management, this research rarely considers a role for private firms. This is due to a focus on traditional government actors in the conflict processes literature and the lack of data. Research on corporate social responsibility, fair trade, human rights, and private security suggests firms can play an important role in preventing and resolving conflict. This manuscript offers an initial step in linking these disparate research agendas.

The analyses show corporations engage in conflict management-related activities when their investments and reputation are threatened and when there is a gap in governance. Ongoing international mediation and high levels of foreign investment also encourage more engaged corporations. These variations in a corporation's environment offer insights into how corporations respond to the political and economic climate. Through programs that invest in educational opportunities, provide new access to economic resources, and protect environmental integrity, firms are investing in the long-term stability of the places where they operate.

Given that traditional political actors only manage around fifteen percent of conflicts (Owsiak 2014), the evidence presented here showing that corporate actors can and do engage in conflict management suggests that the private sector can fill an important role. International actors often miss conflict management opportunities due to (1) the absence of "early warning" systems to alert political actors of conflicts at risk of escalation and (2) the lack of political will to manage a conflict (Greig, Owsiak, and Diehl 2019). Businesses, as actors embedded in the society experiencing instability and with different incentive structures, may work to build peace even when international actors fail to do so. This paper shows international diplomacy encourages corporate conflict management, but also indicate that this is not a necessary condition. In fact, I show that international sanctions, political development projects, and peacekeeping do not significantly change corporate engagement choices. While this finding suggests lost opportunities to involve all societal actors in peace processes, it also suggests corporations are acting in cases that fail to attract international efforts. Although action does not equate outcomes, it offers reason for optimism that a division of labor is occurring among would-be peacemakers.

Researchers have many opportunities to contribute to this burgeoning field. Additional data collection is necessary, especially if we are to understand changes and trends in firm-led conflict management across time. This study suggests businesses are acting to build peace, but it should be built upon with more extensive, sub-national data. These results are from large, domestically headquartered corporations in select regions. How do they compare to efforts of multinational corporations, smaller businesses, and those operating in other parts of the world? This study offers initial quantitative evidence of business engagement in conflict management related activities, suggesting further analysis is warranted.

In addition, it is pertinent to explore the implications of these activities for building a sustainable peace. What are the effects of corporate engagement? Do firm-led conflict management-related activities actually create more peaceful societies? Creating an understanding of the role of private corporations in peace and conflict will help scholars build a stronger understanding of the outcomes we observe.

This study offers an initial step in creating a broader understanding of how the private sector may help build more peaceful societies. Innovative approaches to engagement may both ensure long-term profits and benefit societies. The private sector may have opportunities to shape conflict-prone environments in important and positive ways, and increasing our knowledge of this process will generate important evidence useful for encouraging positive future efforts.

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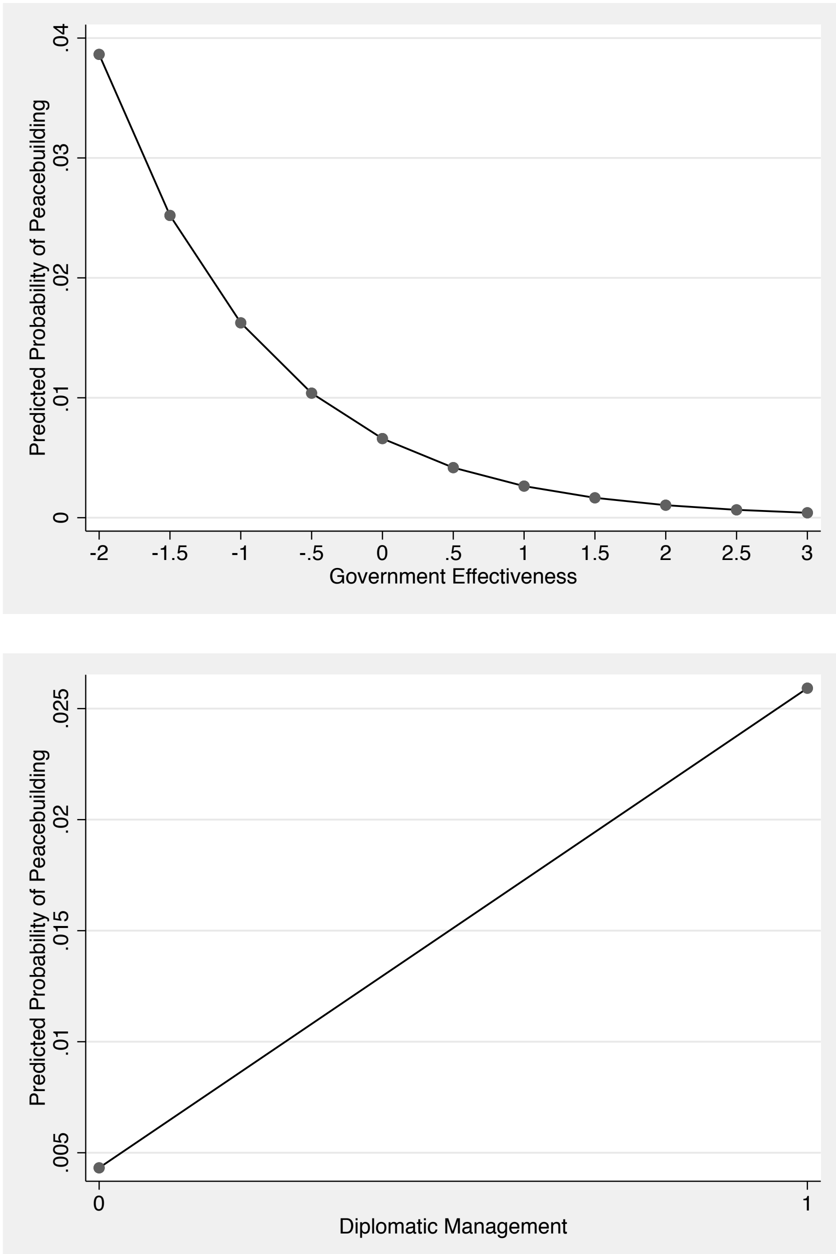
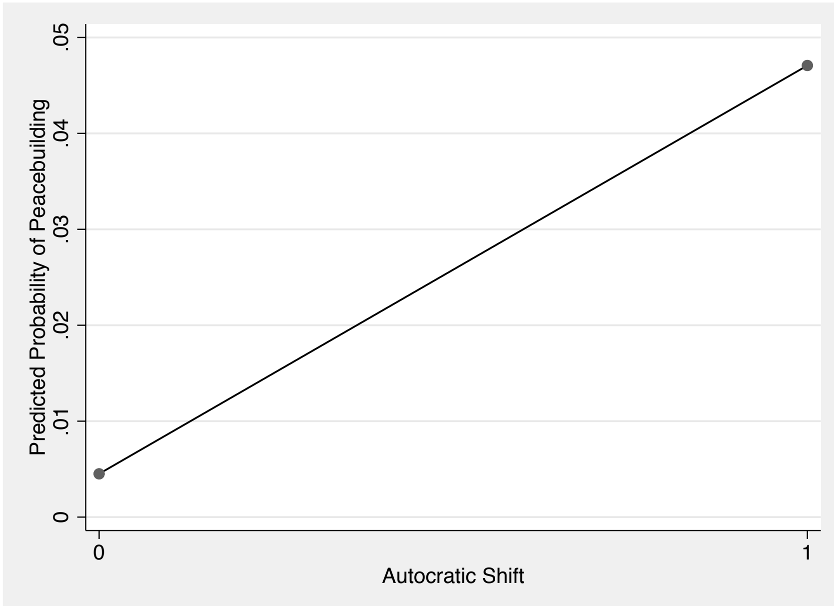
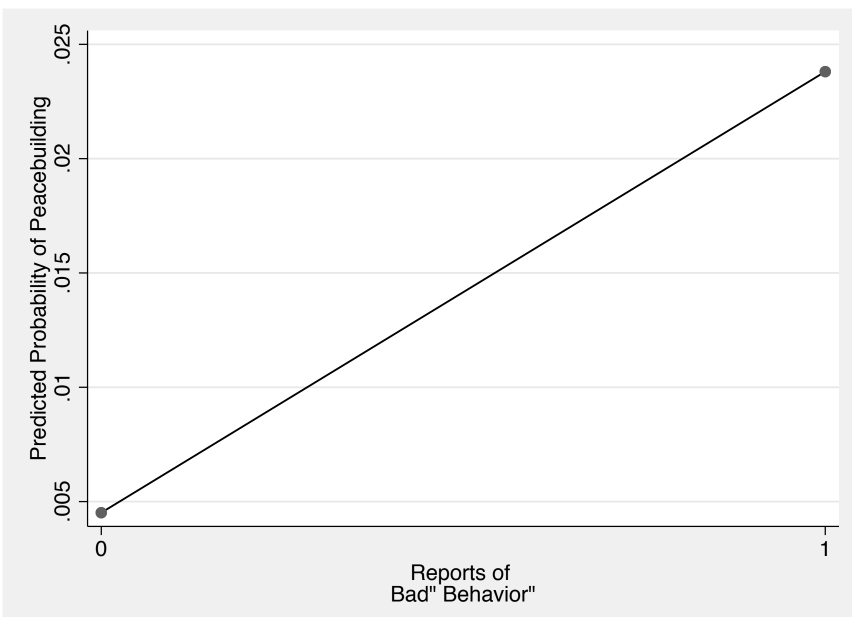
Figure 1: Changes In the Probability Of Firm-led Conflict Management-Related Activities [30]



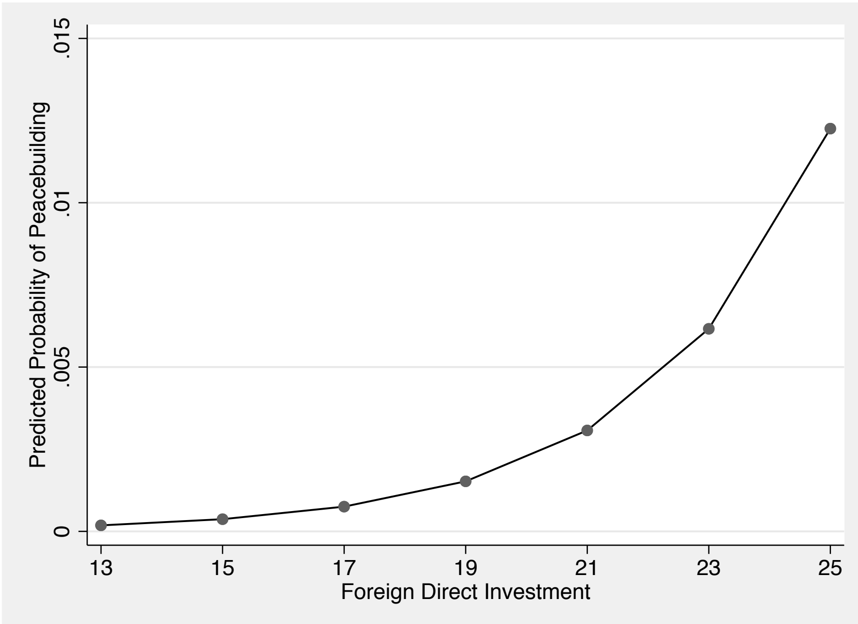
[30] Predicted margins plotted based on Model 1 results with the Stata 15 margins command. Predicted margins for diplomatic conflict management based on model two. Violence, autocratic and democratic shifts, "bad" behavior each are held at zero with all other variable held at their means.



Predicted Probability of Peacebuilding
0
.01
.02
.03
.04
.05
0
1
Autocratic Shift



Predicted Probability of Peacebuilding
.005
.01
.015
.02
.025
0
1
Reports of
Bad" Behavior"


Predicted Probability of Peacebuilding
0
.005
.01
.015
13
15
17
19
21
23
25
Foreign Direct Investment