Cooperation and Conflict
http://cac.sagepub.com/

Corporate Security Responsibility : Towards a Conceptual Framework for a Comparative Research Agenda

Klaus Dieter Wolf, Nicole Deitelhoff and Stefan Engert
Cooperation and Conflict 2007 42: 294
DOI: 10.1177/0010836707079934

The online version of this article can be found at:
http://cac.sagepub.com/content/42/3/294

Published by:
SAGE
http://www.sagepublications.com

On behalf of:
Nordic International Studies Association

Corporate Security Responsibility

Towards a Conceptual Framework for a Comparative Research Agenda

KLAUS DIETER WOLF,
NICOLE DEITELHOFF AND
STEFAN ENGERT

ABSTRACT

The political debate about the role of business in armed conflicts has increasingly raised expectations as to governance contributions by private corporations in the fields of conflict prevention, peace-keeping and post-conflict peace-building. This political agenda seems far ahead of the research agenda, in which the negative image of business in conflicts, seen as fuelling, prolonging and taking commercial advantage of violent conflicts, still prevails. So far the scientific community has been reluctant to extend the scope of research on 'corporate social responsibility' to the area of security in general and to intra-state armed conflicts in particular. As a consequence, there is no basis from which systematic knowledge can be generated about the conditions and the extent to which private corporations can fulfil the role expected of them in the political discourse. The research on positive contributions of private corporations to security amounts to unconnected in-depth case studies of specific corporations in specific conflict settings. Given this state of research, we develop a framework for a comparative research agenda to address the question: Under which circumstances and to what extent can private corporations be expected to contribute to public security?

Keywords: conflict; corporation; private governance; security

Introduction

Our aim in this article is to analyse the potential role of business corporations in conflict prevention, peace-keeping and post-conflict peace-building in conflict zones. We review the literature on 'business in conflict' to take stock of the current state of research in order to move forward towards a conceptual framework for a comparative research agenda in the field of corporate security responsibility (CSecR), i.e. the potential contribution of business corporations to the provision of the public good 'security'. CSecR has only recently been discovered as a relevant area of transnational private governance.

Cooperation and Conflict: Journal of the Nordic International Studies Association
Vol. 42(3): 294–320. © NISA 2007 www.ps.au.dk/NISA
SAGE Publications, Los Angeles, London, New Delhi and Singapore
www.sagepublications.com
0010-8367. DOI: 10.1177/0010836707079934

Private corporations are involved in armed conflicts in manifold ways, and particularly in civil wars — mostly, it seems, by contributing to security problems rather than to their solution (Wenger and Möckli, 2003: 85; Möckli et al., 2003a: 51; Ballentine and Nitzschke, 2004: 35). Companies get involved in conflicts by financing conflict parties, trading conflict-relevant goods and exploiting regulatory gaps.[1] But fuelling violence is only one side of the potential role of business corporations in armed conflicts. The other side is that they seem to be increasingly 'drawn into playing public roles to compensate for governance gaps and governance failures at global and national levels' (Ruggie, 2004: 30). But given that private corporations pursue private purposes, the question is: Under what circumstances and to what extent, if at all, can they be expected to provide regulatory governance functions in the public interest?

The political security discourse about the role of business in armed conflict has increasingly directed public attention to the role private corporations could play in conflict prevention, peace-keeping and post-conflict peace-building. According to United Nations Secretary-General, Kofi Annan, this role can be 'crucial, for good and for ill'.[2] Under the conceptual umbrella of 'global governance', the UN has taken the lead in mobilizing the problem-solving resources of private actors, international civil society and business alike, for the provision of public goods. With the relatively prominent place it has given to private contributions to security as a public good, this political agenda seems to be far ahead of the research agenda. So far, the scientific community has been reluctant to extend the scope of research on 'good corporate citizenship', 'corporate social responsibility' or 'transnational private governance' to the area of security in general and to intra-state armed conflicts in particular. From a theory-guided interest in generalizing across sectors, this is all the more astonishing, because security obviously is a 'hard case' for private self-regulation as a meaningful complement, or even substitute, for public governance. Overstretch and 'business failure' can be found more frequently in this policy field than in any other, and so might the conditions of such failure. But so far there is no real basis from which systematic knowledge can be generated about the conditions under which and the extent to which private corporations can fulfil the role expected of them in the political discourse. Confronted with corporations' undisputed contributions to destabilization, to fuelling, prolonging and taking commercial advantage of violent conflicts, on the one hand, and with high-flying expectations as to their potential contributions to security (see Gerson and Colletta, 2002; Nelson, 2000), on the other, the question concerning the circumstances under which private actors can make meaningful contributions to public security ought to be investigated within the framework of a comparative research agenda.

In this article, we contribute to such a framework. Section 1 is a critical assessment of the current state of research. Section 2 describes general changes in the relationship between private corporations and conflict and suggests a more active role of business in the provision of 'security' in general. Questions are raised as to the potential contributions of private actors to the provision of public security more specifically. In section 3 we focus the analytical lens on two dependent variables which the research agenda on corporate security responsibility should address: corporate engagement (commitments and behavioural changes with regard to security) in conflict zones and the impact of this engagement (narrowed down as a first shortcut to the reduction of physical violence). Turning to the discussion of independent variables, in section 4 we address factors that could be relevant in explaining corporate *engagement* (corporate variable 1) in conflict zones. In section 5, we deal with corporate *impact* (dependent variable 2) by formulating conjectures about potential explanations of the effects of different types of corporate engagement on conflict. Finally, in section 6 we outline the way forward for comparative research and the theoretical conceptualization of the key issues. We argue that development of a conceptual framework for a theory-oriented CSecR research agenda must face the challenges of filling the empirical gap left by the current state of research, of clarifying key concepts, addressing more systematically the causal dimensions that underlie the motivations of corporations, and of including the normative dimension of private contributions to public goods.

1. State of the Art: Empirical and Theoretical Underpinnings of CSecR

Today, business is increasingly being confronted with — either voluntary or involuntary — withdrawal of the state from the provision of security, with declining governmental authority and even disintegration of the state. While many private companies have used the new freedom resulting from economic globalization rather negatively — namely by deliberately or unintentionally financing war economies[3] — others have assumed a new role in preventing conflict and reducing the level of violence. However, this development can only be understood against the background of a general change in the nature of conflict, often associated with and at least accelerated by the end of the Cold War. Today, about 90% of armed conflicts are intra-state civil wars. They challenge the authority of governments or take place on territories where domestic consolidation processes such as nation-building or democracy-building have not yet succeeded (Daase, 2003: 177; Möckli et al., 2003a: 51). The institutions of the state fail to provide public security, either because they lack the resources or because they profit from insecurity themselves, as is the case of the so-called shadow states or over-extended states (cf. Reno, 2000: 47). Not only have these 'new' wars (Kaldor, 1999) led to a perpetuation of so-called war economies, they have also challenged the conflict-management strategies of the international community, which are still orientated towards traditional wars. Against the background of failing state-structures on the one hand and the increasing intermingling of political and economic motives within these conflicts on the other, private contributions to the provision of public security were explicitly addressed in March 2001, when the first of the Global Compact 'Policy Dialogues' was convened on the role of 'Business in Zones of Conflict'. Foreign investors, in particular the extractive industries, were called upon to promote the principles of the Global Compact in such zones and not to associate themselves with international corruption or bribery. They were to engage in conflict impact management. A 'Business Guide for Conflict Impact Assessment and Risk Management' was drawn up in order to raise awareness of how investment decisions could affect a given conflict situation. In April 2004, even the UN Security Council dealt with 'The Role of Business in Conflict Prevention, Peacekeeping and Post-Conflict Peace-Building' and established a working group to deal with the topic. Given the mixed success of the international community in addressing these new kinds of conflict in the past, the business sector is increasingly perceived as a promising and much-needed complement to the activities of states and civil society actors. But these high-flying political expectations are not matched or even grounded in systematic research on the role of business in conflict.

Selection Bias and Lack of Comparative Research

Concerning the current state of research on corporate security responsibility, commentators complain that the role of the private sector has received too little attention (Berdal and Malone, 2000: 1). 'No coherent "big picture" exists' (Sherman, 2001: 5) about why and how corporations engage in the provision of public security. Although a considerable number of descriptively rich individual country case studies have been published (see Ganser, 2004a: 64–9), they focus mainly on the negative impacts of corporations on conflict (e.g. their role in fostering civil war).[4] This strand of research critically investigates how businesses cause destabilization or prolong conflict in order to maximize profit — by selling arms, by providing military services, by financing governments or rebel groups, or by just exploiting the regulatory gaps resulting from the decline of public authority (see Elwert, 1997; Rufin, 1999; Zangl and Zürn, 2003). In contrast, there are hardly any case studies addressing how corporations have contributed proactively to the provision of public security. This is by no means a normative complaint, but expression of a deep-seated analytical concern: the existing selection bias does not allow for a systematic identification and testing of possible independent variables and causal mechanisms (cf. Banfield et al., 2003: 27, 66; Rieth and Zimmer, 2004a: 2; Ganser, 2004b: 74; Ballentine and Nitzschke, 2004: 35) and therefore leaves the potential contribution of business to peace largely 'untapped' (Wenger and Möckli, 2003).

In order to generate theoretically sound knowledge about the potential role of business in conflict zones, we must be able to draw upon empirical evidence of proactive private contributions to public security as well. By not covering the full range of variation of the dependent variable, the state of the existing literature is still an impediment to the comparative theory-oriented research that is needed to test the factors explaining corporate engagement and its impact systematically. Furthermore, between-case variance (e.g. cross-country/region, cross-corporate and cross-conflict studies) as well as within-case variance — longitudinal analyses of periodical changes of the variables, such as change in corporate behaviour over time — are also absent. One could assume that the virtual lack of 'positive' case studies is due to the fact that there are hardly any such cases around. This would be puzzling, however, when one considers the relevance and increasingly precarious nature of security and of a stable environment for private companies. Previously agreed private self-regulatory mechanisms, such as the Kimberley Process Certification Scheme for the trade of diamonds, or the Wolfsberg Principles on which private financial sector institutions have agreed in order to combat money laundering, also point in another direction.

In addition to the selection bias resulting from the concentration on negative cases, another common feature of current research is the widespread lack of reference to generic concepts (Rose, 1991: 454f.) for hypothesizing when, how and why business actors engage in conflict zones, and under what conditions they are likely to contribute successfully to the provision of public security. Although some first conceptual contributions exist,[5] the dependent and independent variables still seem under-specified. For example, most of the literature uses the catch-all term 'conflict prevention' to cover contributions to security in pre-conflict, actual conflict and post-conflict situations (Carbonnier, 1998; Wenger and Möckli, 2003: 27, 32; Rieth and Zimmer, 2004a: 1, 4, 8; 2004b: 81). However, it may be useful to distinguish between these phases of a conflict for explaining and assessing certain forms of corporate engagement in providing security. The lack of 'positive' case studies may also reflect the yet unclear and diffuse understanding of what actually constitutes a 'successful' corporate contribution to conflict prevention, peacekeeping and post-conflict peace-building. Other merits and shortcomings may be attributed to the fact that much of the existing literature has evolved from activist groups, while academia has remained relatively 'silent' (Humphreys, 2003: 14) on the role of business in conflict zones.[6]

2. Incentives for Providing Security: The Complex and Changing Relationship between Business and Conflict and Security

Why should private companies take an active role in providing security as a public good in the first place? And why should we expect public actors to call upon them and thereby deliberately give up or outsource their exclusive competence for a public good so closely related to the core of state sovereignty? In contrast to the state, which is public in form and purpose, and even to actors from civil society who, although private in form, often pursue public purposes, private business corporations are not only private in form, they are also private in purpose. For anyone who subscribes to Milton Friedman's often-quoted view that 'The Social Responsibility of Business is to Increase its Profits' (1970), it is paradoxical to expect corporations, whose aim is in maximizing shareholder wealth, to serve public purposes (Fort and Schipani, 2003: 394; Dunfee and Fort, 2003: 573). By their very nature, these actors do not have a genuine interest in pursuing public interests. Collective goods theory has convincingly pointed out why the market generally fails to produce public goods (Olson, 1965). First, public goods involve free-rider problems (Ostrom, 1990: 6). Since they are non-excludable, everybody, not just those who provide them, can profit from them. Conversely, 'potential consumers have no interest in paying for or contributing to the provision of a good that they can benefit from even if they fail to do so' (Krahmann, 2005: 12). Furthermore, public goods are non-rival in their consumption: their benefit is not decreased by the amount of consumption. In contrast to the state, which can enforce a contribution to the production of public goods by general taxation, the market can make no profit from public goods and hence should have no interest in providing them.

If we draw on public goods theory and follow Friedman's assumption of a narrow market rationality according to which only short-term costs and benefits motivate business activities, we cannot expect any meaningful contributions by market actors to the provision of public goods. However, given the abundant empirical evidence of private regulatory self-commitments in the fields of social and environmental standard setting and implementation, this reductionist rationality assumption cannot sufficiently explain the motivations of corporations. Obviously, there must be additional incentives which are strong enough to alter firms' perceptions of rational behaviour. Only a more comprehensive 'stakeholder'[7] approach to the rationality of business (Freeman, 1984) allows a systematic inclusion of these additional incentives for private governance contributions to public security.

Business today has to operate within a public framework characterized by public laws and a normatively textured environment. We do not have to assume that market-oriented actors are intrinsically motivated by social values and norms in order to claim with some plausibility that the complex demands of social, market and political environments have altered firms' concerns beyond short-term profit maximization. In such a multidimensional environment, business has to include a bundle of factors within its cost–benefit calculations, including the management of reputational costs, normative expectations of stakeholders and the public. In sum, these often contradictory demands create a type of motivation that can be termed complex market rationality. From this basis, good reasons could emerge for business engaging in the provision of public goods under certain conditions. Among these, security still appears to be the least likely to be provided by private actors if public actors are either unwilling or unable. However, by taking a closer look at the changing security environment in which business has to operate and the public good character of security itself, the motives for corporate security engagement become clearer.

Increasing Relevance of Security and of a Stable Business Environment

In search of global competitiveness, northern-based TNCs accessed new markets and invested huge sums of money in developing transition countries in order to gain access to natural resources or to reap the small profit margins of cheap labour (Avant, 2005: 180f.). But the direct (material) and the indirect (reputational) costs of this business strategy have increased sharply with the spread of conflict zones (Rieth and Zimmer, 2004a: 17). Confronted with the opportunity to realize profits, the risks of incurring substantial war damages and rising security costs and of being publicly associated with bloodshed and human rights violations,[8] the choice between not investing in the first place, withdrawing from a conflict zone, or contributing to a more predictable and secure business environment, appears in a new light. Simply to withdraw may no longer be a viable option if one assumes the further spread of zones of terror and costs of conflict.[9] Still, the decision to invest in public security may be in the interests 'of business' in general, but for each individual firm it causes additional costs, competitive disadvantages in relation to free-riders, and reduced profits. It could possibly even damage relations with the ruling political class in the host state (Rittberger, 2004: 24). Why should a corporation bear such additional costs by engaging in the provision of security? There are two different lines of argument which could substantiate the expectation of business engagement. The first starts from the assumption of narrow market rationalism and focuses on the character of security and the reduction of direct material costs; the second assumes complex market rationalism and highlights the avoidance of indirect costs as a decisive motivation. Since the latter argument is elaborated in more detail in section 4 (iii), we concentrate on the first one here.

Even if we assume a narrow market rationality, we might expect business to engage in security provision if at least some of the above-mentioned costs could be avoided. The key to cost reduction lies in the fact that security does not have to be a public good. If it is commonly misunderstood as the archetype of a public good, this is not caused by features of security itself but rather by the empirical observation that it is usually provided by the state. Elke Krahmann (2005: 8–14) suggests differentiating between three different forms of security which involve different types of goods. In its clearest 'public good' form, security means prevention, denoting the attempt to eliminate or at least reduce a threat. In this form, security is non-excludable and non-rival, because no one can be excluded from the benefits of the elimination or reduction of a threat, nor can this benefit be diminished by consumption. There are two other forms of security, however, in which these characteristics need not be present. Security as deterrence refers to activities that attempt to suspend the materialization of a threat. It is less concerned with tackling the causes of a threat. This form of security can quite obviously be excludable, as deterrence against a threat might apply only to members of a specified 'club'. It is non-rival, however, as all members profit from deterrence in the same way. Security then takes on the characteristics of a club good. Finally, security can also mean protection from an already existing threat. Security guarantees survival in spite of a threat that has already materialized. In this form, it comes closest to a typical private good which can be priced and offered to those who can afford it. Of course, these classifications of types of goods and of forms of security have to be regarded as ideal types, and all forms of security can be (and have been) provided as public goods, if there is a collective actor or an institution that can ensure their non-excludability and non-rivalry (Krahmann, 2005: 17f.). However, this classification offers access points for the private sector to develop a general interest in security provision. Under the assumptions of narrow market rationalism it leads to the conclusion that business actors should be most inclined to the provision of security as a private or a club good, and least likely to contribute to security as a public good.[10]

An extreme case in point is the involvement of private security providers (PSPs) in zones of conflict. The role of PSPs such as Blackwater Securities, MPRI, or DynCorp received some attention in the literature about the security-related role of private corporations. Corporate private security providers are a relatively new phenomenon, and the assessment of their impact on conflict is still ambivalent (Lock, 2001: 225; Renner, 2002: 18; Leander, 2005: 606). However, private security providers who make a direct profit from providing security are an exceptional case. For 'normal' corporations, other incentives have to be taken into consideration, relating not only to the increasing interest in the security of markets endangered by spreading conflicts and domestic turmoil in weak states, but also to other demands of their political, social and market environments.

Even though the provision of public goods cannot plausibly be expected ever to become the primary goal of business (Scherer et al., 2004: 7–9), the private sector could be instrumental in providing security, even as a public good, in a manner similar to the voluntary self-commitments of private corporations in fields such as the environment, health, education or human rights (Fort and Schipani, 2001: 33; Dunfee and Fort, 2003: 579, 582, 594; Scherer and Palazzo, 2004: 32). This expectation combines the assumption that most companies prefer stable and secure markets, and only a few profit from conflict or are interested in prolonging it (Ganser, 2004a: 12), with assumptions about additional incentives for business to engage in security, which are introduced in the following sections. However, hypotheses about the specific conditions under which private corporations are most likely to contribute to public security instead of merely their own private security are still far from clear-cut and cannot be systematically assessed at this stage.

3. Focusing the Analytical Lens: What Do We Want to Explain?

Immediate Conflict Relevance: Distinguishing the CSR Agenda from the CSecR Agenda

Before we can even start to develop a conceptual framework for comparative research on CSecR, a meaningful distinction has to be drawn between 'traditional' research on corporate *social* responsibility (CSR) and the emerging CSecR agenda. To differentiate between these two, we suggest focusing the latter on activities in conflict zones characterized by a high level of physical violence. This focus guides the following typological suggestions.

CSecR deals with corporations operating in a violent environment, while CSR is concerned with corporations in a peaceful environment. This distinction, useful as it may be, is of course an ideal-typical one and can only serve as a rough guideline. In the real world, such a line of distinction between a peaceful and a violent environment is, of course, difficult to draw. From what stage of development can a post-conflict zone be called 'peaceful', or a pre-conflict zone 'violent' enough to move from the CSR to the CSecR agenda, or vice versa? But even when we focus the lens on corporate operations in weakly governed and conflict-ridden states where the level of violence is high, we have still not moved completely beyond the CSR agenda: corporate activities in such an environment may be more directly or more indirectly relevant to conflict. The CSR literature investigates corporate activities in the fields of environmental and labour standards and of human rights whose generation and implementation can, of course, also have an indirect relevance for security. There may be good reasons for assuming that economic growth, social development, political empowerment and the adoption of environmentally and labour-friendly standards all contribute to peace in the sense of reducing structural violence. How do we handle the inclusion or exclusion of such activities that address potential root causes of civil conflicts, such as poverty, lack of distributional justice, or exclusion from the political process? Is there a measure for the extent to which such activities are relevant variables for conflict and the level of physical violence?

In the light of these considerations and in order not to blur the boundary between the broader CSR agenda and the more focused CSecR agenda, our first conclusion is to focus on contributions that are directly addressed at regulating or influencing an environment characterized by imminent or only very recently terminated interactions of physical violence. These may include establishing the rule of law, the democracy and community dimension. The trade-off implied in this choice is of course one between saving 'conflict relevance' from becoming an all-inclusive — and therefore analytically useless — category, on the one hand, and missing or losing sight of activities that tackle the roots of impending or latent structural violence, on the other.

Corporate Engagement and its Impact on Conflict: Two Different Dependent Variables

Two dependent variables should be addressed by the CSecR research agenda: corporate engagement and its impact on conflict. Engagement comprises the (self-)commitments actors declare or agree upon ('word' or output dimension), and the behavioural adjustments based on such commitments ('deed' or outcome dimension). The second dependent variable, impact, delineates as a first short-cut the reduction of physical violence in a conflict zone. This variable may not only be more straightforward, it might also be of more practical relevance. However, there are good reasons for taking a closer look at engagement and impact because the choice of either of the two combines certain advantages with disadvantages.

(i) Corporate Engagement. The output dimension of engagement allows us to address research questions such as the following: When do corporations adopt new policies towards security in a conflict zone? When do they agree on voluntary self-commitments such as the Kimberley Process Certification Scheme, declaring abstention from trading or purchasing conflict goods? When do they adopt 'good governance' principles to fight corruption? To address engagement as output is relatively easy to handle in analytical terms, e.g. by looking

at statements of individual companies or agreements on collective self-commitments. But output is perhaps also the least interesting dimension of the dependent variables under consideration in terms of its immediate political relevance. However, looking at the output dimension of corporate engagement sheds light on the articulation of governance goals; therefore the intentions of corporate contributions to public security, i.e. the existence of a corporate security responsibility, can be investigated more explicitly here than elsewhere. In contrast, the outcome dimension of corporate engagement goes beyond analysing commitments and addresses the actual behaviour of companies in zones of conflict. Do they actually employ or avoid unethical practices? Do they withdraw rather than become accomplices of violent regimes or warlords? Do they draw profit from war economies, or do they choose to yield profits? Do they refrain from abusing, or do they take advantage of regulatory or implementation gaps?

(ii) Corporate Impact. In terms of political relevance, impact may be even more interesting as a dependent variable than engagement. After all, doubtlessly attributable impact would offer the strongest arguments for fostering the impetus within the political security discourse to encourage the private sector to engage in the provision of security in conflict zones. However, the analytical problems generated by impact analysis are manifold. They start with the very simple question: impact on what? Who decides on the goals which have or have not be attained, and thereby also on the criteria for a 'positive' or 'negative' impact? Such judgements could be based on the goals a corporation (as an individual actor or as member of a collective initiative) has defined and committed itself to; it could, however, also employ criteria 'imposed' from the outside, such as a researcher's understanding of what is 'in the public interest' in accordance with whichever normative categories he or she chooses to select. A second problem has been addressed earlier: what is a relevant security-related impact? The core which we would definitely want to measure would include a reduced level of physical violence; but should it also embrace a more stable and better governed political, a more sustainable social, economic or ecological environment? Even bigger challenges for impact analysis result from multi-causality and counterfactual reasoning: how can we control for the universe of other factors which could explain changes in the level of violence in conflict zones? What difference would the absence of a given private initiative make, and how would we tell? Confronted with the choice between trying to explain engagement or impact, the former is clearly less difficult to develop into an operational tool, because it offers a yardstick that avoids the complex problems of counterfactuals and multicausality which are inherent in studying impact.

In the following two sections, we discuss the different sets of factors that may be relevant for explaining the multifaceted relationship between 'business' and 'conflict'. In the classification suggested here, these factors address the two different dependent variables one by one: the engagement of business in the provision of (public) security, and the security-related impact of certain types of corporate engagement. The following question will guide us to an agenda for comparative research: under what circumstances can we expect what kind of corporate contributions to the provision of what kind of security (engagement) with what kind of effects on the level of physical violence (impact)?

In section 4, we first introduce the following distinctions with regard to factors that can be assumed to influence our first dependent variable 'engagement': (i) characteristics of the actors themselves, (ii) product and production characteristics, (iii) conditions in the political, social and market environment in which business corporations operate, and (iv) conflict characteristics. In section 5, we focus our attention on the 'impact' of corporate behaviour on conflict, i.e. the level of violence in conflict zones. For this purpose, we employ the former dependent variable 'engagement' as the basis for distinguishing different clusters of independent variables to which we ascribe explanatory value for explaining impact. Drawing upon different types of engagement we claim that (v) their forms, (vi) actors' constellations and coalition patterns, and (vii) the scope of activities have an influence on our second dependent variable 'impact'. As a consequence of the state of research which does not tell us yet whether our independent variables are truly independent or how they might interact, we refer to 'conjectures' rather than 'hypotheses' in what follows.[11]

4. Explaining Corporate Engagement in the Provision of (Public) Security

We can roughly classify the activities and initiatives of corporations in four forms. Corporations can *proactively engage* in the provision of security in conflict zones with 'words' and/or 'deeds'. Alternatively, they can decide to withdraw from a conflict zone or even conduct '*business as usual*' (similarly to be analysed with regard to 'words' and/or 'deeds'). Finally, corporations could also *take advantage* of lacks of public regulation in conflict zones. Given the existing state of research on CSecR, our primary aim is necessarily to assess the potential and limitations of proactive engagement, i.e. of intentional corporate contributions to public security. Therefore, our aim in this section is to derive some conjectures about the factors that make proactive corporate engagement for public security in conflict zones (for which we reserve the term 'CSecR activities') more or less likely.[12]

(i) Conjectures about Actors' Characteristics. Among the organizational features of a company, its size, form and structure are of interest (cf. Dunfee and Fort, 2003: 567). Small and medium-sized enterprises could be expected to show less responsibility in the public interest because they are less 'visible' and constitute a less attractive target for NGO campaigns than big transnational corporations (cf. Carbonnier, 1998; Sherman, 2001: 10; Ballentine and Nitzschke, 2004: 43). Small-scale, local businesses are more able to free-ride on the reputational concerns of their competitors (Ballentine and Nitzschke, 2004: 50; cf. Lewis, 2004: 8, 26).

Conjecture 1: Large transnational corporations are more likely to engage in CSecR activities.

Independent Variables	ACTORS' CHARACTER-ISTICS	PRODUCT(ION) CHARACTERISTICS	BUSINESS ENVIRONMENT HOME AND HOST STATE	CONFLICT CHARACTER-ISTICS
	Size Form Structure	Product type/ Production type	Political Social Market	Issue Phase Intensity
Dependent Variable 1	**CORPORATE ENGAGEMENT:** take advantage; business as usual; withdraw; proactive engagement			

FIGURE 1
Corporate Engagement in (Public) Security

Concerning company form, we can — albeit roughly — distinguish between family-owned companies and those listed at the stock exchange. Because ownership is more visible and personalized in the first case, responsibility can be attributed more directly to specific persons (i.e. the owners) as well. In the second case, ownership is much more dispersed and to some extent gets lost in the anonymity of shareholder values. Therefore, it is plausible to assume that family-owned companies act more responsibly (cf. Haufler, 2001b: 670). Finally, the company structure could make a crucial difference with regard to CSecR activities: the existence and prominence of a specific business ethic and/or of interfaces between companies and their social environments, such as departments for CSR within companies, can be assumed to enhance the receptiveness of firms to public expectations (Rosenstiel and Koch, 2001: 204).

Conjecture 2: Individual accountability within a company increases the likelihood of CSecR activities.

Conjecture 3: The existence of interfaces or a specific business ethic within companies increases the likelihood of CSecR activities.

(ii) Conjectures about Product(ion) Characteristics. As far as product characteristics are concerned, the 'blood diamonds' example demonstrated that the image and visibility of a product (cf. Lewis, 2004: 26) must be considered as a potential factor for a company to engage in security-relevant activities. Companies with no known brands have few reputational incentives because the likelihood of public shaming, consumer boycotting and the subsequent costs are low (cf. Sherman, 2001: 9, 15; Litvin, 2003: 287). Similarly, the length of the supply chain should influence the likelihood of a company engaging in CSecR activities (cf. Renner, 2002: 21; Sherman, 2001: 11). The more production phases involved and the more a product consists of sub-units,

the less likely it is that the diverse parts and, correspondingly, the whole brand will be recognized as a 'conflict product'.

Conjecture 4:	**The image-dependence and visibility of a product increases the likelihood of CSecR activities.**

Production type could make a critical difference with respect to material costs as well. Due to the long-term relationship between production cycle and return on investment, the costs of withdrawing from a conflict zone are presumably very high in the primary sector, i.e. the extracting industries. High sunk costs also influence a company's decision on whether to stay in a conflict zone or not (cf. Sherman, 2001: 8–11; Rittberger, 2004: 23). Similarly, the existence of physical business facilities, such as pipelines, warehouses, etc., and a production's dependence on human resources — especially in labour-intensive sectors — also increase the vulnerability of companies by conflict. In sum, the physical proximity of core business activities to conflicts, and how immediately corporations are affected by them, may be assumed to influence a company's interest in CSecR activities:

> A company will have less ability, usually less interest and often less legitimacy (especially if acting independent of other companies) to intervene in conflicts that are occurring further afield and not directly affecting its immediate operations. (Nelson, 2000: 62)

Conjecture 5:	**The likelihood of CSecR activities increases the higher the sunk costs and the proximity of core business facilities and resources to conflict.**

There may be a possible additional correlation between business branches and security-related engagement, however. One could argue that the higher the initial investment and the longer the presence of a company in a conflict zone, the higher its interest in public security. Moreover, the role of the financial services sector has not yet been adequately addressed, although banks, insurance companies and pension funds could indirectly contribute to reducing the level of violence (or, respectively, to fuelling conflicts) by, for instance, requiring conflict impact assessment and risk management from their customers, or by allowing money laundering, respectively (Berdal and Malone, 2000: 12 f.; Sherman, 2001: 13 f.; Ganser, 2004a: 15, 2004b: 71–3).

(iii) Conjecture about the Political, Social and Market Environment of Business in Home and Host Countries. As indicated in section 2, we assume that corporate security responsibility varies with the political, social and market environment of the home and host countries in which companies operate. A business environment is increasingly difficult to understand as a pure market constellation in which only the avoidance of direct financial costs and the outwitting of competitors matter. Corporations operate in a space ('stakeholder environment') that is crowded by public actors (states and

international organizations), other non-governmental actors such as civil society, customers, shareholders, and, last but not least, by other companies that are not only rivals and competitors, but also potential cooperation partners. All of these actors bring with them particular challenges, role conceptions and normative standards that are directed towards the conduct of business operations. Economic rationality may not be replaced by some kind of normative orientation, but, as already mentioned, the concept of 'market rationality' itself is changing its meaning under the conditions of a normatively enriched environment. Costs may be incurred through the activities of private and public actors, e.g. through boycotts and adverse campaigning by civil society activists, or through legally binding public regulation. In order to systematize such considerations, in their research on corporate social responsibility Conzelmann and Wolf (2005) differentiated three dimensions of cost–benefit calculations to be considered in a company's decision to engage in the contribution to the provision of public goods:

- the direct costs associated with civil society action and consumer boycotts
- the direct costs associated with state failure and/or public regulation at the national and international level
- the reputation costs to be avoided, by not being associated with making profits through exploiting and prolonging armed conflicts, in the eyes of 'aware' consumers and ethically oriented investors.

All of these external (dis)incentives can also play a role in the behaviour of business in conflict zones. As far as the costs associated with public regulation are concerned, at the international level the activities of transnational corporations are not effectively restrained (Dunfee and Fort, 2003: 580). No general legal framework guiding the operations of companies in conflict zones exists (Banfield et al., 2003: 56). At the national level, a distinction has to be made between the home country and the host country, both of which may influence the security-related engagement of a transnational corporation. Many host countries are characterized by the absence of an effective state monopoly of power. In this case it will not be the threat of — but rather the lack of — public regulation which can produce costs a company wants to avoid by making active contributions to security.

Where the state fails to provide public security, direct security costs are linked with the material (local) foundations of the firm. Conflict threatens the company's investments (property and staff), which in turn bring about higher security and business costs. Costs include material damage to the company's local production assets (facilities, machinery, oil pipelines) or public infrastructure (transport routes), loss or destruction of local markets, loss of labour, staff and personnel ('brain drain' because of kidnapping, emigration or military recruitment), and higher insurance and security payments to avoid the possible risks mentioned (Wenger and Möckli, 2003: 107–9).

The political environment can also differ with respect to the level of corruption. Paying protection money or bribes to repressive local leaders, warlords or rebels (Lock, 2001: 224), or engaging their militias as security firms to protect the company's assets, additionally raises costs and — as it indirectly finances war — at the same time fuels the conflict.[13] Even turnover and level of consumption in the housing market can probably not be exempted from the consequences of conflict or international terror (cf. Nelson, 2000; Möckli et al., 2003a: 52).

Conjecture 6: The higher the degree of host state failure, the more likely a company will engage in CSecR activities.

A systematic comparison between consolidated states with functioning governance structures and less corruption, such as Botswana, South Africa and Namibia, and states with 'war economies', such as Angola, Sierra Leone, Somalia, Liberia, Cambodia, Burma and Congo (cf. Wrong, 2000; Renner, 2002: 26–31; Grosse-Kettler, 2004), could reveal the extent to which the political–institutional environment affects the motivation and engagement of TNCs in zones of conflict (cf. Rittberger, 2004: 18f.; Ballentine and Nitzschke, 2004: 37).

A different political environment would be in effect if a strong repressive host-state government existed, and the alternatives were collaboration, becoming an accomplice, withdrawal or working against the government. In this constellation, the environment of the home country gains importance. Legal liabilities are also to be included in the opportunity cost structure of conflict (Renner, 2002: 60; Ballentine and Nitzschke, 2004: 39), as a number of lawsuits show that have already been brought against TNCs for alleged human rights violations.[14] A strong civil society can address a company's reputation and consumer loyalty as a 'key corporate asset' (Wenger and Möckli, 2003: 116; Spar and LaMure, 2003) and can put 'accomplices' under massive public pressure if their conduct violates shared notions of basic social and human rights as well as environmental standards. Companies that are unwilling to practice 'good corporate citizenship' risk reputational costs, consumer boycotts,[15] loss of market share, falling stock prices and alienation from their stakeholders (Banfield et al., 2003: 16; Möckli et al., 2003a: 51; Wenger and Möckli, 2003: 114f.; Rieth and Zimmer, 2004a: 17).[16] The pursuit of goals that are in the public interest (Ballentine and Nitzschke, 2004: 50) thus depends on the political culture in a company's region of origin (cf. Pauly and Reich, 1997) and on the likelihood of public shaming at home.

Conjecture 7: The higher the degree of NGO activities in a company's home country, the more likely a company will engage in CSecR activities.

Thus, because of the higher risk of naming and shaming, as well as consumer boycotts, OECD-based companies are more likely to engage in the public interest than firms with home countries outside the OECD (cf. Ballentine and Nitzschke, 2004: 42). Companies originating from consolidated democratic states are likely to pursue 'good' ends out of 'good', i.e. normative, and 'bad', i.e. instrumental, reasons. Where public scrutiny and the potential for shaming are high, liberal human rights norms are generally accepted and normative self-commitments are often already incorporated in the internal organization of the firm (Renner, 2002: 40–5; Litvin, 2003: 300; Ballentine and Nitzschke, 2004: 42; Lewis, 2004: 8; Scherer et al., 2004: 18; Scherer and Palazzo, 2004: 31).

The market environment might also have an influence on a company's decision to engage in CSecR activities. In highly competitive markets, companies probably eschew all kinds of self-regulatory commitments, as every additional economic cost might worsen their position vis-à-vis their competitors. Only when companies manage to agree on common activities with their major competitors can these disadvantages be avoided. Therefore, Haufler (2001a: 24) suggests that especially oligopolistic markets, in which only a comparatively small number of firms exist, display the highest probability of corporate self-regulation.

Conjecture 8: CSecR activities are most likely in small, oligopolistic markets.

(iv) Conjectures about Conflict Characteristics. Private contributions to public security could vary with the conflict issue, phase, and intensity. The issue of a conflict, crudely speaking, refers to what the fighting is about. Intrinsic conflict issues, such as ethnicity or religion, appear complex and sometimes insoluble. However, if economic factors, such as greed or grievance (Collier and Hoeffler, 2001) appear to be very prominent in the conflict, for example in 'economies of violence', one could argue that there may be more leverage for private sector engagement.[17]

Conjecture 9: The likelihood of CSecR activities increases the more conflict is dominated by economic issues.

A 'conflict sensitive business' (Banfield et al., 2003: 13; Fort and Schipani, 2003: 387) can try to anticipate and to prevent conflict in the first place (pre-conflict stage); it can take measures to reduce the level of already existing violence (conflict stage) or can contribute to the establishment of public institutions (post-conflict peace-building) (Banfield et al., 2003: 5, 15) to prevent a fallback into physical violence. The (re-)establishment of functioning governance structures increases long-term investment opportunities, reduces operational costs and allows for the reallocation of states' resources from the military sector to education or private sector development (Nelson, 2000). As the discussion of the different forms of security in section 2 suggests, the greatest amount of business activity can be expected at the conflict stage or in post-conflict peace-building. Protective measures aimed at enabling business corporations to remain in a zone of conflict and to continue their business (such as securing business facilities, protecting personnel and infrastructure) during ongoing conflicts or in unstable post-conflict periods appear to be the most likely direction of engagement because they have direct and immediate benefits. Even though any post-war reconstruction may be much more expensive than the prevention of a conflict in the first place (Wenger and Möckli, 2003: 109), the very concrete costs involved in prevention, including those of free-riding, on the one hand, and the potential (at best indirect and only rather long-term) benefits to be derived from prevention measures, on the other hand, render conflict prevention — *nota bene* the type of security-related activity that comes closest to the provision of security as a public good — a highly unlikely case for corporate security responsibility activities. This finding is interesting, because it seems to imply that not even proactive security-related engagement necessarily comprises a contribution to security as a public good, i.e. to CSecR in a narrow sense, as the other conjectures suggested. In fact, corporations might be most inclined to a proactive security-related engagement in conflict zones when this engagement comprises a contribution to security as a private or club good.

Conjecture 10: The likelihood of proactive engagement is highest in manifest conflicts or in post-conflict phases.

Finally, and even more difficult to assess at the moment, is the potential relationship between the intensity of a conflict, or its ferocity/level of violence, and the likelihood of CSecR activities. Since this point is at the very heart of our conceptualizations, the research and empirical gaps revealed earlier entail a lack of, or at the very least ambiguous, literature on which to base conjectures regarding this point. From a purely logical point of view, both of the following conjectures seem reasonable: higher levels of violence could have greater effects on infrastructure and the day-to-day running of a business, which could result in a higher likelihood of businesses to act. Alternatively, a more intense conflict may appear more complex and overwhelming, resulting in a more apathetic or passive approach by corporations.

5. Explaining Corporate Impact in Conflict Zones

Turning to impact as the dependent variable, the end of the 'causal chain' is addressed in this section. We attribute three values to the possible impact corporate behaviour can have on the level of violence in conflict zones: *doing no harm* (no observable effect), *doing good* (reducing the level of violence) or *doing harm* (increasing the level of violence).

(v) Conjectures about the Forms of Engagement. In Figure 1 we distinguish between four forms of corporate engagement: 'take advantage', 'business as usual', 'withdraw' and 'proactive'. We now employ these behavioural options as a first cluster of independent variables ('forms of engagement') for explaining companies' impact on conflict. Presumably, neither taking advantage of the economic temptations of war economies nor doing business as usual can be considered as effective contributions to reducing the level vio-

Independent Variables	**TYPES OF ENGAGEMENT**		
	FORMS OF ENGAGEMENT	ACTORS' CONSTELLATIONS/ PATTERN OF ENGAGEMENT	SCOPE OF ENGAGEMENT
	proactive withdraw business as usual take advantage	unilateral multilateral PPP	micro-level macro-level
Dependent Variable 2	**IMPACT:** do good; do no harm; do harm		

FIGURE 2
Impact on Conflict

lence. Mere compliance with an insufficient local regulatory environment, which might also be considered as being a form of doing business as usual, may at least 'do no harm' (Anderson, 1999). Further along this 'intensity' scale, companies could, for instance, disengage and withdraw from a conflict zone in order not to become involved in violent interactions as accomplices of warlords or irresponsible regimes. Even further along the line towards proactive engagement, they could enter voluntarily into codes of conduct and commit themselves to refraining from abusing regulatory or implementation gaps, avoiding violating human rights, shunning corruption and money-laundering, and eschewing damaging the local environment or harming the local community (Wenger and Möckli, 2003: 129, 133; Banfield et al., 2003: 15). These behavioural options may still be static (Ganser, 2004a: 63), particularly in the case of a gap between corporations' commitments on the one hand and their compliance with these commitments on the other. They may therefore fall short from contributing to a substantial reduction in the level of violence outside the immediate reach of corporate activities (Fort and Schipani, 2001: 3; Dunfee and Fort, 2003: 574; Möckli et al., 2003: 53 f.; cf. Ganser, 2004b: 69).

Proactive engagement can take different shapes. Wenger and Möckli (2003: 137–59) suggest donating money (funding) or material (in-kind support) to preventive actors or goals (pp. 138–42), but also 'strategic philanthropy', which includes the transfer of knowledge as well as sharing staff, managerial and technological expertise (pp. 142–4). Fort and Schipani (2003: 415–25) suggest fostering economic development for the marginalized (providing employment, training, youth and medical programmes), adopting good governance principles (transparency), fighting corruption, nourishing a local sense of community (intra-firm dialogue and political participation), and pursuing active conflict mediation (two-track diplomacy) (cf. Dunfee and Fort, 2003: 597). Again, none of these policies or mechanisms has been systematically tested with regard to their concrete impact and effectiveness, or the conditions under which they work.

Conjecture 11:	**Proactive forms of CSecR involve the highest impact on reducing the level of violence in conflict zones.**

(vi) Conjectures about Constellations of Actors and Coalition Patterns. The impact of business engagement in conflict zones will assumedly depend on the constellation and coalition patterns of the actors involved as well. No single corporate actor will have the necessary capacity all by itself because '[t]he causes of war are more multifaceted that any one business [...] can eliminate' (Fort and Schipani, 2001: 19; Rieth and Zimmer, 2004a: 30). Even the largest transnational corporation would founder on organizing the large-scale transformation of a country (Wenger and Möckli, 2003: 132, 144, 168; Ganser, 2004b: 60) and (re-)establishing public security.[18] In failing and failed states, corporate actors have to cooperate with the existing *de facto* authorities if they want to continue with their business. In any case, commercial actors rely heavily on public frameworks and state institutions, which guarantee property rights, police fraud, and theft and enforce binding commitments (Dunfee and Fort, 2003: 568; Scherer et al., 2004: 3f.). The effectiveness of private efforts at providing public security would probably be seriously reduced if companies acted unilaterally. Only a collective initiative — which will, however, also have to be sponsored and supervised — is likely to overcome the negative incentives of free-riding and defection (cf. Sherman, 2001: 8, 12; Lewis, 2004: 3, 8, 21). The success of such an initiative could also depend on the mode of governance employed, which could either be more horizontal (voluntary or equal partnership) or more hierarchical (primacy of the public sector/mandatory partnerships) (cf. Ballentine and Nitzschke, 2004: 48, 55). The latter seems to be a particularly promising candidate for contributions to a form of public security.

Conjecture 12:	**The highest impact on reducing the level of violence can be expected in multiple-sector partnerships.**
Conjecture 13:	**The impact of CSecR on reducing the level of violence increases the more the public sector is involved.**

(vii) Conjectures about the Scope of Engagement. Finally, the impact of engagement may also depend on whether business employs micro- and macro-level activities. Micro-level measures, such as employee or community relations, target the local environment of the firm. For example, companies could invest in the building of human capital (transfer of skills and expertise). New investment decisions could occur either in the form of a policy dialogue with the local community or as investments in the social development of local communities and the private supply of public services not delivered by the government. Macro-level measures target national or even international environments. For example, a company could decide to invest in a country only if the government guarantees a just distribution of revenues, or it may even invest in local administrative capacity to guarantee the former. Companies could also refuse to pay bribes or adopt measures that increase transparency.

Conjecture 14: Macro-level initiatives are likely to generate a higher impact of CSecR on reducing the level of violence.

6. An Agenda for Comparative Research: Where Do We Go from Here?

In summing up, future research on the role of business in conflict faces the following challenges:

(1) Research will have to fill the empirical gap of descriptive studies with regard to the positive role of corporations first, before it can move forward to analyse the explanatory value of the various factors which could influence private corporations' behaviour and its impact on conflict. In order to discover the cross-sectoral potential of private contributions to security in zones of conflict, empirical case studies will have to go beyond the extractive industries sector which has prevailed so far.[19]

(2) Furthermore, conceptual clarifications are needed, given the 'lack of commonly agreed definitions and approaches, resulting in insufficient empirical analysis of what works and what doesn't, and in the blurring of boundaries between a number of related fields and terms' (Nelson, 2004: 7). In order to define CSecR in relation to the more encompassing field of CSR, the meaning of key concepts such as 'security', 'conflict' and 'conflict zone' has to be clarified. If we subscribe to the commonly accepted view that underdevelopment, distributional injustice, environmental degradation and human rights abuses are all somehow related to security — all these components are part of the notion of 'human security' (Suhrke, 1999; Nelson, 2000; Humphreys, 2003; Wenger and Möckli, 2003) — then almost everything corporations do would have to be considered a form of CSecR-relevant engagement. Removing or fostering the breeding-ground of civil conflict, however, is the very issue which has already been taken up in the CSR research agenda. In order to shed more analytical light on the blind spots which have been neglected within that agenda, we suggest framing the realm of corporate security responsibility more narrowly so that it can be clearly distinguished. The choice for such a concentration is, however, not without consequences for the underlying notions of what constitutes a conflict, a conflict zone and what security means.

To start with the latter term, our understanding of security would have to be narrowed down from the all-inclusive concept of human security to situations which are characterized by the imminent threat, the actual manifestation, or the risk of a fallback into the use of direct physical violence. Accordingly, the mere existence of latent structural violence would not suffice to talk of a zone of conflict in this more focused sense. Instead, zones of conflict would always require some kind of state failure. This concentration would still leave enough room for analysing the contributions of business in all three phases, i.e. conflict prevention, peace-keeping and post-conflict peace-building.

(3) Thirdly, and on the basis of an enlarged empirical base, research would have to address the causal dimensions which underlie the motivations of corporations, the mechanisms by which these motivations translate

into forms of engagement and the conditions under which this engagement has a specific impact. It still has to be seen if and how the analytical challenge of attributing changes in the level of violence to certain forms of engagement of transnational corporations can be methodologically solved.

(4) Last, but not least, the normative dimension has not been sufficiently conceptualized so far. Why should we want private actors to take over public security functions in the first place? To be sure, private governance or degovernmentalization has been apparent within and beyond nation-states before. But this still leaves open the issue of meta-governance. Every time business engages in public tasks, a problem of legitimacy arises when the private provision of public goods is not accountable to transparent and participatory institutions (Wenger and Möckli, 2003: 168, 170; Bexell, 2004: 108; Scherer and Palazzo, 2004: 39 f.). The existence of a (public) shadow of hierarchy seems to be a presupposition for private governance to meet the demands of input legitimacy (Wolf, 2005: 223). Consequently, Möckli et al. (2003b) claim that the engagement of the business sector in the prevention of conflicts is only acceptable if it goes beyond 'pure' corporate initiatives and should be embedded in public–private patterns of governance, including national (host and home) governments, international organizations and the participation of NGOs. When it comes down to failed states, attractive candidates for public authorities are mostly absent. Where, given these circumstances, should the authority to exert meta-governance functions be located? With whom should private actors cooperate and to which regulatory framework should they respond? What kind of public control and authorization could be set up to make private corporations accountable and to ensure that their contributions to security correspond to the public interest? Or should corporate actors simply take over the provision of security altogether? As our discussion of private and public forms of security indicated, they do not have a genuine interest in providing public goods. This might lead to an exclusive provision of security as a club good or a private good for those who can afford it. The result could be a kind of 'Swiss cheese' supply of security (Leander, 2005: 615), which would lead to a further deterioration in public order and could effectively hamper any attempt to re-construct it. Therefore, CSecR must in any case be restricted to re-establishing state functions in a transition period.

Notwithstanding these rather inconclusive normative considerations, we would still claim that private corporations can make meaningful contributions to new forms of security governance — under largely still unknown circumstances. Further CSecR research will yet have to provide well-founded advice for the management of armed conflicts in a way compatible with the requirements of good governance.

Notes

We thank Moira Feil, Susanne Fischer, Virginia Haufler, Andreas Haidvogl, Sandra Schwindenhammer, Jonas Wolff and all the participants at the workshop on 'Corporate Security Responsibility' held at the Peace Research Institute Frankfurt

(PRIF) on 30 September to 1 October 2005. We also thank the two anonymous reviewers for their valuable comments.

1. Additionally, in many armed conflicts today, private security providers (PSPs), such as MPRI (Military Professional Resources Incorporated) or DynCorp, provide military services and police skills, e.g. strategic advice and training, arms procurement, intelligence gathering, logistics and factory security services (Avant, 2005). Even participation in armed combat with specialized military personnel is on offer (Shearer, 1998; Avant, 2005; Lock, 2001: 218–22; Renner, 2002: 19f.; Wenger and Möckli, 2003: 168; Ganser, 2004b: 67; Binder, 2004).

2. UN Secretary General, Press Release SG/SM/9256, SC/8059, 15 April 2004.

3. Private corporations operating transnationally may be involved or engaged in these 'economies of war' in several ways. They can directly fuel and perpetuate conflict (cf. Sherman, 2001: 6f.; Renner, 2002: 58; Ballentine and Sherman, 2003) by contributing the hardware of wars, such as small arms or land mines. In addition, illegal business transactions, such as the trade in illicit drugs and narcotics (cf. Segell, 1999; Lock, 2001: 206; Renner, 2002: 35–9) or black market money laundering may also deliberately profit from war and directly contribute to conflict. In contrast to these activities, the legal trade in natural resources such as oil, timber and diamonds is assumed to contribute to conflict indirectly and unintentionally (cf. Ballentine and Nitzschke, 2004: 38f.). Nevertheless, oil, gas and mining corporations in particular have been accused of turning a blind eye to the negative effects of their commercial involvement in civil wars and failing states.

4. Examples often include African countries, among them Somalia, Rwanda, Liberia, Nigeria, Congo and Sudan, but also Colombia (South America) and Indonesia (South-East Asia).

5. Some of them investigate whether rationalist (material or social costs) or sociological (norm-based identity) factors matter more and under what conditions they prevail. In addition, some studies have already started to investigate the causal process through which agent behaviour changes (Rieth and Zimmer, 2004a). See also Nelson (2000: 28, 58) and Banfield et al. (2003: 5).

6. Notable exceptions are, among others, Nelson (2000), Haufler (2001a, 2004) or Wenger and Möckli (2003).

7. The term 'stakeholders' includes all those who have a 'stake' in the company's business, such as their clients, shareholders, creditors, employees and business partners.

8. In 72 countries the security risk of investment is rated at least as medium (Nelson, 2000: 1).

9. This applies in particular to the extractive industries, whose local investments are not that easily withdrawn. In addition, although it might be morally appropriate and congruent with the demands of NGOs, disinvestment could also contribute to catalysing existing conflicts through economic decline (Rittberger, 2004: 22).

10. It has to be noted, however, that the boundaries between private and public security are flexible and depend on the character of their provision. Even if protection may appear to be an example of the privatization of security, any corporation that engages in the protection of public infrastructure, such as airports or schools, also contributes to public security.

11. Presumably, the actual causal relationships are not as linear, but much more reflexive, than both figures suggest. This renders the attributes 'independent', 'dependent' and 'intervening' used in both figures somewhat arbitrary. For example, 'coalition patterns', which are indicators with which the 'dependent' variable 'engagement' can be described (unilateral or collective corporate behaviour, public outsourcing of security, public–private partnerships), can also be discussed as factors that may help to explain negative, neutral or positive impact; see also (*v*), pp. 310–11

12. We take the term 'proactive' engagement from a categorical distinction introduced and used by Nelson (2000) and Banfield et al. (2003: 5). However, we do not employ their categories *in toto*, because by treating 'comply', 'do harm', 'do no harm' and 'proactive' engagement as one set of dependent variables the important distinction between the output, outcome and impact dimensions is lost.

13. Prominent examples include the case of Talisman Energy in Sudan (Bexell, 2004: 111–18; Lewis, 2004) and Mannesmann and BP in Colombia (Rieth and Zimmer, 2004b: 87–91), Shell in Nigeria and Elf in Burma — all part of the extractive industries (Ballentine and Nitzschke, 2004: 41).

14. See, for example, Shell in Nigeria (Rieth and Zimmer, 2004b: 86), Exxon Mobil in Aceh and Unocal in Burma.

15. See, for example, Shell and the Brent Spar boycott or Nike and the anti-sweatshop campaign (Ganser, 2004b: 72).

16. See, for example, Levi Strauss's withdrawal from Burma or Talisman's — a Canadian oil company — withdrawal from Sudan after heavy public criticism (Rieth and Zimmer, 2004a: 1).

17. See, for example, Grosse-Kettler's (2004: 2 f.) selection of the Somalia conflict, which differs from the conflicts in Sudan, Liberia and Congo, as it was not a typical self-financing resource war.

18. The opportunities for free-riders also discourage companies from acting unilaterally and call for collective conflict-prevention initiatives instead (cf. Lewis, 2004: 3, 8, 21; Sherman, 2001: 8).

19. Studies in this field include the so-called 'Kimberley Process', which regulates the formerly illegal purchase of 'conflict diamonds' under international certification standards; the 'Chad–Cameroon pipeline project', in which the World Bank, the government of Chad and the Exxon Mobil/Chevron/Petronas consortium agreed on a 'revenue management plan' (Sherman, 2001: 11, 17; cf. Renner, 2002: 60 f.; Rittberger, 2004: 27 f.); or the 'Extractive Industries Transparency Initiative' in which the UK government demanded that the extractive industry make public its payments to local rulers in order to increase transparency and to reduce corruption.

References

Anderson, Mary B. (1999) *Do No Harm: How Aid Can Support Peace – Or War*. Boulder, CO: Lynne Rienner.

Avant, Deborah (2005) *The Market for Force: The Consequences of Privatizing Security*. New York: Cambridge University Press.

Ballentine, Karen and Nitzschke, Heiko (2004) 'Business and Armed Conflict: An Assessment of Issues and Options', *Die Friedenswarte* 79: 35–56.

Ballentine, Karen and Sherman, Jake, eds (2003) *The Political Economy of Armed Conflict: Beyond Greed and Grievance*. Boulder, CO: Lynne Rienner.

Banfield, Jessica, Haufler, Virginia and Lilly, Damian (2003) *Transnational Corporations in Conflict Prone Zones: Public Policy Responses and a Framework for Action*. International Alert, London.

Berdal, Mats R. and Malone, David M., eds (2000) *Greed and Grievance: Economic Agendas in Civil Wars*. Boulder, CO: Lynne Rienner.

Bexell, Magdalena (2004) 'Die Verteilung der Verantwortung für den Schutz der Menschenrechte. Die Unterscheidung zwischen öffentlich und privat', *Die Friedenswarte* 79: 103–18.

Binder, Martin (2004) 'Der Einsatz von Söldnerfirmen durch gewählte Regierungen – eine Antinomie des demokratischen Friedens?', *Tübinger Arbeitspapiere zur Internationalen Politik und Friedensforschung* 44. Tübingen.

Carbonnier, Gilles (1998) 'Conflict, Postwar Rebuilding and the Economy: A Critical Review of the Literature', *WSP Occasional Paper*, No. 2, March 1998, Genf, WSP International. Available at: http://wsp.dataweb.ch/wsp_publication/toc-13.htm.

Collier, Paul and Hoeffler, Anke (2001) Greed and Grievance in Civil War. Washington: The World Bank. October 2001. Available at: www.worldbank.org/research/conflict/papers/greedgrievance_23oct.pdf

Conzelmann, Thomas and Wolf, Klaus Dieter (2005) 'The Potential and Limits of Governance by Private Codes of Conduct'. Paper presented at the ISA Annual Convention, Hawaii, 1–5 March 2005.

Cutler, A. Claire, Haufler, Virginia and Porter, Tony, eds (1999) *Private Authority in International Affairs*. New York: State University of New York Press.

Daase, Christopher (2003) 'Krieg und politische Gewalt: Konzeptionelle Innovation und theoretischer Fortschritt', in Gunther Hellmann, Klaus Dieter Wolf and Michael Zürn (eds) *Die neuen Internationalen Beziehungen. Forschungsstand und Perspektiven in Deutschland*, pp. 161–208. Baden-Baden: Nomos.

Dunfee, Thomas W. and Fort, Timothy L. (2003) 'Adapting Corporate Governance for Sustainable Peace', *Vanderbilt Journal of Transnational Law* 36: 563–617.

Elwert, Georg (1997) 'Gewaltmärkte: Beobachtungen zur Zweckrationalität der Gewalt', *Kölner Zeitschrift für Soziologie und Sozialpsychologie* 37: 86–101.

Fort, Timothy L. and Schipani, Cindy A. (2001) 'The Role of the Corporation in Fostering Sustainable Peace', *William Davidson Working Paper No. 422*. University of Michigan, November 2001.

Fort, Timothy L. and Schipani, Cindy A. (2003) 'Corporate Hypergoals, Sustainable Peace, and the Adapted Firm', *Vanderbilt Journal of Transnational Law* 36: 377–426.

Freeman, Edward R. (1984) *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.

Friedman, Milton (1970) 'The Social Responsibility of Business is to Increase its Profits', *New York Times Magazine*, 13 September.

Ganser, Daniele (2004a) 'Frieden ist Grundbedingung für wirtschaftliche Aktivitäten', *io new management*, 5/2004: 10–15.

Ganser, Daniele (2004b) 'Brauchen wir eine Ökonomie des Friedens? Eine Schweizer Perspektive auf die Verbindung der Wirtschaft mit Gewaltkonflikten', *Die Friedenswarte* 79: 57–74.

Gerson, Allan and Colletta, Nat (2002) *Privatizing Peace: From Conflict to Security*. Ardsley, NY: Transnational Publishers.

Grosse-Kettler, Sabrina (2004) 'External Actors in Stateless Somalia: A War Economy and Its Promoters', *BICC Paper 39*. Bonn: Bonn International Center for Conversion. Available at: http://www.bicc.de/publications/ papers/paper39/content.html.

Haufler, Virginia (2001a) 'A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy', Washington, DC: Carnegie Endowment for International Peace. [Introduction and chapter 1 available at: http://www.ceip.org/files/Publications/haufler.asp9]

Haufler, Virginia (2001b) 'Is there a Role for Business in Conflict Management?', in Chester Crocker, Fen Osler Hampson and Pamela Aall (eds) *Turbulent Peace: The Challenges of Managing International Conflict*, pp. 659–75. Washington, DC: United States Institute of Peace.

Haufler, Virginia (2004) 'International Diplomacy and the Privatization of Conflict Prevention', *International Studies Perspectives* 5: 158–63.

Humphreys, Macartan (2003) 'Economics and Violent Conflict', Harvard University 2003. Available at: http://www.preventconflict.org/portal/economics/Essay.pdf.

Kaldor, Mary (1999) *New and Old Wars: Organized Violence in a Global Era*. Stanford, CA: University Press.

Krahmann, Elke (2005) 'Selling Private Ryan: Conceptualizing the Marketization of Security', mimeo.

Leander, Anna (2005) 'The Market for Force and Public Security: The Destabilizing Consequences of Private Military Companies', *Journal of Peace Research* 42: 605–22.

Lewis, Scott (2004) 'Rejuvenating or Restraining Civil War: The role of External Actors in the War Economies of Sudan', *BICC Paper no. 37*. Bonn: Bonn International Center for Conversion. Available at: http://www.bicc.de/publications/papers/paper37/content.html.

Litvin, Daniel (2003) *Weltreiche des Profits. Die Geschichte von Kommerz, Eroberung und Globalisierug*. München: Gerling Akademie Verlag.

Lock, Peter (2001) 'Sicherheit à la carte? Entstaatlichung, Gewaltmärkte und die Privatisierung des staatlichen Gewaltmonopols', in Tanja Brühl, Tobias Debiel, Brigitte Hamm, Hartwig Hummel and Jens Martens (eds): *Die Privatisierung der Weltpolitik. Entstaatlichung und Kommerzialisierung im Globalisierungsprozess*, pp. 200–31. Bonn: Dietz.

Möckli, Daniel, Wenger, Andreas and Drolshammer, Jens (2003a) 'Konfliktprävention: Chance für die Privatwirtschaft', *Die Volkswirtschaft. Das Magazin für Wirtschaftspolitik* 9: 51–4.

Möckli, Daniel, Wenger, Andreas and Drolshammer, Jens (2003b) 'Privatwirtschaft – Akteur in Konfliktprävention. Eine Chance für die Schweizer Aussenpolitik', Neue Zürcher Zeitung, 18 September.

Nelson, Jane (2000) 'The Business of Peace: The Private Sector as a Partner in Conflict Prevention and Resolution', International Alert, Prince of Wales Business Leaders Forum, Council on Economic Priorities, London.

Nelson, Jane (2004) 'The Public Role of Private Enterprise: Risks, Opportunities and New Models of Engagement'. Available at: http://www.oecd.org/dataoecd/15/54/1886146.pdf; 03.04.2005.

Olson, Mancur (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.

Ostrom, Elinor (1990) 'Governing the Commons: The Evolution of Institutions for Collective Action'. New York: Cambridge University Press.

Pauly, Louis W. and Reich, Simon (1997) 'National Structures and Multinational Corporate Behavior: Enduring Differences in the Age of Globalization', *International Organization* 51: 1–30.

Renner, Michael (2002) 'The Anatomy of Resource Wars', *World Watch Paper no. 162*. Washington, DC: World Watch Institute.

Reno, William (2000) 'Shadow States and the Political Economy of Civil Wars', in Mats R. Berdal and David M. Malone, *Greed and Grievance: Economic Agendas in Civil Wars*, pp. 43–68. Boulder, CO: Lynne Rienner.

Rieth, Lothar and Zimmer, Melanie (2004a) 'Transnational Corporations and Conflict Prevention: The Impact of Norms on Private Actors', *Tübinger Arbeitspapiere zur Internationalen Politik und Friedensforschung* 43: Tübingen.

Rieth, Lothar and Zimmer, Melanie (2004b) 'Unternehmen der Rohstoffindustrie – Möglichkeiten und Grenzen der Konfliktprävention', *Die Friedenswarte* 79: 75–101.

Rittberger, Volker (2004) 'Transnationale Unternehmen in Gewaltkonflikten', *Die Friedenswarte* 79: 15–34.

Rose, Richard (1991) 'Comparing Forms of Comparative Analysis', *Political Studies* 34: 446–62.

Rosenstiel, Lutz von and Koch, Stefan (2001) 'Change in Socioeconomic Values as a Trigger of Organizational Learning', in Meinolf Dierkes, Ariane Berthoin Antal and John Child (eds) *Handbook of Organization Learning and Knowledge*, pp. 198–220. Oxford: Oxford University Press.

Rufin, Jean-Christophe (1999) 'Kriegswirtschaft in internen Konflikten', in Francois Jean and Jean-Christophe Rufin (eds) Ökonomie der Bürgerkriege, pp. 15–46. Hamburg: Hamburger Edition.
Ruggie, John G. (2004) 'How to Marry Civic Politics and Private Governance', in Carnegie Council on Ethics and International Affairs (ed.) *The Impact of Global Corporations on Global Governance*, pp. 10–15. New York. Available at: http://www.ksg.harvard.edu/cbg/CSRI/publications/Ruggie_Impact%20of%20Corporations%20 on% 20Global%20Governance.pdf.
Scherer, Andreas Georg and Palazzo, Guido (2004) 'Towards a Political Conception of Corporate Responsibility — Business and Society Seen from a Habermasian Perspective' (unpublished manuscript). Zürich and Lausanne, 29 December.
Scherer, Andreas Georg, Palazzo, Guido and Baumann, Dorothée (2004) 'Global Rules and Private Actors — Towards a New Role of the TNC in the Global Governance' (unpublished manuscript). Zürich and Lausanne, December.
Segell, Glen (1999) 'Warlordism and Drug Trafficking — From Southeast Asia to Sub-Saharan Africa', in Paul B. Rich (ed.) *Warlords in International Relations*, pp. 38–51. New York: St. Martin's Press.
Shearer, David (1998) 'Private Armies and Military Interventions', Adelphi Paper no. 316. Oxford University Press.
Sherman, Jake (2001) 'Private Sector Actors in Zones of Conflict: Research Challenges and Policy Responses', IPA Workshop Report. New York: International Peace Academy, 19 April.
Spar, Deborah L. and LaMure, Lane T. (2003) 'The Power of Activism: Assessing the Impact of NGOs on Global Business', *California Management Review* 45: 78–101.
Suhrke, Astrid (1999) 'Human Security and the Interests of States', *Security Dialogue* 30: 265–76.
United Nations Conference on Trade and Development (2003) 'World Investment Report, United Nations, New York and Geneva'. Available at: http:// www.unctad.org/en/docs/wir2003ch6_en.pdf.
United Nations Security Council (2004) 'Security Council Discusses Role of Business in Conflict Prevention, Peacekeeping, Post-Conflict Peace-Building', UNSC Press Release SC/8058, 15 April.
Wenger, Andreas and Möckli, Daniel (2003) *Conflict Prevention: The Untapped Potential of the Business Sector.* Boulder, CO: Lynne Rienner.
Wolf, Klaus Dieter (2005) 'Private Actors and the Legitimacy of Governance Beyond the State: Conceptional Outlines and Empirical Explorations', in Arthur Benz and Ioannis Papadopoulos (eds) *Governance and Democracy*, pp. 200–27. London: Routledge.
Wrong, Michaela (2000) *In the Footsteps of Mr. Kurtz: Living on the Brink of Disaster in the Congo*. London: Fourth Estate.
Zangl, Bernhard and Zürn, Michael (2003) *Frieden und Krieg. Sicherheitspolitik in der nationalen und postnationalen Konstellation.* Frankfurt am Main: Suhrkamp.

KLAUS DIETER WOLF holds the Chair in International Relations at Darmstadt University of Technology and is Deputy Director of the Peace Research Institute Frankfurt (PRIF).
Address: Peace Research Institute Frankfurt (PRIF), Leimenrode 29, D-60322 Frankfurt am Main, Germany.
[email: wolf@hsfk.de]

NICOLE DEITELHOFF is a member of the research project on 'Corporate Security Responsibility' at the Peace Research Institute Frankfurt (PRIF). She is also a Research Associate at Darmstadt University of Technology.
Address: Peace Research Institute Frankfurt (PRIF), Leimenrode 29, D-60322 Frankfurt am Main, Germany.
[email: deitelhoff@hsfk.de]

STEFAN ENGERT is Assistant Professor of International Relations at the Geschwister-Scholl-Institute of Political Science, Ludwig-Maximilians-University Munich.
Address: Geschwister-Scholl-Institut fuer Politische Wissenschaft, LMU Muenchen, Oettingenstr. 67, D-80538 Muenchen, Germany.
[email: Stefan.Engert@lrz.uni-muenchen.de]