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The PACO index

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Abstract   Given the growth and maturity of the field of business and peace, the authors of this article call for the creation of an index that would present a scorecard of company behaviors. The authors call this the PACO index, which is an acronym for Peaceful Attributes of Companies and is the word for peace in Esperanto. The authors provide a set of principles and drivers that would be necessary for the creation of such an index.
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1. Introduction

Throughout this special issue of *Business Horizons*, contributors have offered multiple insights as to how business might enhance peace building. Contributors have looked at the issue from a political perspective (Melin, 2016), from an academic assessment of the reasons for which businesses might engage in peace building (Rettberg, 2016), to propose empirical assessments specifying the relationship between business and peace (Trivedi, 2016), to create a hybridization of organizational models that can facilitate peace building (Kolk & Lenfant, 2016), and through a cybersecurity sense of peace building and business affairs (Shackelford, 2016). Other articles capture the perspective of business people themselves, from winners of the Oslo Award (Kanashiro & Starik, 2016; Katsos & Fort, 2016), to the

experiences of Coca-Cola (Banks, 2016), to more strategic conceptions of corporations utilizing a sense of their own foreign policy (Hare, 2016). In reading these contributions, one cannot help but appreciate the bridges being built in this special issue between academics and business people.

This article continues that bridge building. It is our contention that enough research has been done for common threads and practices to be discerned concerning the ways in which businesses can foster peace. Thus, metrics can be developed to demonstrate to companies—and to others looking at corporations—whether or not corporate practices are, in fact, advancing peace building. With such metrics in place, companies can then seek to improve their conduct, be recognized for the good conduct they practice, and be held accountable by others for the work they do.

The development of such metrics would, of course, be helpful to a variety of parties which are interested in the conduct of business vis-à-vis peace, but there is a potential, additional benefit as well in terms of motivating companies to more

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seriously pursue these aims. As a senior PR executive once argued to us, given the fact that business people are inherently competitive, a ranking or rating of companies would present a prize for which business leaders would compete. This kind of competition for a social good would, of course, have a beneficial impact on the conduct of business itself. He proposed an index that would measure companies' actions against the research and tell us whether, and to what extent, the companies contribute to peace.

Thus, in this article we seek to present a ratings system we call PACO, which stands for Peaceful Attributes of Companies and is the word in Esperanto for 'peace.' It is grounded in the literature presented to date of what corporate practices are peaceful so that one can weight those practices as a metric in creating a ratings system.

2. The basics

The primary conceptual linkage between business and peace was established in 2003 with the publication of *The Role of Business in Fostering Peaceful Societies* (Fort & Schipani, 2003). The authors documented evidence drawn from anthropology, economics, and politics regarding the attributes of relatively peaceful societies and/or practices and institutions that are readily associated with forces countervailing against violence. Based on these attributes and practices, they were able to identify those business actions that contribute to such peace-building practices.

To date, this framework continues to be well accepted in the academic community (Oetzel, Westermann-Behaylo, Koerber, Fort, & Rivera, 2009); versions of the basic conceptual framework have appeared multiple times and the framework itself was a central organizing framework for the 2012 U.S. Institute of Peace Task Force Report on Business and Peace (Forrer, Fort, & Gilpin, 2012). Several other authors in this special issue have relied on this framework and thus we will not detail it again here in order to avoid repetition. In brief, the conceptual framework is comprised of four parts:

- By contributing to economic development through the creation of jobs that combat poverty (citing UN and World Bank studies on the connection between violence and poverty) through a technological transfer that diversifies a country's economic base, especially when it involves commodities other than those which are undifferentiated (Collier, 2003).

- By supporting programs and institutions that develop a robust rule of law practices. This is especially true of avoidance of corruption, which has shown a direct correlation with violence (Fort & Schipani, 2003); companies that take strong anti-bribery measures automatically contribute to peace building. Examples also include companies supporting dispute resolution institutions in countries (judicial systems, arbitration, mediation) and protection by and compliance with protection of contracts and property rights.

- By building communities in two respects. First, external community building pertains to being a good corporate citizen. Such well-understood notions have been recognized by governments[1] as playing a strong role in developing peaceful, diplomatic relations between a company's host and home country. Second, and perhaps of more interest, is the connection between the governance practices of companies, with evidence showing both business advantages and those pertaining to human rights by supporting employee voice that is central to democracy—also a noted peace builder. Moreover, gender equity, human rights, and other United Nations HDI components are further associated with peace and are an influence to corporate practices.

- By using corporate offices to help resolve governmental conflicts—a dimension of Track Two (or Track Nine per Montville, 1987) Diplomacy with examples pertaining to India—Pakistan, U.S.—China, and within the Middle East.

The thrust of this framework is that strong corporate responsibility practices not only have their own independent merit, but are also empirical components of peace building.

This framework shares much in common with Porter and Kramer's Shared Value scholarship (Porter & Kramer, 2006, 2011), which demonstrates the benefits of businesses acting in a way that benefits both themselves and society. The primary differences are that (1) our business and peace framework is grounded in research related to a specific societal value—peace—and therefore offers a more targeted empirical foundation; and (2) because of this specificity, a normative aim arises that orients activities even when business value and societal values appear to not be shared. The framework is also an extension of the Total Integrity Management

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[1] See the U.S. Secretary of State's Award for Corporate Excellence.

framework (Fort, 2007), which supplies specific ways for businesses to build trust through actions that directly parallel the business and peace model. The Total Integrity Management framework is further aligned with empirical research by Cameron and Quinn (2011), among others, that demonstrates the documented value-based frameworks that determine corporate culture. In short, our conceptual framework is both deeply grounded in current peace research and is consistent with major business models today.

The proposition that business could foster peace has migrated from a curious academic topic to mainstream programming by leading global international organizations and NGOs, such as the Institute for Economics and Peace, PeaceWorks, the United Nations Global Compact, the United States Institute of Peace, the Business for Peace Foundation, and swisspeace.

On one hand, the swift transformation from theorizing to practice endorses the power of the idea. However, the validity and legitimacy of the proposals for actions businesses *should* take to promote peace is very much in question. Well-meaning and opportunistic organizations are advancing agendas on what businesses should do to advance peace. Our research proposal is focused on validating the claims that are made about what businesses can do to foster peace to ensure their efficacy.

A comprehensive review conducted by Professor Forrer of the recommendations made by these and other organizations on actions that governments and businesses *should* take to support the business and peace nexus revealed a loose set of guidelines and specific actions that were not well-grounded in the business and peace literature (Forrer & Katsos, 2015). In short, they are good at advancing the idea, but have limited understanding of what really works and what does not.

Our concerns are that businesses and governments may follow these recommendations with the best of intentions yet take actions that have little demonstrable effects on peace. Not only will there be a waste of resources, but doing so will also undermine support for the idea of business and peace. Our research proposal develops a rigorous assessment of the actions that advance peace and identify which firms are following the same course of actions.

3. Anatomy of an index on business and peace

An index on business and peace should measure what actions firms have taken to make conditions in communities more peaceful. An index would rank firms according to their actions as compared to guidance on what firms could do to promote peace. The development and operationalization of such an index could achieve several goals.

First, it could inspire business leaders to recognize how their firm affects the peacefulness of communities and how they could make a commitment to taking those actions that promote peace. The source of that inspiration could be located with senior executives who see the business value in promoting peace. Or it might originate with the Board of Directors which recognizes the firm's promotion of peace as a benefit to corporate reputation and brand value. Or the motivation might come from either source, once it is clear that there are actions their firm could take to promote peace and that it is the right thing to do. The effort could be led by the managers that have responsibility for the firm's activities addressing sustainability, corporate social responsibility (CSR), human rights, and/or ethical practices. Many of the actions that help firms meet their strategic and operational objectives in these four areas also promote peace.

Second, the index could be used to benchmark firms' actions compared to other firms. Just as many firms produce their annual sustainability reports, an annual 'peaceable report' could be constructed. Firms could examine how their practices affect peace in the communities where they operate and could set up their standards and metrics for what they want to accomplish, how they will accomplish it, and their progress toward achieving their targets. Similarly to the current sustainability reports, it could provide a platform for engaging stakeholders and meeting their interests around promoting peace. At some future date, the Global Reporting Index—which sets the standardized reporting format and metrics for firms and their sustainability reports—could incorporate promoting peace as one of its topics.

Third, the index would be a useful tool for activists promoting peace and discouraging conflict to focus a spotlight on firms or even whole industries that have yet to adopt the policies and practices that promote peace. Today, many NGOs and grassroots organizations point to the actions of corporations as the cause and/or instigator of conflict. Extractive industries inflict the 'resource curse' on many developing countries. Global scale supply chains violate human rights, degrade the environment, and perpetuate 'poverty wages.' Corrupt and undemocratic regimes are supported by corporations through their commerce and taxes. A business and peace index would identify the specific actions firms could take to address these and other concerns.

Fourth, an index on business and peace could inform government officials on how public policies and regulations are most effective in supporting businesses to promote peace. These could include tax and financial policies for businesses operating internationally, reporting requirements such as those adopted by the U.S. Security Exchange Commission on conflict minerals, and executive orders addressing human trafficking. The index could also be valuable to military agencies operating in conflict countries that would benefit from partnerships with firms which have a shared interest in promoting peace. And the index would be useful to international agencies and NGOs that work on preventing mass atrocities, as it could help them understand what role business could play in supporting the responsibility to protect (Forrer & Seyle, 2016).

A business and peace index could advance all of these goals, but only if it is designed properly. The index needs to be constructed in such a way that it provides the type of information that is applicable to achieving the goals set out in this article. Businesses, activists, and governments could all use the index to shape their understanding of the role of business and peace and to inform their expectations for what businesses could accomplish. But the index needs to describe these actions in a way that provides all these diverse actors with what they want to know about the business-peace nexus. To ensure that a business and peace index is able to accomplish all four goals, it should have the following traits:

- *Practical as well as principled*: Much of the academic research on the connections between business and peace are written in general terms. Policy guidance is typically broad and advice is framed in terms of what businesses should strive to accomplish, with little guidance on what actions a firm would undertake to achieve those accomplishments. Guidance on how business could promote peace from international agencies is aspirational and largely principle-based. While we agree that any index concerning peace must rely on sturdy, foundational ethical principles, it must also offer rigorous analysis concerning the actions that are consistent with these same principles. Indicators of how businesses can promote peace need to be concrete, actionable, measurable, and linked to clear outcomes.

- *One Size Doesn't Fit All*: References are typically made to what business or businesses can do to promote peace. Yet more often than not the explicit or implicit reference is to the largest global corporations. However, the options for what businesses can do to promote peace will vary greatly depending on the size of the firm. Guidance for firms needs to take into account the capabilities of different firms and the differences in the influence a firm could have on communities given its size. Grouping firms by the number of their employees, annual sales, or total asset value might be one way to separate firms into categories based on their size. But other groupings may be more relevant, such as the level of outsourcing or the total value of procurements.

- *Firms of a Sector Flock Together*: Account needs to be taken of the different possibilities for businesses to promote peace based on the industry sector. Retailing firms that have direct relationships with customers will have different opportunities to promote peace than those in heavy industries such as smelting. Each sector has some similar and unique capacities to promote peace, and a business and peace index needs to be specific about such differences. Even within a sector, it would be useful to distinguish the ways in which firms affect communities and people.

- *Peaceful not Peace*: There is a critical distinction to be acknowledged by a business and peace index. Peace is most commonly a condition or a situation—often the absence of a current conflict (e.g., war in Yemen). But people's ideas about what constitutes peace can vary widely and are often controversial. For many Cypriots, unifying their long-partitioned country would be one way to bring peace to this long-standing conflict. But unification might not bring peace to all, and an action to put two antagonistic communities into one nation state might invoke revived fighting. Rather than achieving some ultimate 'peace,' a more appropriate role for business is to make conditions more 'peaceful': an incremental change away from conflict and closer to social harmony. Trying to achieve an ultimate condition of peace can be ambiguous and difficult to measure, and can politicize business policies. Striving to make conditions more peaceful is clearer, more tangible, and doable.

- *Most Peacefulness for the Buck*: There are numerous actions businesses can take to promote peace. However, it is valuable for the firm to identify which actions will bring about the greatest positive impact with the least amount of resources used. Promoting peacefulness efficiently is good for a firm's operations and competitiveness. But efficient peace promoting is also

valuable to activists and government officials. Doing more with less creates opportunities to optimize the role of business in promoting peace, just as that same goal is valued by NGOs and governments.

An index on business and peace will need to draw distinctions between the different aspects of the business-peace nexus. The relationship between business actions and how those actions promote peace is multi-faceted. Understanding how business actions could make conditions more peaceful would need to take into account the following considerations:

- *Direct or Indirect?* Are the actions intended to change a specific situation or set of situations that makes conditions more peaceful, or are businesses changing some situation that facilitates other events that would make conditions more peaceful?

- *Tangible or Intangible?* Are the results of the actions that would make conditions more peaceful specific and easy to recognize and measure, or are they more impalpable and difficult to quantify?

- *Short-term or Long-term?* Are the actions meant to address a current situation and make conditions more peaceful now (temporary), or are the actions intended to have an impact that makes conditions more peaceful over time?

- *Inside or Outside the firm?* Are the actions directed at activities and events inside a firm that in turn makes conditions more peaceful at the workplace, or are the actions taken by a firm intended to influence conditions outside of the firm?

- *Intentional or Incidental?* Are the actions associated with some clear impact that makes conditions more peaceful, or are the actions taken to accomplish other business goals and end up making conditions more peaceful?

- *Preventative or Reactive?* Are the actions intended to change conditions in communities so as to avoid potential future conflict, or are they taken in the face of conflict and are intended to lessen the conflict?

A business and peace index is a critical tool that could have a profound effect on the role business plays in making conditions more peaceful. But such an index must be designed and constructed

so that the metrics provide guidance to business leaders, government officials, and activists on what specific actions firms could adopt. Such an index also needs to inform decision makers on the specific nature of how business is promoting peace so that its impact can be accurately and reliably forecasted, anticipated, observed, measured, and assessed.

4. Next steps

The good news is that significant data already exists to construct a meaningful index along the lines we have set out. To be sure, with a topic as multifaceted as peace, there will always be challenges verifying data and an ever-present need for additional and more refined information. But that simply suggests that a good index will continually grow and mature. The dimensions that remain to be done are the assembling of the various extant data and the proper weighting of this information, which can only be done by those who have deep knowledge of the literature on business and peace along with knowledge of the governmental and civil society work also conducted to date. We would not minimize the effort it would take to create the PACO Index—even with available data—but the initiative we explain in this article is within reach and is one whose time has come.

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