

Social Investments and The Commodification of Community Conflict

ABSTRACT

This paper resolves a puzzle in research intersecting nonmarket strategy and social movements: that social investments to local communities can avoid community conflict by alleviating grievances while they can also cause conflict by stimulating opportunistic behavior to exploit firms. Based on nine months of fieldwork in Peru's mining industry, this paper examines how one of the world's largest mining firms sought to manage violent community conflict through social investments. The analysis shows how social investments commodified grievances and turned the community's use of violent conflict into a calculated transaction, in exchange for social investments. Over time, violent conflict became normalized as an "everyday" activity, rendering the use of social investments to quell conflict ineffective. The findings matter for theory and practice: social investments can fundamentally transform firm-community relations, beyond reducing grievances or stimulating opportunism, in ways that can institutionalize violent community conflict.

Keywords:

Qualitative; Community Stakeholders; Nonmarket Strategy; Social Movements

INTRODUCTION

Around the world, firms and communities compete for land, water, and other resources. If firms exploit economic opportunities that negatively impact local communities, community conflict seems inevitable (Dorobantu & Odziemkowska, 2017; Jamison, Tadmor & Henisz, 2025). In 2025, the Environmental Justice Atlas recorded 4,334 active community conflicts in industries like energy, construction, agriculture, or transportation globally (Temper, Del Bene & Martinez-Alier, 2015).

Violent community conflicts, in which communities use or threaten physical force against firms (e.g., Oetzel & Getz, 2012), are particularly challenging. They have been shown to cause human harm, tear societies apart, and impose high costs on firms (Franks, Davis, Bebbington, Ali, Kemp & Scurrah, 2014; Ganson, He & Henisz, 2022; Odziemkowska & Dorobantu, 2021). For example, in the 1990s, conflict between oil company Shell and communities in Nigeria's Ogoni region cost over 2,000 community members their lives. Settling the case cost Shell over \$15.5mn, without accounting for lost revenues and legal fees.

Although firms have responded to violent community conflict in a range of ways, including violently repressing protests or politically "dividing and conquering" communities (Amengual, 2024), a less divisive strategy has been the use of social investments to appease communities. Nonmarket strategy research, notably, suggests that firms can avoid community conflict by investing socially in communities, for example by providing social goods like education and healthcare (Dorobantu & Odziemkowska, 2017; Odziemkowska & Dorobantu, 2021). Henisz, Dorobantu, and Nartey (2014:

1727) argue that “[s]uch investments reduce opportunistic hold-up by stakeholders … whose cooperation is … required in order for the firm to create and capture value.” At the same time, social movement research (Baron, 2001; King & McDonnell, 2013; McDonnell, King & Soule, 2015) claims that, as firms pursue social investments, stakeholders expect more social investments, triggering an “escalating cycle whereby firms must engage in an increasing level of social performance to satisfy stakeholder demands” (Nason, Bacq & Gras, 2018: 271), stimulating more opposition (Baron, 2001). Accordingly, rather than reducing opportunistic hold-up (see Henisz et al., 2014), social investments can trigger conflict by expanding opportunities for communities to exploit firms.

Prior research thus suggests that social investments can avoid and at the same time generate conflict. Given the high number of community conflicts around the world and their human and economic cost, it is surprising that management scholars have paid little attention to the puzzling influence social investments have on community conflict. I place this puzzle at the center of my paper.

How can social investments change community conflict over time?

To examine the question, I conduct a single case study involving Mina Grande (a pseudonym), one of the world’s largest mining firms, and a rural community, Fuego (a pseudonym), in Peru. Grande is a revealing case because the firm competed with Fuego for land and water, causing grievances that fueled violent conflict. To stop conflict, the firm listened to community demands and pursued social investments in line with local needs and values in a participatory and inclusive manner. Yet, Grande faced violent conflict throughout its operations over 25 years. I analyze how social investments changed conflict between Grande and Fuego by drawing on archival sources like videos of conflict, recorded interviews with movement leaders, and confidential documents like protest logs. I triangulate these data, using my own interviews with violent community actors and local managers, and observations I made by staying in Fuego.

The most important finding is that social investments did not avoid conflict or inspire pure opportunism. Instead, social investments transformed firm-community relations in ways that reproduced and institutionalized conflict. Initially, social investments suppressed grievances but triggered conflict by stimulating opportunistic behavior to demand *compensation*. Over time, social

investments *commodified* grievances by translating concerns about the destruction of environmental and cultural resources and feelings of injustice into exchangeable resources, tradable for social goods. Conflict became sanitized of emotions, detached from original conflict drivers, and turned into a formalized transaction. In this phase, social investments stimulated conflict because conflict became available as a resource to draw on whenever community demands arose. In a third phase, repeated social investments and the community's attacks to command them became *normalized*. Grande's social investments and deep integration built a social contract around social investments and violent conflict as an "everyday" activity, wherein community actors knew that using violence leads to social investments.

In explaining the mechanisms how social investments can change community conflict over time, I resolve a tension in research intersecting nonmarket strategy (Dorobantu, Kaul & Zelner, 2017; Henisz et al., 2014; Odziemkowska & Dorobantu, 2021) and social movements (Baron, 2001; King & McDonnell, 2013; McDonnell, King & Soule, 2015): that social investments can simultaneously avoid and trigger conflict. I also extend growing scholarship on community codevelopment (Gibson, 2022; Gibson, Gibson & Webster, 2021; Kim, 2024), which shows how firms and communities can peacefully cohabit in when firms integrate into communities and support their own notion of development. I add to this literature by showing how embedding can lead to codevelopment but also sustain conflict. By empirically analyzing conflict between firms and local communities, who often have no recourse to the state or courts (Phillips & Ranganathan, 2025), and challenging literature on how to deal with such conflict, I hope to provide managers with insights into how to address violent community conflict.

THEORETICAL MOTIVATION

Violent Community Conflict

Violent conflict is the "organized and sustained use of physical force that results in injury or death to persons and/or damage or destruction to property" involving "sustained campaigns of violence or terrorism, but not episodic and less organized forms of violence, such as crime" (Oetzel & Getz, 2012: 168). In this paper, I build on prior management research on violent conflict (e.g., Jamison et al., 2025; Oetzel & Getz, 2012) to define violent community conflict as the organized and

sustained use or threat of physical force against a focal firm by a salient segment of a community, carried out with the community's active or passive consent, resulting in harm to human health, destruction of private property, or both. Whereas prior management research primarily focused on the role firms play in violent conflict between other state and nonstate actors, asking if and how firms can contribute to peace (Oetzel & Getz, 2012; Oetzel, Westermann-Behaylo, Koerber, Fort & Rivera, 2010), more recent literature specifically focused on firms as sources of community conflict (Ganson et al., 2022). For example, Jamison and colleagues (2025) show that large-scale infrastructure investments proximate to Indigenous communities increase armed conflict and associated deaths.

Political theories of conflict argue that conflict between two actors is the result of an actor's grievances. Grievances arise from absolute and relative deprivation. Rooted in Malthusian notions of resource scarcity, actors fight other actors when they feel relatively deprived compared with them (Gurr, 1970). For example, communities turn to violence when they have historically had comparatively less access to important economic resources like land and water, social goods like education or healthcare, or political power like access to the state, means of participation, and cultural representation (Stewart, 2000). Actors might also engage in violent conflict when they are absolutely deprived of essential resources like land, food, water, or human rights. In cases of absolute grievances, conflict erupts because actors fight for their literal or political survival. Although political theories of conflict do not specifically refer to conflict with firms, they offer guidance for the ways in which community conflict emerges. Accordingly, community conflict is driven by grievances arising from a community's absolute deprivation of essential rights and resources, and by relative deprivation from a firm's negative externalities, creating competition for resources like land or water (Maher, Valenzuela & Böhm, 2019).

Economic theories of conflict, on the other hand, claim that conflict can occur without grievances. Instead, they argue conflict is mostly driven by economic factors, like the level and growth of income in a given location (Collier & Hoeffler, 2004; Hirshleifer, 2001). Accordingly, conflict can be fueled by opportunism alone. When actors perceive that the benefits of accessing an economic resource outweigh the cost of the violence required to access it, including the risk of retribution, conflict likely occurs (Collier & Hoeffler, 2004). This is why territories with low

economic growth and high unemployment, and easily exploitable resources like gold or drugs, experience more conflict than other areas. Fearon and Laitin (2003), furthermore, argue that the opportunities for violent exploitation grow when states are too weak to challenge conflict parties. In other words, the opportunity to wage violent conflict becomes greater in environments, where states lack the administrative and organizational ability to counteract violence.

Although economic theories of conflict focus principally on civil wars and rebellions between armed state and nonstate actors, they offer a useful theoretical frame for community conflict. Analogously, violent community conflict is driven by a community's lack of economic opportunities and exacerbated when firms operate in areas where the state does not reliably protect property rights, and firm operations can easily be exploited, like oil and gas pipelines and access roads to operations in difficult terrain, like mountains or forests (Fearon & Laitin, 2003).

Social Investments and Community Conflict

Nonmarket strategy scholarship shows that social investments, including community benefits agreements that involve revenue sharing, employment, and social goods, can avoid opposition from communities (Dorobantu & Odziemkowska, 2017; Odziemkowska & Dorobantu, 2021). Accordingly, social investments reduce confrontations with community stakeholders and enables operations, allowing firms to generate and extract value (Henisz et al., 2014). Despite these valuable insights, much of nonmarket strategy research on the impact of social investments on community relations draws on quantitative analyses without revealing the mechanisms that underlie social investments and community support or opposition (Cornelissen & Werner, 2025). From a conflict theoretical lens, nonmarket strategy scholarship appears congruent with political theories of conflict. Social investments can reduce a community's absolute deprivation by alleviating a community's lack of water, food, and jobs. They can also reduce a community's feelings of relative deprivation by competing with a firm for access to scarce resources through fair compensation offered by social investments and community benefits agreements (O'Faircheallaigh, 2015; Odziemkowska & Dorobantu, 2021).

At the same time, research intersecting nonmarket strategy and social movements suggests that social investments increase the risk of being targeted by stakeholders demanding repeated

provision of social goods, rendering firms vulnerable to repeated demands and opposition (Baron, 2001; King & McDonnell, 2013). Accordingly, positively responding to community demands opens a firm's opportunity structures, i.e., a firm's characteristics that encourage mobilization against it (McAdam, Tarrow & Tilly, 2001; McDonnell et al., 2015). Firms that "give in" to community demands thus create the impression that they are responsive to stakeholder demands (Baron, 2001; Briscoe, Chin & Hambrick, 2014; King & McDonnell, 2013; Nason et al., 2018). Although scholarship intersecting nonmarket strategy and social movements mostly draws on large datasets and game theoretic modelling, the imputed mechanisms align with economic theories of conflict, arguing that conflict can be generated by an actor's opportunism to extract rent from another actor, like material resources or other concessions (Collier & Hoeffler, 2004; Fearon & Laitin, 2003; Hirshleifer, 2001).

In sum, prior research on nonmarket strategy and grievance-driven conflict suggest that social investments can avoid community conflict by alleviating grievances while research intersecting nonmarket strategy and social movements and opportunism-driven conflict argues that social investments can trigger conflict by fostering opportunism. How social investments change community conflict over time therefore remains a puzzle.

METHODS

Empirical Context

To examine the role social investments play in changing community conflict, I conduct a single case study of Mina Grande and the community of Fuego between the late 1990s and early 2020s in Peru. Peru's mining industry is an instructive research context because mining firms compete with local communities for scarce resources and often cause violent conflict (Maher et al., 2019). Peru's human rights office reported 118 conflicts around extractive projects in 2024 (Defensoría del Pueblo, 2024). Further, mining is bound to certain communities that have inhabited their territories for centuries. Mining firms thus operate in contexts where local populations attach significant cultural and religious value to nature (Ehrnström-Fuentes, 2016; Järvelä, 2022), putting firm-community relations and community conflict into sharp relief.

After compiling an exhaustive list of all formal mining firms in Peru that faced violent conflict in the last 20 years, I chose to study Grande in Fuego. Table 1 offers a case overview. Grande is a revealing case because it threatened to impose significant negative externalities on Fuego. Fuego was a fishing community and located between the mine and the Pacific coast. It was exposed to the firm's externalities because of Grande's pipeline, treatment plant, and port to treat the copper with chemicals and export it. Fuego's population suffered from poverty, malnourishment, and absent healthcare, when the firm set up its operations. Grande was widely lauded by the United Nations, Peru's government, Peru's human rights office, and nongovernmental organizations (NGOs) for offering inclusive social programs to address Fuego's problems. Grande was also vulnerable to opportunistic attacks. Its pipeline and remote access road to the port, could easily be blockaded. They were located in a remote area where the state afforded the firm little protection against exploitation and property rights violations.

Insert Table 1 about here

The case mirrors the tension in prior literature on social investments and community conflict in nonmarket strategy and social movements because Grande faced recurring conflict with Fuego since the firm began operating in the late 1990s. It is an instructive case to reveal the mechanisms explaining *how* social investments can change community conflict over time.

Empirical Material

I base my analysis on fieldwork and archival data collection between August 2021 and February 2023. Table 2 summarizes the data sources and how I analyzed them.

Fieldwork. I lived in Peru between January and November 2022 to conduct analysis for case selection, unlock access to Grande, and collect primary data. I stayed in Fuego in September 2022, where I conducted most interviews and observed interactions between community actors and the firm. I conducted 69 semi-structured interviews with 65 informants. Of these, 25 were community leaders and members, 13 Grande managers, 13 state officials, 10 NGO representatives, and 4 industry experts. I conducted interviews in Spanish myself. Owing to the sensitive nature of the interview topics, I pseudonymize the firm and locations. I also do not mention exact dates. To protect interviewees and

make them feel comfortable to share confidential information, I anonymize and quote them with reference to a code. Because interviews revolved around conflict, violence, and crime, I took verbatim notes and requested clarification when necessary. I translated and digitized interviews within 24 hours.

The long timeframe of the data I consider provided a challenge because retrospective bias can distort accounts and undermine internal validity (Langley, Smallman, Tsoukas & Van de Ven, 2013). To minimize retrospective bias, I triangulated accounts from members within the same group to confirm how specific events unfolded in detail, asking respondents about the same episodes and invited them to explain events step-by-step. I also triangulated interviews from sources with competing views and interests during conflict, like community members and managers (Langley & Meziani, 2020). When a manager (F45) told me that the community “pressured our people, and they destroyed our offices, they took computers, they burned the cars and destroyed some of the buildings,” I asked community members how that same episode unfolded. Information from community members (M44) like, “there was theft … we demolished the camp’s water tank [until] the police came,” gave me confidence in the validity of the events. Admitting crimes added more credence to community members’ information.

Although observations in a study period covering 25 years can only provide a snapshot of social and organizational phenomena, embedding myself in the community and participating in everyday activities, helped me contextualize archival and interview data. Being there gave an opportunity to document relationships, interactions, and behaviors between community actors and Grande. Spending time in Fuego also helped me gain trust to access important informants like community leaders who organized violent conflict.

Insert Table 2 about here

Archival data. I also draw on archival data from firm, community, media, NGO, and government sources. I obtained confidential documents like contracts and conflict reports. Peru’s human rights office provided rich data on every conflict. For media reports, I used the database *Factiva* to search all documented events regarding Grande *and* Fuego in Spanish and English.

Community actors' YouTube videos and Facebook posts, documented events in real time. In total, I collected and analyzed over 4,500 pages of relevant documents and around two hours of video material to construct the case and triangulate with primary data.

Empirical Analysis

Living in Peru with access to informants allowed me to collect data, analyze, interpret, and enfold in the literature iteratively (Locke, 2011; Locke, Feldman & Golden-Biddle, 2022).

Chronological case narrative. Drawing on primary and secondary data, I chronicled the key events in Fuego since Grande's arrival in the late 1990s until the early 2020s. To make sense of the data, I wrote a single-spaced 150-page-long case narrative, with thick descriptions of all conflicts, including the events leading to violent outbursts and their aftermath, and detailed accounts of periods between conflicts (Langley, 1999). Figure 1 shows a timeline of the case.

Insert Figure 1 about here

Changes in community conflict. The data showed that Grande experienced multiple conflicts during the study period. Three conflicts were major and included the mine's closure, arson, violation of firm property, and physical violence. What was interesting about these three conflicts was that preliminary rounds of coding showed that each conflict revolved around different themes. The reasons for conflict shifted meaningfully from the first major conflict in the 2000s to the second in the 2010s and the third in the 2020s. I therefore considered the three major conflicts as main turning points in the relationship between Grande and Fuego.

Social investments and community conflict. Developing tables and diagrams helped me identify phase boundaries where the data indicated shifting conflict drivers. In phase one, which I call the "compensation" phase (late 1990s–early 2000s), social investments suppressed grievances but stimulated opportunistic behavior to demand more social investments that specifically addressed relative and absolute deprivation. In the second phase, Grande's social investments detached conflict from grievances and calls for compensation. In this phase, "commodification" (early 2000s–early 2010s), social investments turned emotionally charged grievances and opportunism into the calculated terms of a transaction with the firm: community actors employed violence to transact. In other words,

violence also became commodified, a seemingly rational input in exchange for social goods. In the third phase, “normalization” (early 2010s–early 2020s), social investments became detached from the exchange and enshrined in a social contract between the firm and the community. Entitlement for social goods and the use of violence to demand social investments became taken for granted.

The mechanisms underlying changing community conflict. Analyzing the mechanisms of a process that normalizes a firm’s private provision of social goods and conflict with that firm as mundane features of life required understanding how community actors perceived the firm and its actions. The first phase, especially notions of grief and opportunity, was well-documented in the media and firm reports. The third phase was relatively easily reconstructed by my fieldwork in Fuego, taking place shortly after the third major conflict. Interviews and observations helped me better understand how social investments could turn violence into a mundane “everyday” activity. Reconstructing the mechanisms underlying the second phase was more demanding. Although the conflicts were well-documented, understanding what happened in between required carefully triangulating data recorded at that time, like media reports, social media posts, videos from community members, and confidential firm documents. This step also included follow-up interviews to request clarification and further documentation.

Alternative explanations. As more evidence seemed to show how the firm’s social investments and the way Grande embedded itself into the community did not avoid, but changed and reproduced conflict, I collected and analyzed resources that could suggest that social investments violated community norms or were misguided (e.g., Banerjee, 2007; Kim, 2024). However, the data showed how Grande took local perspectives, promoted Fuego’s autonomy, introduced participatory mechanisms to foster codevelopment, and committed long-term by integrating in the community. I also analyzed if Grande’s social investments sustained conflict by intensifying grievances towards other communities (e.g., Ganson et al., 2022). However, analyzing social investments in proximate comparable communities showed that Grande treated Fuego more generously than other communities.

Insert Table 3 about here

A process model of conflict commodification. The final step was to connect the transformation in the firm-community relationship with the transformation of conflict. The process model shows how firms pursue social investments and community integration to avoid violent conflict, but that doing so turns original sources of conflict into tradable commodities and finally normalizes the exchange of violence for social goods, each time raising expectations and deepening dependence. Table 3 provides details of the paper's main constructs.

FINDINGS

Next, I detail how social investments changed violent community conflict in three phases between the late 1990s and early 2020s, suppressing original grievances but also commodifying and normalizing violence to demand social investments, sustaining violent conflict.

Compensation: Conflict as Opportunity (Late 1990s–Early 2000s)

Tensions between Fuego and Grande mounted in the late 1990s, when Grande set up its operations. They turned violent in the early 2000s, when Fuego's leadership rallied several thousand community members to block roads, destroy mining property, take managers hostage, and interrupt operations. For two years in the early 2000s, Fuego resembled a "war zone". The data reveal that the relationship between Fuego and Grande was mainly rooted in grievances about the firm's environmental impact on livelihoods and the perceived injustice that their rights were violated. However, the data also show that the first major conflict was mostly defined by community actors' desire for compensation. (Promises of) social investments and the firm's potential to drive Fuego's social and economic development suppressed grievances and solidified demands for social goods.

Table 4 provides representative empirical data for these mechanisms.

Suppressing grievances. Archival sources described how Grande's nascent operations threatened to disrupt local livelihoods. The firm's pipeline ran through the community's land to its treatment plant, which, with the port, were in the community's fishing grounds. As Fuego's population depended on fishing for its survival, the community feared that the mine's operations threatened their livelihoods (L35). A community member (M48) remembered,

"[we] knew that industrial activity entails contamination, and mining will inevitably have to dispose its wastewater into the sea ... 'They will contaminate, and the fish will die.'"

At the same time, news reports and videos showed how Grande's arrival raised expectations for social and economic development to compensate for its environmental and social impact. Fuego hoped for Grande to build infrastructure and alternative economic opportunities to fishing and help in fighting chronic malnutrition. The social investments Grande promised could thus suppress grievances around the feared environmental impact.

Additionally, a manager (F34) claimed that social investments alleviated some of the economic hardship and perceived injustice Fuego's population faced in the early 2000s:

“There are many reasons for conflict, at the root lie economic problems, the need for employment ... it is a problem of absence that causes conflict. When people realize their poverty ... lack of food, all of these essential things, and they are all reasons to fight.”

Thus, the data reveal that grievances initially formed the basis for the relationship between Fuego and Grande, and how social investments could suppress some of the salient fears around environmental destruction while reducing feelings of injustice.

Insert Table 4 about here

Conflict as opportunity. The data thus revealed an opportunity to demand restitution, a desire for being compensated for the firm's infractions, as the main conflict driver. A manager (F63) analyzed,

“[a] big company in a region changes everything: the economy, the politics, the expectations, the culture ... it absorbs all of the ... challenges ... You have to deal with the expectations, because the expectations are the root of the conflict, expectations equal conflict.”

But Fuego's opportunistic behavior vis-à-vis Grande was not malevolent. The data show that it was rooted in the population's economic underdevelopment. A community member (M46) reflected, “we lived in the dirt, we had a well for water, no hygienic services, no electricity ... our houses were huts of wood, without windows, just four planks of wood.” By contrast, the firm was seen as wealthy and capable of improving life in Fuego. A manager (F33) said,

“there was such an extreme necessity for basic services ... no basic services ... When we began our work, there was no water ... there was a lot of crime, it was a very dangerous area, much crime and no law ... there was the hope that ... the firm would improve [their situation] ... they hoped for someone.”

A community leader (L37) stated that the consensus at the time was that because “the firm is rich, they are all multi-millionaires, [we] will take everything out of it.” These representative quotes

show how community actors sought to leverage the potential Grande represented to compensate for environmental loss, in terms of money, jobs, and social goods. During this initial phase, the original relationship between Fuego and Grande revolved around grievances, but conflict was mostly driven by the community's desire to be fairly compensated for accepting environmental destruction, given the firm's expected social investments.

Commodification: Conflict As Transaction (Early 2000s–Early 2010s)

To avoid more conflict, Grande faced a set of uncomfortable choices. Managers could raise the cost of conflict for the community by increasing private security measures and repressing opposition. Alternatively, Grande could exit Fuego and sink the cost of their capital investment. However, Grande received funding from international development banks and had to comply with strict guidelines on community management. Grande thus doubled down on social investments and embedded the firm in the community. Managers were specifically hired from the region to avoid culturally inappropriate actions and to take local perspectives. They also made sure that any project conformed to local needs and were inclusive of all community groups. Key staff moved to Fuego and gave community members their phone numbers. They participated in community events and were constantly present to “show their human face,” an expression used by many sources. A community leader (L31) remembered that, since that time, Grande had

“an office in [Fuego] that is always open to us, and we can always come in and ask for services. But most of the projects are so participatory anyway that everybody feels included. This creates an institution of working together for a better future.”

For social investments, a community leader (L66) recalled that there was a “fishing roundtable, an agricultural roundtable, an education roundtable, a health roundtable,” where “each [community] association made its demands to be attended by the mine.” Firm documents revealed that, from the early 2000s, Grande spent up to \$20mn to improve education, healthcare, sanitation, and fight malnutrition. The firm also set up a jobs scheme that admitted community members to paid work in the mine; an effort specifically designed to generate community support because Grande did not require manual labor in the automated mining process (F55).

Despite Grande’s efforts, in the early 2010s, conflict broke out again. One thousand protesters disrupted Grande’s operations for three days and burned firm property. Police and protesters were

injured. Although the first two major conflicts manifested similarly, the second conflict differed significantly. The data indicate a change in the relationship between Fuego and Grande and the use of violence. Detached from original grievances, social investments and community codevelopment turned the relationship into a transaction, where violence was the community's currency. Table 5 provides more data.

Turning into a transaction. Whereas social investments initially suppressed grievances, the data reveal how social investments transformed grievances into tradable goods. Community actors implicitly agreed to a deal with the firm: environmental destruction for social investments as an exchange and the firm's implied social responsibility (F5). A state official (S39) said,

“we did some studies regarding … wastewater [because] the principal problem [as perceived by the community] was the environment … people said that the wastewater changed the natural environment. The solution [to the environmental problem] was [\$250.000] each year in a development fund for [social] issues.”

Media reports and interviews show that community actors accepted the firm's disruption as long as it delivered social goods. Describing that time, a community leader (L36) said,

“people … tired of the [environmental] debate … The mine [was] always accused of destroying and contaminating the water, the air, and the soil … nobody could ever prove it … everybody talked about contamination but there was no evidence. There was a debate about contamination, this metal here … contamination there, but it was an empty debate … nobody talks about contamination anymore because they cannot use it against the firm … Grande is such an important company … anybody against it is a fool … we need it here.”

Videos also reveal that community actors understood Grande's integration in the community and its inclusive contributions to social and economic development as the firm's social responsibility. Recalling this shift from exploitation to social responsibility, a community member (M57) said, “we have … nothing to eat … there are so many basic services to be met. It is Grande's social responsibility.” A manager (F55) confirmed,

“[what we have done] comes with a social responsibility, the social responsibility to do works, works of impact, not small works, big ones, they have to be works of impact … if it is not a work of impact, then this is a failure to comply with the obligatory social responsibility of the firm.”

During the second phase, Grande's social investments turned the firm's relationship with Fuego into a transaction by detaching social investments from grievances and by formalizing social investments as the firm's responsibility.

Insert Table 5 about here

Conflict as transaction. Interestingly, the data also reveal that not only the firm's social investments were part of the transaction, but that conflict became the community's input in the exchange. One reason for this was that trading environmental grievances for social investments sanitized conflict. It defused emotional claims to Grande's social goods and made violent conflict available as a tradable resource without being politically fraught. A community leader behind the conflict in the early 2010s admitted that they invented their own Trojan "war horse" to make fake accusations about Grande's environmental misconduct to hide true demands for social goods (L66). Community leaders knew that environmental conflict could damage Grande's stock market value, whereas conflict for social goods would not apply sufficient pressure on the firm. "[Grande] is quoted on the stock exchange ... its value drops when we protest [because of the environment] ... we know that," a community leader (L41) said, continuing that, "we use the firm to get [social goods] ... We react if [Grande] doesn't give in, and then say that [Grande] contaminates." Thus, to motivate the conflict, community leaders claimed that Grande polluted Fuego's groundwater "changing men's hormones" and "making men homosexual" to pressure Grande into building a water and sewage system (F55). A community leader (L66) said,

"[the] water and sewage project went hand in hand with the fight, because the water we consumed ... had a high manganese and iron content, and many people said that this was the fault of the mine, right? But, in reality, it was a natural situation that occurs in our subsoil, and we didn't have a way to treat that water ... So, we saw the need to promote a sanitation project to treat the water and consume more water, cleaner water."

The data thus show that the transformation of grievances into tradable goods also commodified conflict: violence became the community's currency. Commodification meant that conflict became a resource that was readily available and employed when needs arose. If Fuego had a demand and could marshal enough turnout (sometimes by fabricating the reasons for conflict), the community protested the firm. In the conflict in the early 2010s, violence was the community's input and specific social investments the expected output.

Normalization: Conflict within Social Contract (Early 2010s–Early 2020s)

Grande responded to the conflict with more social investments and deeper integration into Fuego. Documents by the human rights office and media reports detail how the firm invited Fuego's leaders to discuss a viable path forward, centrally including a "roundtable for social affairs". Instead of relations between Fuego and Grande breaking down, the belligerents worked toward delivering more social goods. A community leader (L37) said,

"[t]he result of the ... protest was dialogue ... we had talks about what we expect for our development. Updating our demands ... for water services, infrastructure, technology for agriculture, irrigation systems. We demanded all that."

Although Grande engaged in dialogue and continued providing social goods, in the early 2020s, another violent conflict erupted. Community actors paralyzed Grande's operations for three days, held workers hostage, and partially set the mining camp on fire. Analyzing this third major conflict indicates how taken for granted community actors saw Grande's delivery of social goods as part of a social contract and how community expectations had escalated. Conflict became a socially acceptable means to demand social goods. Contrary to previous phases, violence preceded concrete needs for social investments: community actors protested Grande to see what they could squeeze out of the firm without specific demands. Violence became normalized and social investments no longer affected its occurrence. Table 6 provides more data.

Building a social contract. Over time, the transactional spirit from the preceding phase turned into a much more intimate relationship, as community actors projected a far more encompassing role on Grande. As a result, the firm's portfolio grew beyond the expectations of more traditional corporate social responsibility (CSR) programs. One example, among many others, occurred during the COVID-19 pandemic in the early 2020s. The community saw Grande as responsible for vaccinating the population. The firm worked with local populations to create trust in vaccines and administer COVID-19 shots (N4). A press release in the early 2020s stated,

"a new challenge: to provide booster doses for the target population ... to ensure a safe return to face-to-face classes ... [Grande] decided to [support the state's] COVID-19 vaccination strategy. This was done with the deployment of vaccination brigades ... this effort serves to reaffirm our commitment to fight against COVID-19 ... throughout the entire population of [the region]."

Note, that the main concern in the press release was not to ensure that mining operations went ahead unhindered. The main concern was that children returned to school and to support all people in the region, beyond the mine's operational area. A community member (M37) said, “[Grande] brought the vaccines to us ... We would all be dead by now had we waited for the state to give us vaccines.” During the pandemic, the firm also distributed food assistance, “we got groceries, and food supplies, a basket of goods, so that we could survive” (M49).

Fuego expected Grande to deliver more and more social goods. A community leader (L61) explained,

“[w]hen I became [president of the community], we did not have electricity or water or sewage systems, and we got in touch with [Grande's head of CSR] and told him that [we needed] electricity and water. And so, the firm electrified us and [built] water and sewage systems. The mine also pays the teachers ... There is more educational support, medical campaigns.”

Further, a community member (M47) explained that when she asked Grande for support after her diabetic father's leg had to be amputated, the firm supplied a prosthetic leg. When I was in Fuego, I saw locals ask managers about Grande's efforts to create a local tourism industry, “a long-term growth engine [for Fuego],” according to a report. Grande also funded adult education, “with scholarships and people love it. Before, people had to leave [Fuego] ... now they can learn and study to become professionals [for jobs outside of mining] here. Just think how many people can live and work thanks to [Grande]” (M47).

Insert Table 6 about here

These comprehensive social investments not only reproduced Fuego's sense of entitlement to social investments, they also created dependence. A community member (M47) said, “everything I have, everything everybody has is thanks to [Grande].” Another (M49) said,

“there weren't many things before [Grande]. We didn't have access to water ... and the streets were not paved. Now, we receive a ... hospital ... We have become so dependent. [Before Grande], we still did things ourselves but now we wait for the mine to do everything for us.”

The data show how the relationship transitioned from an exchange relationship to a form of social contract, where Grande was the legitimate and unchallenged provider of social goods. Indicatively, a community member (M46) said, “[Grande] is like a father ... They never abandon us ... they are always here ... they never close their doors on us.” Rather than a firm, Grande was

likened to a state. A manager (F55) said, “[w]e are assuming the role of the state. And this created this vision of [Grande] being the state … just with more resources. The people think we are a local government.” Viewed in this light, it made intuitive sense that, according to community actors, the firm’s role was to provide social goods and contribute to Fuego’s development (M37). These expectations had become so ingrained that locals could no longer imagine an alternative world, in which Grande did not meet expectations. Representatively, a community member (M49) said, “[w]e would all need to change our brains, to no longer go to the mine. Our brains need changing.” In the words of a manager (F33), Grande and Fuego had formed “a new social contract, a new kind, [but] not with the state … they go out on the streets, and proclaim, ‘that is our right, and I want my services,’ and we are here to comply.”

Conflict within social contract. A state official (S39) claimed that building a social contract with social investments and community integration went hand-in-hand with conflict:

“You need to earn their trust, it really all depends on that strategy, that focus on connecting with the local population … but you need to see how active you want to become … you are organizing society, you are connecting with the people … What are you? You are the state, and they see you as the state and they will ask everything of you … This is what no firm must do. The firm must never become the state … This is a mechanism, a mechanism that you must avoid, this mechanic firm-state exchange … They will … request works and projects … and … when they bargain with you, they block the road, they take the streets, they take your buildings, … your operations.”

Confidential firm documents and interviews with the organizers of the third major conflict revealed that the conflict preceded concrete demands for social investments. This was because Fuego knew that conflict forced the firm to pursue social investments. A community leader (L37) reflected, “protests lead to dialogue, where we can voice our demands. Protests are not good … but vital.” Indicatively, the community submitted to the firm a vague list of diffuse demands, including a ten-fold increase in the number of jobs and broadband internet, but then refused to wait for a reply. Grande usually took two weeks to reply to demands (M37), which was commonly accepted (M46). However, after three days, Fuego’s leaders accused the firm of neglect and called for the conflict (L62). Fuego accused Grande to violate the social contract that includes immediately delivering social goods and meeting increasingly unrealistic expectations.

Fuego thus fought the firm to demand what it perceived to be its rightful claims. A community leader (L62) who organized the conflict explained: conflict erupted because “[we] took the decision to voice our concerns, to tell the firm that we were not pleased with the current arrangements.” Note, how the community leader described the conflict that included hostage taking and arson as a normal means to voice discontent because the firm failed to respond within a specific amount of time. The way a state official (S39) explained the conflict illustrated how normalized the use of violence for an exceeding number and range of social goods had become:

“The protests, [Fuego] felt, were the best way to express their demands, a conversation that was … [a] conflict … you talk about their demands and see how you can comply with them … Even if you have a good relationship with the population, it is a complex relationship when they know they can extort you, they can get services out of you, there is always potential for conflict.”

A manager (F45) similarly reflected,

“[t]hey occupied the [camp] for three days … they simply used petrol and burned things down … Afterwards, we said, ‘Hey, let us sit down and talk.’ … And they sent me a letter asking for meetings … They excused themselves … and life goes on.”

In my field notes from Fuego, I also noted how matter-of-factly community leaders who organized the conflict (e.g., L62) and managers in charge during the violence (e.g., F63) engaged with one another and how amicable their relationship seemed. These observations showed that conflict did not represent a breakdown of relations but Fuego’s normal way of life.

In sum, interviews, archival sources, and observations reveal that social investments had become part of a social contract. The data also show how the use of violent force to enforce an expanding set of social goods had become normalized. Conflict preceded concrete demands because Fuego’s population knew that conflict yielded significant benefits for the community.

DISCUSSION

The main contribution of my analysis is an inductively generated process model of conflict commodification that resolves a puzzle in prior literature intersecting nonmarket strategy and social movements: that social investments can simultaneously avoid and trigger community conflict. Figure 2 introduces the model, helping explain how social investments can transform firm-community relations by commodifying and normalizing expansive demands for social investments and the

violence used to demand them. It theorizes how social investments change conflict across three phases. Table 7 summarizes the phases and what differentiates them.

Insert Table 7 about here

While the model does not suggest that all firms go through all three phases, it helps explain why prior research predicts opposing conflict outcomes when firms pursue social investments. In doing so, the model challenges nonmarket strategy research by showing how social investments can, instead of avoiding community conflict (Dorobantu & Odziemkowska, 2017; Henisz et al., 2014), transform it in ways that sustain conflict. It also extends social movement research by showing how social investments change conflict, not only by encouraging opportunistic behavior (Baron, 2001; King & McDonnell, 2013), but by formalizing expectations in exchange relationships and social contracts that can commodify and normalize violence.

Insert Figure 2 about here

Uncovering the Mechanisms of Conflict Commodification

Compensation. The model begins with a phase of *compensation*, in which firms' negative externalities generate community grievances rooted in environmental fear and perceptions of injustice. Prior research has largely treated grievances and opportunism as separate forces, focusing on strategies to mitigate the former while neglecting the latter (Henisz et al., 2014; Jamison et al., 2025). My analysis shows that although social investments can suppress conflict drivers tied to grievances, in contexts where opportunities to demand compensation from a firm coexist with grievances, such investments might inadvertently intensify conflict.

Although social movement scholars have theorized the role of corporate opportunity structures and that giving in to stakeholder demands can invite opportunistic demands (Baron, 2001; McDonnell et al., 2015), it is important to emphasize the contribution the compensation phase makes to nonmarket strategy and social movement research. In the presence of grievances, the opportunity to demand restitution differs from a desire to exploit the firm. Though conflict is not driven by grievances, it remains attached to them. The opportunity to improve the lives of populations in

economically deprived regions does not refer to malevolence, although it includes violent conflict; it can be the only way to cover basic necessities like food and water.

The finding that grievances and opportunism are connected helps explain the ambiguity in prior research: that social investments can both avoid and cause community conflict. The compensation phase reveals how the basis of a firm's relationship with communities can meaningfully condition the ways in which social investments change community conflict, with conceivable implications for firms, communities, and whole societies. My findings suggest that in environments, where communities are afforded sufficient protection from a firm's negative externalities, social investments might not stimulate (violent) demands for compensation. At the same time, where opportunities to wage violent conflict are minimized due to prosperity, economic growth, and high employment, and a state that redistributes resources in the form of social goods (Fearon & Laitin, 2003), social investments might sufficiently suppress grievances, without triggering opportunism. The indeterminacy in how social investments change community conflict, as noted in prior literature, thus mirrors the ambiguity firms face when they pursue social investments. Their impact on conflict is shaped by a community's grievances held against the firm and the community's opportunity to wage conflict.

Analyzing this phase also helps explain the persistence of community conflict around the world. For firms that cause negative externalities, it highlights the paradox that violent conflict (and its management) can be an integral part of doing business. While social investments to avoid conflict can either suppress or stimulate conflict, solutions derived from social movement theory can be comparably counterproductive. According to social movement scholarship, firms should close opportunity structures and make themselves less vulnerable to opportunistic demands to avoid conflict (Baron, 2001). However, my analysis shows that the pathways firms can pursue to close opportunity structures vis-à-vis local communities, by repressing or "dividing and conquering" communities are either illegal, unethical, otherwise undesirable, or can further intensify conflict (Amengual, 2024; Ganson et al., 2022). Social investments often remain the only nonviolent and legal alternative for firms to address community conflict, entailing the potentially explosive consequences the model of conflict commodification helps explain.

The ineffectiveness of previously purported solutions to community conflict suggests that there are no “first-best” solutions and community conflict might be symptomatic of a structural problem: in advanced and emerging economies alike, many communities, often characterized as marginalized or peripheral, lack sufficient legal protection and political power when firms infringe on their rights and compete for resources (Phillips & Ranganathan, 2025). Although, as the subsequent phases show, social investments can fundamentally alter firm-community relations, the underlying infringement on a community’s right to natural resources and their cultural significance in the face of vast power and financial differentials between communities and firms remain; a condition that social investments cannot resolve.

Commodification. The *commodification* phase gives the process model its name because it reveals the core mechanism that transforms community conflict. Social investments reshape firm-community relations by converting grievances into transactional claims and conferring on firms a perceived responsibility to meet more comprehensive community needs than compensating for relative and absolute deprivation. While such investments might suppress discontent, they also generate new expectations: grievances are reframed as entitlements, communities become claimants, social investments turn into firms’ formal obligations.

In this phase, conflict can no longer be explained by grievances or purely opportunistic behavior to demand compensation, but by the exchange of violence for social investments. The emotional roots of the community’s relationship with a firm and the original causes of conflict become “disembedded” from their social, ecological, and political context. This dynamic resonates with Polanyi’s (1944) notion of “fictitious commodities,” (e.g., labor or land, i.e., not originally designed for the market) that become stripped of their essence (e.g., emotional attachment to natural or cultural resources, or environmental destruction generally) and detached from their original worth for use and exchange in a market. Once grievances are disembedded, demands can spiral because they lose their inherent value and become marketized claims.

Violence itself becomes part of the transaction: conflict is sanitized of emotional grievances, making it more accessible to communities as a currency for securing social investments. Commodified, conflict no longer needs to be politically fraught and motivated. Conflict arises when

communities mobilize to demand specific social goods, treating them as firms' obligations. Although grievances still influence perceptions of responsibility, they are no longer central to conflict. Instead, social investments sustain conflict by commodifying expectations and limiting firms' flexibility once demands are formalized.

At the level of the community, revealing the commodification phase, where both social investments and violence become commodities in exchange, challenges prior research on strategic CSR as nonmarket strategy (for a review, see Mellahi, Frynas, Sun & Siegel, 2016). In so doing, it contributes to growing debates criticizing some forms of CSR (e.g., Banerjee, 2007; Kim, 2024; Maher, Huenteao & Quintremán, 2022). My analysis shows that strategically employed social investments to quell conflict and make up for environmental or social externalities can risk turning inalienable, culturally significant values into objects for sale. If, as my analysis shows, a community's needs for food, medical attention, and other basic goods are large enough, destruction of the environment, cultures, or the social fabric, can become fictitious bargaining chips, like Polanyi's (1944) land or labor. Commodification offers firms a pathway to extract natural resources and cause irredeemable damage to natural and cultural habitats in exchange for providing (temporal) relief to human needs. The significance of this contribution crystallizes when considered against the background that commodification does not avoid violence but merely represents an antecedent phase in a process that ultimately normalizes it.

Importantly, my findings do not suggest that firms should not get involved in addressing social issues, because firms can have many positive effects on societal outcomes (Luo & Kaul, 2018). For example, Ballesteros, Useem, and Wry (2017) show that firms can efficiently respond to natural disasters. However, I caution against an unmitigated approach to private sector solutions and point to alternatives in the limitations and future research section.

Normalization. The model then shows how firms can temporarily satisfy communities again by conceding to demands for social investments, leading to a third phase: *normalization*. In this phase, the continued provision of social goods and deeper community integration create a social contract between firm and community. For community actors, it becomes normal that a firm provides a growing range of social goods, beyond compensation for grievances, or what is formalized in prior

transactions. Community actors take pride in their social contract with the firm, seeing it as a protective force and state-like entity. However, their dependence on a firm becomes existential and inspires fear about the firm's potential violation of the social contract or an alternative world without the firm. The model demonstrates how efforts to reduce conflict with social investments and integration can escalate expectations and their perceived urgency.

The defining feature of the normalization phase is that expectations are expansive, and their fulfillment taken for granted. Conflict can thus precede the need for a specific social good because communities know that conflict yields benefits and any benefit will meet some, though not all, expansive expectations. Whereas in the commodification phase violence served as a transactional resource to pursue specific claims, in the normalization phase, violence is employed whenever communities feel like pushing a firm for social investments. In the normalization phase, violence becomes a normal "everyday" activity, a part of the social contract.

The normalization phase contributes to research on community codevelopment, which suggests that firms and communities can coexist and codevelop as long as firms integrate in the community and support a community's own notion of development (Gibson, 2022; Gibson et al., 2021) while fostering a culture of dialogue and participation (Kim, 2024). Gibson (2022) argues that firms that build ongoing relationships, foster relational processes, assume local perspectives, and promote a community's autonomy, can develop a relationship on mutually beneficial terms. My study extends these important views by showing how a firm with negative externalities that pursued community codevelopment still faced conflict. My analysis even suggests that, over time, the firm experienced conflict *because* it did all these things. The model helps explain how codevelopment can create dependence—because even efforts to foster autonomy can require long-term firm support—and increase demands, and potentially conflict, for social investments.

This finding has broader implications for management scholarship. Identifying a community's fear of a future without a firm hints at an understudied challenge in research on CSR and community codevelopment: the sustainability of social investments. When firms address social issues, the durability of their social actions is tied to the firm's operations. If firms go bust or finish their job, like a construction firm completing a bridge or road, the benefits these firms brought to local communities

subside. Once the private provision of social goods becomes normalized and alternatives unimaginable, a firm's departure can leave communities worse off than before. The normalization phase thus highlights an important, yet understudied, risk when large firms integrate in communities and attempt to codevelop with them.

Implications for Research on Community Conflict in Management Research

Firms as actors in conflict (Oetzel & Getz, 2012) and as contributors to peace by generating economic development (Oetzel et al., 2010) have a long tradition in management research. Given the number of community conflicts around the world, where firms actively cause conflict, and the significant cost to firms, it is surprising that management scholars have only recently turned their attention to studying community conflict (Jamison et al., 2025; Kemp, Owen, Gotzmann & Bond, 2011; Maher et al., 2019). By focusing principally on the question how social investments change violent community conflict over time, my study has important implications for this nascent strand within management research.

In contrast to prior research, predominantly drawing on large data sets (e.g., Ganson, Jamison & Henisz, 2023; Jamison et al., 2025), the commodification of conflict helps explain how community conflict follows a dynamic trajectory that does not signify a breakdown of relations. Rather, violent conflict can become mundane and normal, without intent to harm or expel the “opposing” party. In this light, my study shows how treating community conflict as exceptional hides the often endemic nature of conflict (Dahrendorf, 1958) in an unequal global economy where firms meet local communities in economically deprived regions. The seeming inevitability of conflict when firms and communities compete for essential resources and communities can gain something from conflict—often basic necessities for survival—highlights the dangerous mundanity of community conflict: normalized violence does not mean that it is not a problem; normalized violence causes human harm, economic costs, and tears societies apart.

It might, therefore, be useful to move beyond seeing firms as the solution to grand challenges, social problems, and development needs. Nor should firms be cast only as neutral bystanders or as solely causing conflict, without accounting for the evident role they can play in shaping community relations. Instead, management scholarship on conflict would benefit from viewing conflict as

conditioned by economic and political structures, rather than purely dyadically constructed, to better inform future research on how firms might avoid it.

Limitations and Future Research

Specific institutional contexts limit the transferability of my findings. The study draws on a mining firm and a remote community in Peru. While this context offered benefits for generating theory on how social investments can change community conflict over time, the mechanisms I identify might differ between regions and countries, and industries and firms. My findings are less likely to transfer to contexts with strong states that deliver high-quality social goods and provide a social safety net ensuring that citizens do not depend on firms' distributions. These factors would reduce absolute deprivation. Firms are also less likely to aggrieve communities when environmental and other regulations protect communities from negative externalities and reduce competition over resources like land or water. This would reduce relative deprivation and limit pressure on firms to privately offset grievances by delivering social goods.

The case also draws on a firm in the mining industry, which has obvious negative externalities that can cause grievances among local populations. Although the magnitude of a firm's negative impact on communities can even trigger opposition in less controversial industries, like retail (e.g., Ingram, Yue & Rao, 2010), firms in less disruptive industries might be less likely to commodify and normalize violence. Further, a process of conflict commodification exposes mechanisms that, depending on the case, require several years to unfold. My findings are thus, perhaps not limited to, but more relevant for industries that are naturally bound to specific locations and involve capital investments over long periods of time. Future research should study how long it takes for conflict to transition between phases, conditional on the scale of social investments and perceived levels of deprivation.

It is also important to acknowledge that my findings reflect the actions of a certain type of firm. The puzzle that motivated this research was the tension in the literature representing social investments as a viable means to avoid community conflict and a potential cause for such conflict. I sought to study a firm that invested socially in the community it was operating in. However, there are many ways in which firms can attempt to avoid conflict, notably by violently repressing protesters or

intentionally “dividing and conquering” communities by targeting certain groups and neglecting others (Amengual, 2024). These approaches transform conflict in different ways and have, similar to social investments, often failed to avoid conflict (Ganson et al., 2022).

Finally, while my analysis shows how social investments can transform community conflict over time, it does not show how firms can avoid or escape such conflict. This is an important gap, which I encourage future work to address. Researchers should seek pathways for firms to escape a situation where firms are seemingly forced to deliver social goods to avoid conflict but doing so generates expectations that can lead to more conflict. One solution could be to collaborate with states or NGOs to deliver social goods in ways that build the institutions to keep addressing social issues when a firm is gone and keeping negative externalities low.

CONCLUSION

My paper helps explain how social investments can have opposing effects on conflict. Beyond contributions to research intersecting nonmarket strategy and social movements, and community codevelopment, my study highlights broader implications for management research: persistent global inequalities, where powerful firms meet poor communities in the absence of states or courts, can entrench situations with no first-best solutions. This can make violent conflict, borne by local communities, the hidden cost of sustaining the global economy. By empirically illuminating the dynamics of community conflict and challenging prior literature on how to deal with such conflict, I hope to provide scholars with a platform to shine more light on the intractable challenge many firms around the world face to produce more nuanced nonmarket strategy. I also hope to offer managers and policymakers a better understanding of how their actions change conflict, so that they can mitigate negative consequences for humans and firms.

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TABLE 1
Case Description
Mina Grande

Location	Central Peru
Start of operations	Late 1990s
Expected life of mine	Late 2030s
Annual revenue of mine (2020s)	Up to \$5bn
Annual community investment (2020s)	~\$20mn
Main minerals produced	copper
Annual mineral production (2020s)	Up to 650,000 megatons
Fuego when conflict began in the late 1990s	
Population of Fuego	~1,000
Households with access to electricity	~50%
Households with access to piped water	~35%
Children enrolled in secondary school	~60%
People living in poverty	>25%

TABLE 2
Empirical material

Data type	Description	Use in analysis
Archival data	Corporate reports ~1,500 pages Media reports ~100 pages Internal firm documents 21 pages Human rights office reports ~500 pages Government reports ~2,500 pages Facebook and YouTube videos ~2 hours	Identify salient events and develop chronology. Write chronological narrative. Triangulate with primary data to locate statements in a chronology, and (in)validate primary accounts. Map social investments. Triangulate with primary accounts to ensure trustworthiness of historical accounts and reduce risk of retrospective bias.
Fieldwork	69 interviews with 65 informants (66 minutes on average) Mina Grande (16 interviews, code: firm=F) Fuego (26 interviews, code: community member=M or community leader=L) State (13 interviews, code: state=S) NGO (10 interviews, code: NGO=N) Industry experts (4 interviews, code: industry expert=I) Living in Peru, January to November 2022 stay in Fuego in September 2022 field notes of observations and informal conversations	Identify salient events. Map salient community actors and their interests. Analyze community perceptions of Grande. Triangulate with other primary data and (in)validate (competing) congruent accounts. Weight interviewee credibility (attaching weight to the credibility of community actors offering self-incriminating evidence). Gain trust of community actors.

TABLE 3
Operationalization of Main Constructs

	Construct	Operationalization
Phases	Compensation	Taking advantage of another actor to compensate for grievances, i.e., relative or absolute deprivation.
	Commodification	Transforming emotionally charged grievances and the use of violence into tradable commodities, i.e., accepting

Mechanisms	Normalization	environmental destruction for social investments and employing violence to enforce the trade.
	Grievances	The taken-for-grantedness of a firm's private provision of social goods and the socially accepted use of violence to make demands on the firm.
	Conflict as opportunity	Feeling of resentment, rooted in absolute deprivation, i.e., lack of access to essential resources, or relative deprivation, i.e., lack of access to resources because of another actor.
	Transaction	Opportunity to exploit another actor and extract rent, i.e., material resources or other concessions, exacerbated by the feasibility to exploit (Collier & Hoeffler, 2004).
	Conflict as transaction	Exchange of one fictitious commodity in return for another, e.g., environmental destruction for social investments.
	Social contract	Exchange of one fictitious commodity in return for another, e.g., violence for social investments.
Conflict within social contract		Implicit but also explicit agreement between two actors, where one actor provides social goods (conventionally, a state) and the other actor accepts the first actor's actions as legitimate.
		Socially accepted use of violence (without challenging the "opposing" actor's legitimacy) as part of a relationship.

TABLE 4
Phase 1: Compensation

Mechanisms	Codes	Representative data
Grievances	Suppressing environmental fear	"Initially, there was rejection of the firm by the people, undoubtedly, but ... through ongoing support, the people have been sensitized towards the firm." (M35)
	Reducing feeling of injustice	"The source of the conflict is the environmental infraction [but] then you go deeper in addressing needs and go deeper in your [social] commitments [to avoid conflict]." (F17)
		"Many demands stem from a feeling that their rights are ignored ... They need to be seen, heard and acknowledged ... This is a special commitment ... firms ... build missing infrastructure like electricity ... this need [for social goods] repairs ... the relationship between the firm and the community." (N11)
		"[Social] investments can [temporarily] reduce conflict. Communities usually have a pragmatic view, they want the fulfilment of promises [for social goods], the upholding of their rights and the assurance of their wellbeing." (N26)
		"They say that the environment is important, but 'I need to feed my family now' ... you have the environmental problem overlaid by a social problem ... the real problem is a social one ... If you compare ... the letters sent in protest, you quickly realize that ... environmental concerns ... quickly turn into social concerns." (F17)
		"The first conflict ... in the very beginning ... We got something out of it. We got two loading docks [for fishing]. So, to get something, you must ask for things." (M48)
Conflict as Opportunity		

TABLE 5
Phase 2: Commodification

Mechanism	Codes	Representative data
Transaction	Exchanging	"The fighting committee [demands] \$10mn for a highway ... \$4mn for the construction of an industrial mill ... \$2mn for the valleys

Conflict as transaction	Assuming responsibility	<p>of Fuego ... \$1mn for a prefeasibility study of the highway.” (community member video, with demands exceeding compensation, mid-2000s)</p> <p>“Ultimatum to [Grande] ... a hospital for the treatment of rare ... illnesses ... [\$10mn] in a SUSTAINABILITY FUND per year, until the mine closes ... Complete the construction of the [the] paved highway.” (published ultimatum to demand social goods exceeding compensation, early 2010s)</p>
	“People here see the relationship as David and Goliath ... you have to take them by the hand, Goliath needs to take David by the hand, and show how to support them, take them by the hand, and work together.” (F64)	
	<p>“In [the late 2000s], there were many, many movements for benefits ... from the firm. They occupied ... the port ... they blocked the installations ... [but] it was like a negotiation ... then we work on these issues ... [But these conflicts] are very fruitful.” (F33)</p> <p>“In [the early 2010s] ... we organized a strike ... there were not many [social] projects ... so [we] protested. After the protests ... [Grande] started capacity building projects, gave jobs ... and also built so many roads ... now we have properly paved ones.” (M37)</p>	

TABLE 6
Phase 3: Normalization

Mechanism	Codes	Representative quotes
Social contract	Creating dependence	<p>“We implemented the streets, and the schools, and the water and sewage system, all these projects and the people just got used to this, they got so accustomed to getting these works from us, they got used to us providing everything.” (F64)</p> <p>“[Grande] ... never close[s] their doors on us ... [Grande] is like a father ... What if your parents die? Then you have to fight for yourself. When [Grande] leaves, we have to defend ourselves ... We must move away from just asking for things always.” (M46)</p>
	Becoming a “state”	<p>“[Grande] has replaced the state. All the support we receive speaks to that. We have access to psychologists ... [Grande] helps us so much, they sustain us, during COVID, they were our only support.” (L57)</p> <p>“By having communities expect that firms provide essential services, you are creating a wrong set of expectations. In the absence of [public] services, people will begin to demand services from firms and not from the state.” (S10)</p>
Conflict within social contract		<p>“[T]he high number of conflicts marks a normal relationship ... there is some conflict, then there is a negotiation, an ongoing conversation. These conflicts are not a problem.” (S24)</p> <p>“But [Grande’s situation] in [Fuego] is perverse. What is this that people block a road to get benefits? ... the closer you move to becoming like a state in providing ever more services, that you create more conflict by creating more expectations.” (N26)</p>

TABLE 7
How Can Social Investments Change Community Conflict, by Phase?

Phase	How can social investments change community conflict?	Differences with other phases	Examples
Compensation	<p>Social investments can reduce conflict by suppressing or reducing grievances.</p> <p>Social investments can increase conflict by encouraging opportunism to demand compensation.</p> <p>How social investments change conflict depends on the balance of grievances and opportunities for compensation.</p>	<p>Timing: Grievance-driven needs for social investments precede conflict.</p> <p>Dimension: Socially acceptable needs for conflict include those that alleviate the sources of grievances (e.g., healthcare in the case of environmental pollution) and urgent needs (e.g., fighting malnutrition).</p>	<p>A firm pollutes or is perceived to pollute groundwater.</p> <p>Social investments (e.g., a health center to treat waterborne diseases) can reduce conflict.</p> <p>A health center can generate demands for more social goods (e.g., fighting malnutrition, etc.).</p>
Commodification	<p>Social investments can temporarily suppress conflict by meeting specific expectations but increase conflict generally by detaching conflict from original sources.</p> <p>Grievances lose their inherent cultural or environmental value.</p> <p>Conflict becomes available as a tradable resource without the need to be politically fraught or motivated.</p>	<p>Timing: Specific needs for social investments precede conflict.</p> <p>Dimension: Socially acceptable demands for conflict include urgent and nonurgent needs (e.g., education (for children), roads, sanitation or employment inside the firm).</p>	<p>A community decides it needs a new school.</p> <p>If it can mobilize, it will engage in (or threaten) conflict as part of a transaction.</p>
Normalization	<p>Social investments can temporarily suppress conflict by meeting socially contracted expectations but are unrelated to conflict generally by the taken for granted use of violent force to demand social goods.</p> <p>Conflict can arise at any time, regardless of social investments.</p>	<p>Timing: Conflict precedes any specified need for social investments.</p> <p>Dimension: Socially acceptable demands (after conflict) include expansive nonurgent needs (e.g., adult education or psychologists), or employment outside the firm (e.g., tourism).</p>	<p>A community decides to fight to see what they can “get out of” the firm.</p> <p>Negotiations follow conflict.</p> <p>The community knows it can mobilize because it knows that the firm “gives in” and conflict yields benefits.</p>

FIGURE 1
Timeline

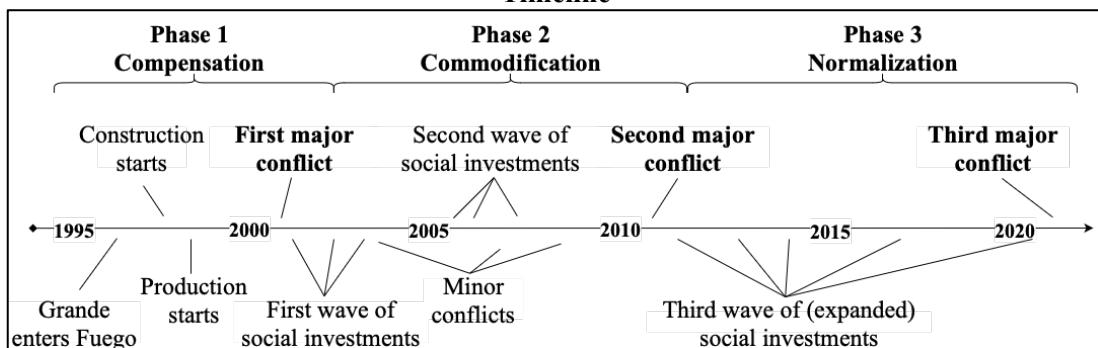


FIGURE 2
A Process Model of Conflict Commodification

