

Doing the right thing is good for people and profits

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Often pitted against each other, big business and local communities have more to gain by working together than working at cross purposes - especially in vulnerable economies.

Conflict between business and the communities within which they operate costs; it costs organisations time, money – and sometimes even their very survival. On the flip side, responsible businesses that take the time to invest in good relationships and strengthen resilience in local communities, will be rewarded.

“Businesses operate in some of the world’s most fragile contexts – many of which are emerging markets – so they bear a share of responsibility to strengthen resilience rather than add to stress factors,” writes Peter Maurer, President of the International Committee of the Red Cross in the foreword to a new report on responsible investment from the WEF Global Agenda Council on Fragility, Violence & Conflict.

Elsbeth Donovan, Deputy Director of the Cambridge Institute for Sustainable Leadership in South Africa, who convenes a short course on strategic social engagement practice at the UCT Graduate School of Business, agrees.

“Understanding the complex cultural, socio-economic and environmental factors that could give rise to conflict is strategic for businesses – especially those operating in fragile environments,” she says. “If you don’t understand the challenges and needs amongst your broader stakeholder community and don’t communicate your own goals transparently, you will struggle to gain ‘the licence to operate your business’. You cannot function effectively in an environment where you are not trusted.”

The GSB course emphasises the development of honest and transparent communication. “Listening to stakeholders and seeing issues from their perspective are vital skills in avoiding perception gaps and cultural misunderstandings which can cause costly conflict and damage to long-term sustainability and profitability,” Donovan says. “And rather than seeing each other as adversaries with unresolvable differences, local communities can become strategic partners who together with business and other stakeholders, including government and civil society, can determine the factors that could give rise to instability, conflict or resistance and put things in place to avoid this.”

Such a multi-stakeholder approach has worked for Chevron Nigeria Limited (CNL), an energy company that has successfully operated in Nigeria for more than 55 years and is featured in the WEF report on [Responsible Investment in Fragile Environments](#). In 2005, CNL established the Global Memorandum of Understanding (GMOU) model to help it navigate escalating conflict in the Niger Delta by integrating stakeholder engagement, social risk assessment and social investment, leading to improved social performance.

More than 10 years down the line, the implementation of the model has helped to manage violent conflicts and address a lack of community capacity, unemployment and other social risks. Among the tangible outcomes of the company’s efforts the WEF case study documents, is a measurable improvement in the security of the operating environment, a substantial improvement in the health, education and economic well-being of local communities and a remarkable improvement in the cordial relationship between the local communities and the company. The initiative has also mushroomed into the establishment of a not-for-profit, the Foundation for Partnership Initiatives for the Niger Delta (PIND), that serves the entire Niger Delta beyond the communities in the areas where CNL has its operations. Chevron has committed \$90m to the initiative over 10 years, from 2010 to 2019.

“Businesses that recognise the business case for changing the way they work to understand their impacts on the societies in which they operate, stand to gain substantial advantage,” says Donovan.

She says that the more significant the business investment, the more attention must be paid to strategic social engagement. “Mining initiatives for example, bring widespread changes to the socio-economic as well as the physical environment and irresponsibly managed, can undermine social stability, emphasise inequality and promote exclusion,” she says.

“In the medium-to-long-term this could lead to damage or destruction of natural, human and social capital and infrastructure, as well as to conflict that could result in death and injury. Through ongoing strategic social engagement, organisations can navigate the potential pitfalls ensuring resilient communities around their operations in which no human rights are infringed, the community is assisted in entrepreneurial activities and could even co-operate with land reclamation where appropriate.”

“It makes economic sense to ‘do the right thing’,” concludes Donovan. “Regardless of whether we are driven by profits or humanitarian benefits, conflict is bad for everyone. It therefore pays to take time to consider the practices that can reduce the potential for this kind of fall out, enabling business and communities to flourish.”

Now in its fifth year, the Strategic Social Engagement Practice course at the UCT Graduate School of Business will take place from 19-23 June 2018. Further information can be obtained at <http://www.gsb.uct.ac.za/social-engagement-2018?upgrn=742>

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