This guide is based on the book Management in Complex Environments: Questions for Leaders Ganson, B. (ed.), Stockholm 2013, International Council of Swedish Industry, which draws on case studies, expert analysis and reflections from over 100 business leaders. Unless otherwise stated, the quotes in this guide are taken from this source text.

The book can be found online at http://www.nir.se/en/programmes/management-in-complex-environments/. This guide is complemented by relevant experiences and frameworks from experts, academia, business and other institutions around the world.

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Management in Complex Environments
An Introductory Guide

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Introduction
Introduction

Business leaders who find themselves in complex environments are often astounded by the social and political challenges that they are required to address on a regular basis. They realize that while they may have great technical knowledge, significant accomplishments, and well-rounded management skills, they still need new ideas to address the ambiguities and demands of these environments. While accustomed to taking responsibility and 'getting things done', they are surprised by how much listening, integrating, and balancing different interests their new job requires.

The authors of this book, and the leaders interviewed for it, are far from claiming that they have the answers to extensive corruption, uncooperative local communities, or disastrous infrastructure – to name just a few of the challenges posed by complex environments. Instead, they acknowledge that the best approach will depend on the personal style of the leader, as well as the broader context and the internal and external constraints that the leader faces. Nonetheless, from their experiences there are a number of generally useful lessons that have been learned (often the hard way) and that are shared here.

Many of these point to the fact that success (or even company survival) depends as much on mindsets, attitudes, and leadership, as on processes and tools. This guide therefore puts a focus on nurturing individual leadership and an inquisitive attitude, particularly by providing practical examples. It builds on real-life experiences of both successes and failures in complex environments and shares those through leader's tips, leader's checks, and examples. Though it offers brief outlines of and links to specific methods, this is done with the clear understanding that leaders will have to choose and adapt them based on their specific environments, that they might need to seek external support to effectively implement them, and that they should always be on the lookout for new tools that fit their requirements.

Chapter one of the guide explains basic concepts around complexity and why a new form of management is useful, and indeed often essential, under these conditions. The next three chapters focus on understanding the business environment. Chapter two explains how to analyse the broader context of a business, chapter three zooms in on the immediate operating environment, and chapter four invites readers to analyse the flip side: the effects that the company has on its surroundings. The final two chapters then focus on practical steps that leaders can take to manage the challenges of complex environments. Chapter five outlines a number of actions managers can take to influence the external environment. As even the most outstanding leaders depend on the support of their teams and act within an existing management system, chapter six then outlines how managers can use or influence internal systems and practices to achieve the best results on the ground.
Introduction

What is this guide for?

This guide is intended both for those with no experience in complex environments, and for those with some experience looking to improve their leadership in these contexts. For those of you who are new, and who need help transiting to a complex operating environment, this guide can help you expand your vision beyond traditional business models and lead with integrity and humbleness. For those of you with more experience, this guide can help you handle complexity with more confidence. It is built on robust research and interviews with over 100 leaders with extensive experience in such environments. In short, the purpose of this guide is to:

• prepare readers for the challenges of complex environments, to the additional expectations and responsibilities, to the grey areas and dilemmas they might encounter;

• encourage managers to overcome a passive view of risks to take a more proactive stance on their environment and various stakeholders;

• change perspectives, highlighting the opportunities and learnings that managers can find in the resilience and resourcefulness of local people and businesses;

• promote collaboration, win-win solutions and an understanding that there does not need to be a trade-off between the goals of sustainable business and society;

• broaden the view of managers beyond pure technical management, to explain the importance of creative leadership and investment in stakeholder relations;

• encourage managers to trust the local expertise of people who may be difficult to understand in the beginning, but that offer a source of wisdom for leaders ready to appreciate different traits.

While the guide is related to and in line with familiar ideas such as ‘Corporate Social Responsibility’ and ‘the triple bottom line’, rather than introducing any new concepts, it seeks to integrate what exists and add the lens of conflict- and context-sensitivity. In doing this, the guide does not cover all possibly useful tools, or all the details of those it does touch upon. There are already excellent ‘toolboxes’ available and readers should attain enough information here to know where to look further. In any case, in reality it is often best to seek the help of experienced individuals.

For further practical examples of leadership in complex environments, the original book Management in Complex Environments: Questions for Leaders is an excellent resource, and the authors of this guide invite you to get in contact to access additional case studies and learning material.
GROWING UNDERSTANDING:
The Broader Environment
‘The only thing predictable in a complex environment is that everything will go differently from what you expect.’

It might not be your first priority to delve into comprehensive analysis when you start a new assignment and are busy getting to terms with the core operations. Yet in the opinions of experienced managers, your hours spent studying country reports, but even more so, interacting with people and cross-checking information with different stakeholders, will pay off quickly. They recommend you start with a broad analysis to get a feel for the place and dynamics.

This analysis can uncover different economic and political dynamics with important implications for your business. If, for example, you understand which groups have been marginalized and are increasingly frustrated and taking up arms in another corner of the country, you might want to check your own recruitment records to see if your company should start hiring more inclusively to avoid later accusations and conflict. If you know which families have been part of the ruling elite that is now facing opposition you might be more alert when those same names turn up in your negotiations over land acquisitions. This awareness in turn might protect you from major dispute with a community that has been fighting over land titles for the past 35 years. If you understand the meaning of certain customs you might be able to comprehend the level of frustration when a group of workers puts up a black flag at your entry gate. Knowing more about history or conflict in the country also helps to understand how (or when) things are likely to get messy.

Though each environment brings different challenges and opportunities, and there is hence no one-size-fits-all approach to analysing your context, this chapter shows where you can start – outlining a few key issues to explore, and introducing some useful tools to provide an idea of what is out there. Once you have an idea about the complexity and available information you might want to use this as a basis to learn more, or to find assistance to conduct this analysis.
To start with, here are some general leader’s tips that you should take into account when investigating your context:

Start your analysis from scratch and challenge your assumptions: be humble and accept that you are a novice to the environment you work in. Try to get rid of as many prejudices as possible.

Cross-validate information: Limited capacity to produce reliable data, coupled with the risk of intentional misinformation (even by official sources), gives you good reason to be careful and make sure you use various sources of information to triangulate the data you get.

Be inclusive: the more stakeholders you involve in your analytical process and the more you can get out of your office, the more you get a feel for the context. This experience will help to develop your intuition for decisions to be taken later.

Monitor events: survey the broader environment on a continuing basis to check for changes. If necessary, identify major risk factors or potential trigger events to monitor closely (like unemployment rates, political events, or rallies). Such indicators can form part of a simple early warning system for the company.

Discuss with your whole team: most of the analysis should be conducted collectively with a variety of people involved. Many of the tools introduced below would make little sense if used at your desk on your own. They are best applied in group exercises.

2.1 Gathering information from different sources and stakeholders

Your first port of call will be information already gathered about the country, its politics, economy, society, history, and conflicts. There are large amounts of information available from a variety of international organisations. Some of the most useful sources you can use at this stage are listed below. Other sources you may also want to use include country reports by embassies, multilateral organizations, chambers of commerce or trade organizations. It is important to note, however, that the quality and reliability of data on such challenging environments can vary significantly. Cross-checking and corroborating information is therefore important.

- The World Bank Group publishes its report on the Ease of doing business annually. It ranks the economies of 189 countries on their business regulations, taxation, trading across borders, registration and closure of business and other aspects of great relevance to business.11
2. The Broader Environment

• From 2006 onwards, the Fund For Peace has ranked countries on their fragility and published a fragile state index with analysis and trends with current data for 178 countries. 12

• To find out about the about political rights and civil liberties of those around you, you can check the Freedom House Freedom in the World report. Also interesting are their indices on freedom of the press and the internet, if you want to get an idea of the trustworthiness of certain sources within a country. 13

• International Crisis Group provides insightful analysis on both crisis risks and ongoing conflict in countries all around the world. 14

• The Global Peace Index helps to understand the relative peacefulness or fragility of states. Also interesting to check is the Conflict Barometer of the Heidelberg Institute for International Conflict Research. 15

• On more specific aspects like corruption or freedom of expression it can be helpful to check the Press Freedom Index of Reporters without Borders or the Transparency International Corruption Perception Index. 16

Once you have conducted this initial desk-based research, the key to really deepening your understanding of your operating environment is engagement with your stakeholders. This includes government actors, business partners, non-governmental organisations, community representatives and a range of others depending on your environment. Talking with these groups and individuals will yield local insights. While you have to critically consider everything they tell you, you can learn a lot about their plans and interests from just how they frame the issues, and how they relate to you as a new actor.

In the sections below, the emphasis is on just what issues you should explore with these different actors. For more guidance on the process of stakeholder engagement, see chapter five.

2.2 Analysing the context

In complex environments, social interactions may be shaped by such factors as violence, weak state governance, or security concerns. Some of the most important questions that leaders ask in complex situations are listed below. Of course, you need to be sensitive when exploring some of these issues, but if you take these questions as a starting point and inquire thoroughly about your own environment, you will be surprised at how expertly others navigate these complexities and how much one can learn from them.
Who has power and influence?

It is important to carefully consider where power actually lies within society. For many people the government can be something happening very far away, and its representatives can provoke fear in people who remember past abuse and injustice. Local decision makers are often more trusted and relevant to people’s lives, and maybe to your operations as well – a respected elder might have the relationships or charisma to get things done, a certain family name or other connections can top formal hierarchy in the power-game, and a grocery dealer might in fact be the one who rules the district business because of his brother’s position in an oil company across the border.

Are leaders legitimate?

The lack (or rigging) of elections, the absence of state services, human rights violations, or inequalities between different ethnicities, can lead to seemingly surprising outbursts of violence and protest. Tunisia and Egypt are good examples of supposedly stable states where dissatisfaction required a small spark to erupt into revolution. The first point is for you not to be fooled by apparent peace in the country or your community. The second point is to be aware of how stakeholders might perceive the relation between your company and the government that has issued your license.

What is the role of networks?

Where one has limited potential to actually enforce a contract, societies and interactions are strongly formed around family, trust, or obligation networks. Almost inevitably, you will have to rely on such networks as well, simply because this is how things get done. These connections are highly sensitive issue for most managers as they might help to fix the transmission lines for your entire operations one day but bring you into conflicts of interest or accusations of corruption the next.

How does the justice system work?

Understanding how locals relate to the justice system is important as a means of assessing the role and legitimacy of the central state in your community. You are likely to work in an environment where the last thing a victim of crime would do is call the police or go to court. Where justice can be bought, or where politically-enforced verdicts are merely transmitted through a dysfunctional judiciary, a society faces diminished capacities to manage tensions and handle stress, which can then lead to surprising outbreaks of violence. The lack of law enforcement can also lead to a downward spiral in standards (be it on human rights or pollutants). Though society will bear the brunt of this race to the bottom, it can also harm your business if powerful competitors are not held to a common standard.
2. The Broader Environment

What is the role of trust?

Emphasizing differing cultural norms on trust, one of the interviewed country managers reported that, ‘You trust people unless they give you a reason not to. Their experience tells them that no one can be trusted until they prove otherwise’. Where violence and corruption have eroded trust, your company, as much as any new actor, will be put under intense scrutiny. It takes a long time and coherent, credible action to build trust; while any (even only perceived) breach of trust can close doors forever.

Who benefits from violence?

Violence is costly for society and causes damage far beyond the direct pain, suffering and trauma experienced by individuals. Yet while violence often seems like a no-win situation from the outside, it does serve a purpose, be it to gain access to land or win an election or take over business or wealth. You need to be aware of what is driving the violence and if and how your company operations are connected to these drivers.

How do people live with adversity?

When there is no government to provide electricity and following rules does not feed children, people develop an amazing pragmatism, resourcefulness and flexibility. While you will quickly appreciate this when some random passer-by fixes your car and finds you food and a room in the middle of the night, this will also be a test of patience when half of your staff is late for work because the petrol station has just received a fuel delivery. At the same time, where the business environment, law and justice systems, political processes and public services are rather unpredictable, individuals and companies tend to refrain from long-term planning and investments. This is clear when it comes to physical structures but it also applies to people investing in education or in the relationship with their employer. As a newcomer you might be surprised by how much the resulting short-term thinking prevents people from making use of opportunities and how ensnaring the chance for the quick dollar can become.

2.3 Analysing actors

A key to understanding your environment is to identify the individuals and organisations that shape the context of your host country. This can be a complex exercise: while you might not immediately see the relevance of some actors it will be useful to map them and later analyse the roles they play to ensure you are not going to be (too) surprised by changes in power. As mentioned above, leaders advise going beyond the usual, formal powerful actors to get a better picture of forces behind
socio-economic and political developments. This is to address the very human bias towards engaging only with those who generally support your operations. Including more and also opposing stakeholders helps to read the dynamics of a fast-changing environment, and to reduce unpredictability and risks.

There are a number of excellent tools to help you conduct a thorough stakeholder analysis. A good introduction is part one of the *IFC Stakeholder Engagement Guide* described in more detail in chapter five of this book.18

Once you understand who is out there, you need to try and assess their motivation, including their interests and the relations between them. It can be useful to start with an analysis of their respective positions, interests and needs.

This visual illustrates how the ‘real needs’ of people (which is usually something personal and as basic as security, shelter, or freedom from fear) are concealed by their ‘interests’ (what they want: acknowledgment, power, or a certain hierarchical position) and by their officially stated ‘positions’ (for example: ‘the company has to leave’, ‘these people should not live here’, ‘we need a hospital’). We will get back to this analysis later when it will help us to identify win-win solutions.
2. The Broader Environment

The leader’s check:

• Who are the people officially in charge?
• Who are those behind or next to them?
• Do we miss out on a group just because it is not formally organized or represented?
• Have we identified the major positions and underlying needs of relevant stakeholders?

2.4 Analysing the roots of conflict

Once you have an overview of the stakeholders it is useful to spend time understanding the conflicts and grievances in a society. These will be raised by the stakeholders you consult, but there is always a risk that these consultations will only identify the simplest and most charged issues. Usually there are underlying causes like economic or political exclusion, the neglect of basic human rights, or strong disparities between rich and poor. These underlying causes then manifest themselves in different concrete issues that can affect your business. Understanding the underlying grievances will enable you to better mitigate tensions, and will help you understand if your company is just collateral damage in the conflict between other parties, or rather a target.

There are many ways in which you can go further in this analysis. For example, the Peace and Conflict Impact Assessment Handbook, produced by the Conflict Prevention and Post-Conflict Reconstruction Network, distinguishes between root causes, proximate causes, and the immediate manifestations of conflict. In this framework, root causes are the big structural issues that change slowly over time, such as poor governance or lack of respect for human rights. The proximate causes are short term factors or events, such as a negative economic shock, that can trigger a visible manifestations of conflict, like civil unrest or internal displacement. Importantly, the PCIA handbook also directs the reader to consider the interactions between these different factors, as clearly none operate in isolation. In addition, it recommends the analysis of resilience factors, which enable some communities to remain peaceful when others experience violent conflict. Answers to these questions will offer some insight into how fragile or resilient the country will be in dealing with more acute sources of tension in society.
The leader’s check:

- How does conflict and unrest in our current environment reflect deeper structural issues?
- Are there sources of tension that underlie or interact with the grievances commonly discussed in public?
- Have we thought of how different stakeholders might draw on or exacerbate structural frustrations to promote their immediate political agendas?
- What individuals, organizations or common practices enhance the resilience of the communities in which we operate?

2.5 Connecting the dots

To make the links between all the information gathered, it can be useful to visualize main aspects and relationships in a map like the one below. Drawing together the different elements of your analysis like this helps to identify the relationships between issues and between actors. This example also shows how the business sector became part of the wider conflictual relationships between ethnic and pro-democracy groups and the then military government of the country. Companies were in fact accused of collusion with the regime. 21

Translating your analysis into a visual map like this can help to understand the different parts of a conflict system, and the often complicated connections between them. For example, if the state is overly powerful, control of its apparatus is often a key means for survival for groups. As a result, competition to achieve power is intense, as whoever is in power can allocate precious resources to his or her group. Once in power a group has all the interest to remain there. Who controls the state, therefore, will implement discriminatory policies to build loyalty. Such policies inevitably lead to grievances by excluded groups, which will be suppressed by those in power with violence. Violence leads to more grievances, which lead to more violence and so on. Deepening your grasp of these interrelations can help you lead with greater conflict sensitivity and avoid aggravating the situation. 22
2. The Broader Environment

Conflict in Taninthary Division, Myanmar
The leader’s check:

- Do we understand how all the important stakeholders in our environment perceive one another?
- Considering the results of our mapping, do we have all the information needed for analysing our business environment, or do we need to conduct further assessment?
- Overall, will we be able to operate in an environment like this?

Further Resources

The Political Economy Analysis Guide produced by DFID, although intended for the development sector, provides an excellent introduction to the analysis of political economy concerns at levels of a country, sector, and specific operating problem.

In particularly difficult environments you might want to go as far as using the Peace and Conflict Impact Assessment (PCIA) which has been designed for development projects in conflict zones.

To help understand the different actors in your environment, the IFC Stakeholder Engagement – Good Practice Handbook provides a short but useful section with guidance on stakeholder analysis.

The International Council on Mining and Metals Community Development Toolkit has excellent sections on stakeholder identification and stakeholder analysis.
About the Authors
About the Authors

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The PeaceNexus core mission is to provide peacebuilding-relevant actors – multilateral organisations, governments, non-profit organisations and business actors – with expertise and advice on how they can make best use of their peacebuilding role and capacity to help stabilise and reconcile conflict-affected societies. Our tailored advisory services and advocacy activities are complemented by a grant mechanism that promotes innovative ideas and organisational development for peacebuilding agents of change. PeaceNexus specializes in identifying relevant and cutting-edge expertise, making it available to actors for peacebuilding, and structuring, sequencing and accompanying the advisory process. The support we provide is demand-driven, whilst we seek to engage with influential and innovative peacebuilding actors to boost our own impact.

Complementing this guide, PeaceNexus has produced a number of case studies on management in complex environments and would be happy to share these. Contact catrin.froehlich@peacenexus.org for more information.

The International Council of Swedish Industry (Näringslivets Internationella Råd, NIR) is an independent non-profit organisation representing Swedish industry. NIR is commissioned to support and broaden the scope of operations of Swedish business in markets which are politically, economically or socially complex. NIR works closely with large, globally active Swedish corporations that have the strategic interest and possibility to maintain a long-term perspective in their activities. NIR’s interventions focus mainly on improving the structural conditions for business in the markets in which we operate, in order to promote economic and social development. NIR cooperates closely with both the public and the private sector, in Sweden as well as abroad. Additionally, NIR’s mission includes establishing networks of interest to Swedish businesses and representing Swedish business as a whole. All activities are carried out with a long-term outlook. NIR’s head office is in Stockholm, Sweden, and the organisation has a local presence in Africa, Latin America and the Middle East.