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Multinational Companies and Host Partnership in Rural Development

A Network Perspective on the Lamco Case

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ABSTRACT

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Multinational companies' (MNCs) market activities in less developed countries (LDCs) are regularly contracted to undertake rural development around their sites. Likewise, they regularly fail. How can a profit-making MNC encourage agricultural and rural development in an undeveloped area of a host LDC? How can the MNC fulfill its contractual commitment and bridge the gap between commercial activities and rural development? The purpose of this research is to investigate how an MNC could fulfill its contractual commitment for local development in a way that benefits MNC and also the involved parties. While the major emphasis of the available studies is on MNCs' relationships with buyers from LDCs, this study concerns the urgent and interesting issue of how MNCs manage their relationships with non-business and business organizations in LDCs for local development.

The theoretical discussions are adapted to the subject. The starting points are community development and network theories. The main area concerns non-business actors in business networks, as this proved to be the most relevant aspect to describe and analyze the interaction of business and non-business organizations with the emphasis on actors' relationships in a network. The theoretical discussions explore the infusion of intermediary actors in order to bridge the gap between business and non-business actors. The theoretical model identifies four major actors who are business, non-business and intermediary actors in a network of relationships.

Beside some case studies for manifestation of this problematic issue, the study conducts two field studies at the site, with direct observations and with interviews with the partners in the network: directly with the MNC officials, the PVO (an intermediary actor), and some seventy small local entrepreneurs. Written information, minutes from meetings within the network, and correspondence between the actors were studied.

This study followed ten years of Lamco Joint Venture Operating Company (Lamco), a multinational mining company in Liberia which promised success in rural development, had it not been for drastically falling prices for iron ore and a civil war. Other MNCs have tried a one-directional way to help rural people, whereas this case changed this common way and the MNC in our case started to co-operate in a network. Apart from the MNC and the host government, a PVO (as an intermediary actor) and the rural people were actors in the network. The main result of this study is that the use of an intermediary PVO is an effective and efficient means for an MNC to fulfill its contractual commitments related to rural development. The main theoretical contributions of this study are the infusion of non-business intermediary actors to connect business and non-business actors, to enhance our understanding of relationships between MNCs and business and non-business actors in LDCs, and to understand the side-effects of business activities. The empirical contributions discuss the implications for MNCs, host governments, local communities and PVOs.

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Writing about Lamco in Liberia was itself a real adventure, especially the time I spent in Liberia. I must really thank that Liberian soldier who shot “over my head” instead of “at my head” (I still wonder if he missed intentionally, or he missed because he was drunk!). I must also thank that crocodile for not attacking me when I fell into the water, and that snake for not biting me when I tramped on its tail!

However, writing this thesis has been like the proverbial painting of a long bridge. By the time one end is reached, the other end needs redoing! But unlike the bridge, the content has been richer each time, and when I look back now I see the work as a trial and error process. During my long work on this study I have benefited from the help of many people from four continents, far too many to mention all of them here. However, I am indebted in particular to my academic advisors Amjad Hadjikhani and Mats Åkerblom, Department of Business Studies, who followed the last years of my work with keen interest and intellectual criticisms. My thanks to Bo Malmberg, Department of Social and Economic Geography, for his valuable comments on a fairly unstructured final draft of this work. I benefited from the insightful comments from Mats Utas, Department of Cultural Anthropology and Ethnology, and Clas Lindberg, Department of Social and Economic Geography, University of Uppsala.

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PART I: INTRODUCTION AND BACKGROUND

1. THE RESEARCH AND ITS PURPOSE

1.1. INTRODUCTION

The impact of multinational companies (MNCs) on less-developed countries (LDCs) has always been a major issue. As will be discussed in the next chapter, there are viewpoints that the very location of MNCs will favor the areas in which they operate, and the effects of MNCs will, in one form or another, be positive. But there are also others who argue that the effects of MNCs on the local people and their social, cultural, political and economic life are mainly negative or might be rapid and drastic and bring about fundamental changes which can result in many social and economic complexities. Therefore, they argue, MNCs, beside their major technological transfer to these societies, must also take a social responsibility for development of their environments. LDC governments insist more and more that MNCs, along with their ordinary commercial activities, yield social benefits and encourage agricultural and rural development. But the question is: *How?*

There are viewpoints that MNCs can serve as a means by which modern technology is transferred into LDCs, and in this way MNCs can act as "engines" of development and contribute to industrial development (UNCTAD, 1992). Many studies have, however, shown that the technology that is used by MNCs is, in many cases, inappropriate by regarding LDCs' economic conditions and factor endowments (see chapter 2), not only for is the technology inappropriate, but so is its diffusion into local industries and also the damage they create in surrounding societies. This is true especially with reference to mining MNCs that extract raw resources in LDCs, owing to the fact that such operations are capital-intensive and usually adopt sophisticated technology. Development project success is jeopardized not only by the technological factors in these projects but also by the lack of side activities affecting the surrounding communities.

In line with these thoughts, there are also viewpoints that observe the effect by studying creation of linkages as an important factor for development of host LDCs. Particularly in the case of mining companies in LDCs, there are no, or very weak, linkages between the MNC and the host LDC. The final products of mining MNCs, in most cases, are exported out of the host LDCs, and therefore no forward linkages are established. Regarding backward linkages, we find again that owing to the high technical level of many MNC operations, a large part of companies' requirements are imported from home countries or other industrialized nations. For instance, Carlsson (1981) studied the linkage effects of mining MNCs in Ghana and Liberia, and reported that in those cases forward linkages were generally excluded, and backward linkages were shown to be rather limited. Other studies also reveal few linkages between MNCs and local suppliers (see for example UNCTAD, 2001). However, the development projects in LDCs are not evaluated by the transfer of machinery systems or export of raw materials to the international markets, but by evaluation of their impacts on local economic and social communities. This issue is important not only for the LDCs but also for MNCs, as such impacts are determinant for the MNCs' future market operation in LDCs. While the infrastructural or side activities of MNCs are excluded or are a minor issue in developing countries, they are complex and decisive issues for LDCs. Community development is important not only for the government and communities in LDCs but also for the MNCs. A satisfactory result has a positive effect on the future of an MNC not only in that specific country but also in other countries with similar needs. Though, MNCs acting in LDCs have to have capabilities not only to transfer the technology, but also the ability to manage development of communities connected to that technology. MNCs are also judged and evaluated by how they have succeeded in generating community development in their sites of operation.

1.2. MNCS AND VIABLE SITE DEVELOPMENT

Extracting MNCs in LDCs operate in an extremely competitive environment. How will companies be selected by a local government? Obvious answers are the amount of royalties and shared profit the government can expect, and new infrastructure brought to the more developed parts of the host country, such as harbors, railways and highways.

The next argument could be development of the site with hinterland. This may not be a priority for all governments, but is likely to attract support from international financiers such as the World Bank and national institutes for aid to LDC development.

Whilst these two objectives are rather easy to visualize, implement, control and measure, there is a more vague request, difficult to define, bring about, measure and control. This is to build a viable development of the site and its surroundings. This means that the site should be able to survive and develop economically even after the extracting MNC has finished the operations, closed down, and left the site.

Host governments usually have a clause in the concession contracts prescribing such a viable development. Not much is said, however, about how this should be defined or measured, so many MNCs, and governments do not devote much importance to the fulfillment of such a clause (see cases in section 1.3).

It is likely that this third dimension could be crucial to an MNC's reputation and hence to its power to compete for new concessions. Since it is hard to measure, the reputation must be built on the MNC's commitment, its method, and its success in building a viable society. As in all business, there has to be a balance between benefits and costs. Are there ways to achieve a viable site development that could be seen as profitable for the MNC? We will devote this study to examine such a way. A simple question is how can a profit-making MNC encourage agricultural and rural development in an undeveloped area of a host LDC when its major competency is something else? In most cases the MNC is committed to do so according to a "contract". Has the MNC experience, capabilities, resources, and motivation for such efforts?

To give more concrete insights to the problem, some recent illustrative cases are discussed in the next section. Managing side activities of MNCs has long been the concern of a large group of studies (see chapter 2). MNCs have been criticized for their lack of understanding of the local needs and ability to use local resources to fulfill such needs. Apart from the few MNCs that give the management of this issue serious attention, researchers and international organizations have condemned other MNCs. Their lack of competencies to manage this part of the project has lately come to the attention of the World Bank (McPhail & Davy, 1998) and is taken very seriously. In the later studies, researchers state that despite the seriousness of the issue for both MNCs and LDCs, the issue has gained low attention (McPhail, 2000; Choshi, 2001; Moser, 2001). The short case studies which follow are aimed to elaborate problematic issues concerning the interaction between MNCs and LDCs and the impact of MNCs on community development. These cases also manifest that the problem in management of the side issues has been an important aspect for the projects over recent years.

1.3. NEGATIVE EXPERIENCES OF MNCS IN COMMUNITY DEVELOPMENT: SOME RECENT CASES

1.3.1. Case 1: Mining Companies in South Africa and Zambia.

Choshi (2001) has studied mining MNCs in South Africa and Zambia. He acknowledges that despite the significance of the mining industry to national economies, the extent to which this industry contributes to local economic development is unknown. He points out that local development is multidimensional and requires a multifaceted response, making the participation of different parties in development indispensable (Ibid., p. iv). In his investigation, Choshi identifies three main actors, government, the mining company and the local community in a "tri-sector partnership" (Ibid., p. 31). It seems that the main responsibility for local development lies with the mining company that is "committed" to community development. Government seems not to be an active partner, but has legislative and advisory functions, and the local community seems to be a "passive" receiver of advice and projects which are planned by the mining company.

Regarding a coal mine in South Africa, Choshi finds that the contribution of the mine is concentrated in the area of community enterprises, including dressmaking, car wash, community bakery and community garden. The feasibility study of such projects was done by the mining company and government authority, and he concludes that the sustainability prospect of the mine's economic investment in the local community appears negative (Ibid., p. 35-36). From this, Choshi draws the "lesson" that the development idea is more likely to succeed if it is owned by local people, as this can be a critical source of maintaining energy and momentum among local people (Ibid., p. 37).

Regarding another mine in South Africa, a gold mine, we found the same pattern as for the coal mine mentioned above; that is, the company as the main actor for promoting local development. Choshi concludes that most of the gold mine's small business development initiatives face the prospect of failing, as the focus in terms of the market is outside the mine's projects. The environment outside the operations of the mines is dynamic, and it becomes cumbersome for mine managers to grapple with this external environment's issues of small business development (Ibid., p. 39).

However, the main findings of Choshi's investigation of South African and Zambian mining MNCs are that the results of the mining companies' efforts for developing local communities are not satisfactory. He identifies a need for a "framework" within which mining companies' commitment to develop communities can be undertaken. He argues that substantial opportunities exist for mining MNCs, in partnership with "other actors", to promote local development; and establishing and maintaining sustainable relationships in the form of partnership is critical in conceptualizing and implementing community development interventions. In addition, the context of partnerships is a mixture of institutions, with different roles, resources, responsibilities and interests (Ibid., p. 43-44).

According to Choshi, the main reasons for unsatisfactory output of community development efforts in South Africa and Zambia are poor planning, poor leadership skills, insufficient resources and insufficient experience of mining companies (Ibid., p. 45). Choshi concludes his study by pointing to an essential aspect: not the mining company, but the government should be the leading actor in terms of promoting local development in communities affected by mining projects (Ibid.).

1.3.2. Case 2: Mining Companies in Colombia and Peru.

Moser (2001) has studied the impact of mining MNCs on sustainable development in Colombia and Peru. His results show that despite contributions by MNCs, sustainable development is not widespread. Regarding Peru, he finds that local communities and private voluntary organizations (PVOs) cannot participate in decision-making processes regarding the community affairs. According to Moser's study, the activities of MNCs remain largely focused towards fulfilling short-term financial objectives.

Moser quotes a manager as saying "We're conscious that environmental matters are important, but at the end of the day we're in this business to make money … Consequently managers tend to adopt an approach towards environmental issues of 'I'll sort out what has to be sorted out today, and someone else can sort out tomorrow's problems'" (Ibid., p. 297). Also, consider this citation by a representative of a mining MNC: "… community relations is usually seen as something undertaken by women on maternity leave" (Ibid., p. 299). The citations above show the roots of the problem, not only regarding environmental issues, but also regarding the "development policies" adapted by mining MNCs of today! It is not surprising that Moser's study shows limited sustainable development. Regarding the support of government for developmental efforts, an executive summarize the situation as: "You cannot sit back in a developing country and wait for the government to get it right. You have got to go out and mobilize your own resources and others and set the agenda…” (Ibid., p. 304).

Moser’s study concludes that development of local communities requires that MNCs manage their relationships with national governments, local communities and other civil society organization such as PVOs (Ibid., p. 306). He stresses the fact that the MNC participation is not purely a cost, but instead that there can be important long-term strategic benefits.

1.3.3. Cases 3-6: The World Bank Group Study.

The World Bank Group is worried about the absence of viable development effects of large projects in LDCs. Oil, gas and mining projects in undeveloped regions bring huge financial turnover and considerable infrastructure improvements to the host country, but after the project is finished, almost no lasting development impact can be seen.

Two researchers in the group made a report based on a review of the literature and a survey of MNCs and non-governmental organizations (McPhail & Davy, 1998). To field-test the findings of the report, four privately financed projects were evaluated on the basis of extensive discussions with governments, MNCs, and community representatives (McPhail, 2000). These cases are:

*** Case 3: British Petroleum Exploration in Colombia.**

The operations of British Petroleum Exploration Colombia (BPXC) are situated in an area of extreme conflict between guerrillas, paramilitaries, and the army. Project infrastructure costs are $6 billion. Revenues began in 1997. BPXC, local communities and government shared responsibility for social impacts. Company personnel worked directly with communities to diagnose development needs. Priorities were established and the communities prepared plans for individual development projects. These were approved by municipal authorities and, if feasible, funded by BPXC. This approach was efficient because the projects were driven by community demands, and their involvement in planning and managing fostered a sense of ownership. According to McPhail, local communities thought BPXC should invest in communities, and the government should get project funds for this (Ibid.).

*** Case 4: Chevron Niugini’s Kutubu Operation in Papua New Guinea.**

Chevron Niugini’s Kutubu operates in the Kikory River Basin in Papua New Guinea. Project infrastructure costs are $1 billion. Revenues began in 1992. According to McPhail, this operation was the only one in which objectives were agreed upon by all partners: the government, the MNC, and the World Wildlife Foundation (WWF). The responsibility of WWF was to mitigate environmental and social impacts in the project area, and it was not able to give priority to a viable economic development. Chevron's efforts have been hampered by weak provincial capacity and commitment as well as Chevron's own inability to develop programs and projects (Ibid.).

Social services are traditionally the responsibility of governments or municipalities, but communities in remote areas may expect the MNC to provide the services. Chevron paid large sums to the provincial government for infrastructure and services, who failed to carry out its responsibilities. Chevron has acted as a surrogate for the government at a local level, but could not provide services at the provincial level (Ibid.).

*** Case 5: Rio Tinto's Lihir Gold Project in Papua New Guinea.**

Rio Tinto's Lihir gold project operates in Papua New Guinea. Infrastructure costs are $0.74 billion. Revenues began in 1997. In this case, the communities as landowners could negotiate with the government and the MNC over objectives and funding. However, their responsibilities in using project revenues to foster local development were not clearly defined, and the government's lack of transparency and accountability in its stewardship of revenues has eroded its credibility (Ibid.). The problems led to failure of the mission and MNC's loss of credibility in the country.

*** Case 6: Placer Dome's Gold/Copper Project in Venezuela.**

Placer Dome plans a large-scale gold/copper project in Las Christinas, Venezuela. Feasibility studies were still ongoing in 2000. According to McPhail, the host government drew up a plan without involving other parties, and this plan was still not agreed upon in 2000. Placer Dome reached an agreement with a small miners' association, permitting small miners to work part of Placer's concession. Local communities opposed, asserting that only the miners would benefit, and according to the contract Placer was required to keep Las Christinas "free from independent miners and other trespassers" (Ibid.). These community and governmental actions made it difficult to set up autonomous and viable small enterprises.

* * *

The analysis carried out by organizations like the World Bank or even MNCs manifests some critical problems in such projects**.** The principal reasons the projects have not contributed more to development are a shortage of local capacity for planning and management and governments' mishandling of project revenues (Ibid.). For MNCs, it was difficult to find government support for the development of local autonomous services or enterprises, except in the Chevron project, but many measures indicating the contrary - e.g. if governments leave the provision of social services to their corporate partners, the MNCs, these will cease when the projects are officially completed. In fact, it seems that many governments in their interaction with MNCs are not interested in the development of remote areas. Development relations between governments and local communities seem to be almost non-existent, and when they exist, they might be negative. Relations to the project developers are contractual, and often nothing more.

1.3.4. A Reflection on the Cases.

The cases reflect projects during the last 4 years. They, first of all, manifest that MNCs are facing similar managerial problems to those they had during the last 50 years or so. The cases illustrate that business activities of the MNCs in LDCs encompass not only pure technological and business operation, but also complementary activities to expand the infrastructural and social development of the country. MNCs can also interact with government for contractual agreements that mainly concern infrastructural projects which force them to interact with local rural units. No matter that such activities are the primary or secondary missions of the MNCs, the crucial aspect is that such projects force MNCs to cooperate not only with government from these countries but also with units which are very local and are not business units. As the cases above illustrate, the complexity in these secondary missions create problems not only to accomplish these missions, but also damage the main industrial mission of the companies. Therefore, the study of MNCs finding themselves in such projects is interesting.

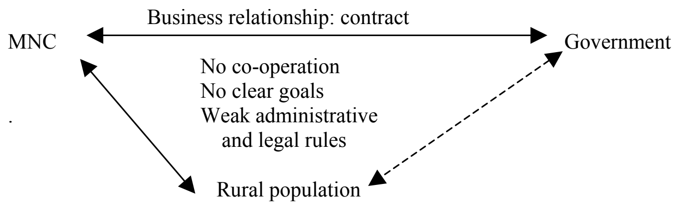
The countries in these cases all have laws requiring that a percentage of revenues from natural-resource-based projects be allocated in regional development initiatives. Some other countries have in their contracts a "viable community clause", committing MNCs to develop the local community. The object of these laws and clauses is to ensure that the site and its neighborhood can have a fruitful economic life even after the project is finished. Still, evidence of this effect is hard to find. The six cases mentioned above show no success in implementing rural and community development. It would enhance our knowledge to know why, through studying an MNC adopting another approach.

1.3.5. What Could Be Learned From the Cases.

Facing such facts presented above, and not believing in fast changes in governments' attitudes or possibilities, leaves us with only two active partners: the MNC and the local society. The MNC has to follow the development clause in the contract, and has to protect its home and international reputation as a fair company with good records for local development. It has the resources but lacks development competence and it lacks trust from the local population and communities. Could the World Bank or PVOs help to bridge these gaps?

In this section we presented recent studies of McPhail (2000), Choshi (2001) and Moser (2001) regarding operations of large mining MNCs in LDCs. The authors are if not astonished then at least disappointed when they study the rural development following exploitations. After the discussion above, the contrary could be said: given no goals or commitment for viable development, no know-how, unbalanced resources, a top-down approach, and a profound distrust between actors, what could we expect? Figure 1 shows the actors and their relations.

Figure 1. Conditions for viable rural development.



It is evident that under these conditions it will be hard to get a viable rural development. From the cases, we learn that MNCs are largely focused towards fulfilling short-term financial objectives (Moser, 2001). We learn also that community development is multidimensional and requires the participation of various business and non-business actors (Moser, 2001, p. 306; Choshi, 2001, p. iv). We learn that the host government seems not to be an active partner; it is the MNC that is the main actor for, and committed to, promoting rural and community development, and local society seems to be a "passive" receiver of advice and programs (McPhail, 2000; Choshi, 2001, p. 31, 39). Community development will have a greater chance to succeed if it is "owned" by the local people (Choshi, 2001, p. 37). We learn from the cases that there is a lack of "frameworks", lack of partnership with "other actors", with a mixture of different actors, with different resources, different roles and different responsibilities (Ibid., p. 43-44). Poor planning, insufficient resources and insufficient experience of MNCs are considered as the main reasons for failing developmental projects (McPhail, 2000; Choshi, 2001, p. 45).

And still, there are examples when it works. The LAMCO Joint Venture in Liberia was an example of possible success, had not the falling world market and a civil war put an end to the venture too early. Its life-time was designed to reach the year 2032, but in reality the last activities came in 1992. Then the destruction began. Today the jungle has re-conquered the site, and the effects and/or lack of effects cannot be studied and analyzed. However, the experience of Lamco may be valuable when new projects are designed.

The difference in the Lamco case was that another actor was drafted by the MNC, an independent actor working to change the original actors' objectives and relations. The prerequisites for and the processes of these changes is the subject of this study. It shows how an MNC can fulfill its contractual commitment for rural development without active support from the government, thus keeping its reputation and strengthening its competitive power in the international market for extracting projects.

The method Lamco chose was to invite a non-governmental organization (Partnership for Productivity, PFP) to take over the responsibilities for rural development on behalf of Lamco. PFP had the know-how for small-scale development, and it more easily gained the trust of the local population. It worked as an independent partner. This is in contrast to the World Bank cases where PVOs served as a co-operator to government or project developer, or as a representative of local communities. In this study the local population was acknowledged as one of the actors in a network, not as an object for the other partners' inflicted care.

1.4. RESEARCH PROBLEM

We began this chapter with six recent cases concerning MNC operations in Colombia, Peru, South Africa, Zambia, Papua New Guinea, and Venezuela. The cases reveal that the environmental and social costs of the MNCs in these projects have been heavy, while expected benefits have either failed to materialize or not been distributed in an equitable manner. The missing ingredient in these four projects, and in many other cases like them, is "partnership". For their secondary mission (beside their direct business mission), MNCs have partnership involving both business and non-business actors: governments, private companies, local communities and non-governmental organizations (McPhail, 2000).

While the majority of the studies in international business and marketing approach the management of business firms, the cases pinpoint management of units which belong not only to the business sector but also those having their origins in political and social sectors. This study approaches this interaction problem from a "business" point of view. The crucial question to explore is how MNCs mange the cooperation with these partners in their international market. The question is interesting from several points of view: a) it aims to explore the management by studying the interaction between MNCs with actors having a different legitimacy base; b) it concerns the management of secondary activities of MNCs or the indirect and necessary actions which manifest their social responsibility; c) it reflects interaction between MNCs and firms and organizations with completely different economic, social and infrastructures.

While the emphasis of other studies is mainly concerned with the technological or business cooperation between MNCs and companies from LDCs (see for example Root, 1968; Baranson, 1979; Hood & Young, 1979; Carlsson, 1981; Caves, 1996; Aitken & Harrison, 1999; Mu, 2001; and Castellani & Zanfei, 2002), this study turns its attention towards the behavior of the MNCs when aiming to fulfill their secondary or side goals. Acting to fulfill these missions is important so that MNCs can continue their operations in these countries and manifests their social responsibility for the development of the society and local community. Fulfillment of these goals is necessary for a long-term market operation. However, a study like this can increase our understanding of how MNCs cooperate with business and non-business units from LDCs. The question is based not only on the premises that these units do belong to different environments, but also acknowledges that they have their grounds on both business and non-business goals.

Mining MNCs that extract minerals in LDCs sign contracts with host governments. These contracts stipulate payments to the government and development of infrastructure, such as railways, highways, harbors etc. Once these paragraphs are settled, the work is straightforward. However, in a contract, another paragraph may prescribe a much more vague and cumbersome task: to develop the place, surroundings or region where the operations take place. Often this region is a rural, tribal and completely undeveloped area. The host government's interest is to get local work opportunities to reduce the economic and social pressures following migration to shanty towns around the capital and other major cities, to develop agriculture for bringing food supply to urban areas, and to raise taxes. If the host government also wants development to be of use to the local population, it will often depend on the social and cultural situation of the area such as the tribal situation. In our case, which will be described in part III, there was hardly any such interest in the first decades of an MNC operation; then after a military coup the host government's interest in local development grew.

An MNC, which extracts minerals in a rural area of an LDC, needs to build up an infrastructure for running its business and also for getting a local workforce. Such infrastructure includes schools, hospitals, housing, water and electricity, ships, leisure facilities etc. The MNC can stimulate and hope that some small firms will be established, serving the employees with services such as laundry, haircutting, repairs, etc. The crucial point here is: what happens when the mine is exhausted, the extraction is finished and the MNC leaves the area? If the host government and the MNC are serious about local development, the time after extraction must be planned for and work must be devoted to these aims. According to the cases reviewed in this chapter, and many similar studies, this is not done. Host governments want to earn hard currency to enrich them, and MNCs want return on their investments and to leave without any concern for local areas.

Still, there could be forces to bring long-term development efforts to the agenda. Host governments could have the ambition of local and regional development and try to formulate such goals in the concession contracts, especially if the host government has some kind of tribal relations with the local population. On the other hand, the MNC can feel pressure from home opinions or from international organizations to behave in a manner that fosters local development. More specifically, a good corporate reputation for development success can be an important factor when the MNC is competing for new extracting contracts. This can be related to what Pringle & Thompson (1999) call "cause-related marketing", defined as a strategic positioning tool which links a company to relevant cause in a partnership for mutual benefits (Hemphill, 1996; Pringle & Thompson, 1999; Linial, 2003). At last, there may also exist personal convictions by key actors that development is beneficial and necessary, a factor of importance in our case.

There is no need to discuss in detail the fact that the activities of an MNC, on one hand, and the rural development on the other hand, are two completely different processes and have different characteristics. The former is a *business activity* with specified economic objectives, but the latter is a *human process* that is slow, sensitive and long-term in achievement. The goals of a commercial operation could be defined explicitly, but the goals of a development program might be vague, ambiguous, and problematic; because it is far more difficult to agree about achieving the desired needs of people than it is to transform inanimate objects. It does make a difference whether an organization's raw material is *iron ore* or *people*! While there may be only one way to mine iron ore, there are infinite ways to assist people. In order to mine iron ore you first formulate a strategy and then implement it. But you cannot use the same approach for reaching developmental goals that are not clear. In such cases, the formulating and implementing of strategies overlap each other, and in the words of Quinn (1982) you have to manage strategies "incrementally" in order to succeed. Thus, rural development is not a smooth-running process, and the complexity of human needs exceeds the capacity of a single commercial company. The point is that MNCs are not equipped with appropriate know-how and experience to deal with the complexities of community development. Generally, knowledge is obtained by experience, and experience is obtained by experiments; therefore MNCs do not possess the knowledge which is required for undertaking community development, since they have other duties than experimenting with developmental projects; or put another way "... the organization is purely responsible to stockholders and any practices beyond securing maximum profits will be detrimental" (Wilson & Rosenfeld, 1990, p. 313). In other words, organizations are driven by efficiency considerations, and if money is spent on “non-business” activities (for example community development) it would be considered as pure costs from the point of view of efficiency.

However, the argument above is questionable. Non-business activities may affect the business efficiency in a positive way. In comparison with the citation above (Ibid.), consider the following citation: “… it may be highly efficient for a school district to spend a million dollars on ceremonial activities if the resulting legitimacy induces voters to endorse a $15 million bond issue” (DiMaggio & Powell, 1991, p. 33). Or consider the following quote from a manager of a mining MNC in Colombia: “… if the community is not with us, we don’t have a business … It might be that our spending on community relations is high, but I can also say that spending on insurance policies and security is low” (Moser, 2001, p. 302). DiMaggio & Powell’s, and also Moser’s, points here are the fact that some activities of a company, which “logically” have nothing to do with its business mission, are efforts to obtain “legitimacy” for the company. This legitimacy will, in turn, lead to income-producing effects for the company; that is, the legitimacy will affect the company’s business efficiency in a positive way.

However, there is no doubt that MNCs actually create valuable resources that *could be* utilized as incentives for local development. Such resources include infrastructure, cash flow in surrounding areas, training programs etc. According to McPhail, MNCs can make a significant contribution to the economic development of host countries since they generate sizable revenues, create jobs and business opportunities, and often bring new roads and access to water and power to the isolated rural areas in which they are typically located (McPhail, 2000). However, the cases mentioned earlier in this chapter show no success at all.

To sum up, the research problem is the fact that responsibility for local development stays with the MNC, contractually and in reality, and not least in the MNC's budget. But how could the responsibility be fulfilled? Does the MNC have an adequate competence, or will resources allocated to local development just be wasted? What form will be taken by the "partnership", that was demanded in the cases reviewed in this chapter? Are the three main actors, the MNC, the host government and the local society, enough for rural and community development? Do we see the lack of a fourth actor, a manager, a catalyst, in the picture?

1.5. THE PURPOSE OF THE STUDY

A contract between an MNC and a host government would stipulate that:

> *"A concessionaire has to take necessary actions to build up self-supporting agricultural, industrial and commercial enterprises suitable for the available infrastructure." (The Viable Community Clause in the LAMCO Joint Venture Concession Agreement)*

In this case, it implied that Lamco was responsible for managing the site development of the project. For structuring and analysis of the project, this study aims to develop a theoretical frame to capture the interaction between parties. The purpose is to investigate how an MNC could fulfill its contractual commitment for local development in a way that benefits MNC and also the involved parties. From the MNC point of view, the fulfillment considers an efficient use of resources to reach the goal and also to strengthen its reputation and market position. The question is if the use of an intermediary PVO is an effective and efficient means for an MNC to reach this goal.

The study adapts the network approach and focuses on the role of a PVO as an intermediary organization and a change agent in a network. The purpose of this research is then to study an intermediary organization, which is established with the task of realizing the potential benefits of an MNC operation in participation with the MNC, the host government and the local community. The operational task of the intermediary organization in this participative structure is to direct "the collective resources", especially the MNC's resources, into rural developmental projects. By describing and analyzing an intermediary actor, with knowledge, skills, and expertise for rural development, and also familiarity with the needs and objectives of an MNC, this study aims to contribute to an understanding of this participative approach as an alternative device for MNCs for promoting local development that they are committed to, according to their contracts.

However, the intermediary approach represents a participative concept whereby a profit-oriented enterprise, which extracts a depletable resource, encourages and assists, via a non-profit PVO, the development of economic activity to support a local community. This participative approach seems to be the missing ingredient in the recent cases mentioned earlier in this chapter. To understand the commitment that the MNC engages in according to its contract, and to understand the tasks of the intermediary PVO, we also have to discuss some parts of community development theories as a background. This background is described in chapter 3.

It is our hope that the use of the network approach in this study will contribute to the knowledge of adequate methods that mineral MNCs can use in their extracting operations in LDCs, and thus to a more efficient business operation of MNCs, and also to a more efficient local development. In more detail, the purpose of this research is to study the cooperation with the involvement of PVO. It concerns the question of whether the involvement of PVO in the cooperation is an effective means for MNCs to fulfill the "viable community clause".

1.6. THE ORGANIZATION OF THE STUDY

The first part of this study, which consists of chapters 1-2, is an introduction and gives a background to the problem area. Chapter 2 looks at the issues connected with operations of MNCs in LDCs. We view the arguments regarding MNCs and transfer of technology. Special attention is paid to the operation of mining MNCs and the characteristics of such operations in connection with their impact on the host LDCs. This review examines both supportive and critical arguments.

The second part of this study considers the theoretical framework and methodology, and consists of chapters 3-5. In chapter 3, a short review of community development theory and the network approach are presented. We stress the participative nature of community development, and the fact that community development needs cooperation between various partners with various resources and activities. Focusing on the cooperative nature of community development, we discuss an interorganizational perspective and the network approach as a specific type of interorganizational coordination.

Chapter 4 considers issues regarding business and non-business actors in the context of the business networks. We present actors, both business and non-business, in the context of community development. We also consider development as a change process and the role of an intermediary actor as a "change agent". We discuss the process of change and the need for a change agent. In the process of development, an actor assumes the role of a change agent in order to bring about those changes required for the development process.

Chapter 5 presents a synthesis and a methodological discussion. By relating the network approach to change and development theories, and by describing the role of an intermediary organization as an integrator and a change agent, we present a model that serves as the framework of this study. We discuss also the empirical setting of the study, and the means by which information was collected.

In part III, the empirical study is presented in chapters 6-9. Chapter 6 presents a brief history of the host country, Liberia, and a rural region (Upper Nimba County) in that country. Then we consider the background of a mining MNC in the country, Lamco Joint Venture Operating Company (Lamco). We consider the efforts made by the company in order to yield social and economic benefits to the local people living in the area. We consider also the problems that faced the company in assuming the role of a development agent - the problems that in turn gave rise to the creation of an intermediary organization (PFP). We shed some lights on the circumstances that gave rise to the creation of the new organization, and consider the background of PFP as a non-profit and non-governmental development agency and present the objectives of the organization.

Chapter 7 presents the actors participating together in a network of relationships in order to contribute to development of the local society. The actors' resources and activities are also discussed in order to give a picture of their heterogeneous nature.

Chapter 8 consists of several case studies of PFP clients that could be considered as outcomes of the "networking". The purpose of these case studies is firstly to describe what PFP actually did for its clients and to study the approach which was implemented by the organization for promoting rural development, and secondly to shed some light on the complexity of rural development. These cases also illustrate the nature of relationships between our focal actor (PFP) and the local society. They are important since they show clearly what development in rural areas of LDCs is about, and more importantly, what a hopeless task an MNC will face if the company assumes the whole responsibility for development of a local community.

Chapter 9 sheds some light on relationships between the focal intermediary actor (PFP) and the other three actors of the network. We consider the relationships in three distinct periods in order to illustrate the dynamic aspect of a network.

Part IV presents an analytical discussion and also concludes the study, and consists of chapters 10-11. Chapter 10 is an attempt to analyze our empirical findings by means of our theoretical tools. We consider also the effects of one actor on relationships between other actors.

And finally, chapter 11 discusses the theoretical findings and empirical implications of the participative network approach in community development programs. We discuss the implications of this approach for MNCs, host governments, local communities and PVOs as intermediary organizations. The purpose of this final chapter is to shed some lights on the strength of the network approach in planning and implementing community development projects at the sites of mining MNCs.

2. MULTINATIONAL COMPANIES' ACTIVITIES IN LESS-DEVELOPED COUNTRIES

2.1. INTRODUCTION

Humanity's two hundred years of experience with industrialization, westernization, modernization and development and the seemingly endless thirst of nations for further economic growth have demonstrated that the independent and sovereign economic units of the world are becoming increasingly entangled in a web of international interdependence in the course of their own quests and pursuits.

Knowledge has to be available before it can be applied. One distinguishing characteristic of many LDCs today is the marked lack of that major requisite for growth and development from domestic sources. A society, which strives toward development through industrialization, can either generate its own technological requirements, or it can "import" them from the more advanced countries that already have such technology. Since it is impossible for any single nation to remain totally independent of outside technology, the only workable alternative is an appropriate combination of importation and domestic generation. By considering the long historical perspective, we find that the economic growth of all but a few pioneering nations have at least some of their roots or origins outside their boundaries.

How, by whom, in what manner and with what effects these dispersions, diffusions and the international spread of industrialization take place is one way of looking at the global spread of MNCs. MNCs have long been considered as the main agents for generating, controlling and commercializing technology; and also a major means for the economic development of LDCs and a method by which the widening gap between industrialized countries and LDCs could be bridged.

An MNC is generally defined as a business firm operating in at least two countries, under centralized control, producing commodities and services for profit (Bornschier & Chase-Dunn, 1985, p. xii; Caves, 1996, p. 1). MNCs use various methods of entry, and they posses various sizes, activities, technology choices, motivations, market orientations, and products and services (see for example Alschuler, 1988, p. 7-10; Caves, 1996, p. 2-22; Andersen, 1997; Buckley & Casson, 1998; Pan *et al.*, 1999; Davis *et al.*, 2000; and Petersen & Welch, 2001).

2.2. CONFLICTING ISSUES ON MNCS INVESTMENT IN LDCS

The impact of MNCs on LDCs is a subject of great interest. MNCs are widely recognized as institutions which create and transfer technology and knowledge across borders, and are generally welcomed as such in host LDCs (Ozawa & Castello, 2003, p. 74). Many authors have discussed the issue that MNCs are potentially capable of making a contribution to the development of the LDCs (Johnson, 1970; Gany & Gangopadhyay, 1985; Lai, 2001; Moser 2001). MNCs operating in developing areas have an opportunity to offer assistance to people who are related to their operations. MNCs give rise to a number of incentives that could be used as inputs to the developmental efforts. An important factor for commercial development of a region is local purchasing power. Where a large company enhances local purchasing power, development becomes more feasible. The company not only pays salaries and wages, desired for improved living standards, but also demonstrates how these can be achieved via company housing, health and educational services. The presence of the company also creates an important atmosphere of industrial discipline. The infrastructure created by the company could be considered as another potential source of development, since it facilitates transportation and maintenance of goods and services in the region, and improves the means of communication between the rural areas and the world outside them.

However, time after time writers have begun to look at the issue from a more critical point of view. Galeano (1976), for instance, observed underdevelopment in Latin America and argued that one of the reasons for the region's underdevelopment is the operations of large MNCs. Regarding Venezuela, a study shows that foreign investment negatively affects the productivity of domestically owned operations (Aitken & Harrison, 1999). Concerning Africa, one can find the same pattern of argument (see for example Davidson, 1979; and Manby, 1999). Still another writer considers MNCs as obstacles to development and argues that MNCs not only strengthen the process of exploitation of LDCs but also deepen the pattern of their technological dependence on the advanced industrialized nations (Mabogunje, 1981); and there are others who claim that the interests of MNCs are only compatible with maldevelopment (Alschuler, 1988). On the other hand, LDCs have begun to question the role of MNCs as the “engines” of growth and development (UNCTAD, 1999; Stiglitz, 2002; Yamin & Ghauri, 2004).

The advocates of "dependency perspective", for example, have strongly argued that industrialization is not necessarily synonymous with economic development. In other words, MNCs may industrialize LDCs, but not develop them; and the underdevelopment of LDCs in the “periphery” is a direct result of trade links with the industrialized countries in the “center”. According to this argument, industrial economic growth is something other than economic development. The "growth-without-development" thesis, which became very popular in the 1960s, asserted that although industrial growth might occur, development would still be blocked as long as LDCs remained dependent. According to this perspective, dependency is not only the cause of underdevelopment but, in fact, the very definition of it (see for example Frank, 1967; Griffin, 1969; Furtado, 1970; Oxaal *et al.*, 1975; Amin, 1976; Koo, 1984; Himbara, 1994; Aldcroft & Catterall, 1996; Mbaabu, 1996; Ogude, 1997; Farmer, 1999; Burkett & Hart-Landsberg, 2000; and Owusu, 2003).

However, the interactive process between LDCs and MNCs is potentially capable of producing both conflict and benefits. For instance, Biersteker (1981), Beladi & Choi (1995) and Moser (2001) present the viewpoints of both supporters and critics of MNCs investment in LDCs. Both parties are agreed that MNCs cause development, but much of the debate is about the kind of development that MNCs bring about.

There are viewpoints that MNCs could radically improve the lives of people and help bring into being a more stable and less dangerous world by stimulating commerce and development by investing in the world's poorest markets (Prahalad & Hammond, 2002). Supporters of MNCs also seem to believe that LDCs see in today's industrialized world a mirror image of their own future. Several writers have claimed that industrialization of LDCs is a normal process with the same characteristics as that of western industrialization, and thereby renew the Marxian generalization that industrially developed countries present to the LDCs a picture of the latter’s future (see for example the classic works of Lewis, 1954; Rostow, 1960; and Warren, 1973). In other words, LDCs need only recreate in some form what the more developed countries already have. Development is then the imitation of the developed countries. Such supporters point out that many actions and behavior patterns in LDCs are nothing more than an emulation of the forerunner West. These authors seem to have a Western European mercantilist perspective. They have in their mind England, the Netherlands, Belgium, France, Spain, Portugal and USA. This could however not be valid for Northern, Central, Eastern and Southern Europe, nor to Canada or Japan. Therefore, could it be valid at all?

The critics use the same evidence to point out the high cost which LDCs are now paying for such emulation in terms of distorted values, misallocated resources, and disequilibria which such unquestioned emulation has caused. The critics also argue that the technology, which is used by LDCs in the process of industrialization, is taken in a more or less unadapted form from the developed countries, either by means of direct investment, by joint ventures, or by licensing of local enterprises. The inappropriate technology then serves to foster the inequitable distribution of income and fulfills the consumption demands of the elite-groups in LDCs. Moreover, the imported technology mostly is located in enclaves separated from other parts of the economy.

As a whole, the supporters of MNCs define development as a linear process of change culminating in the likeness of present-day advanced countries. According to these so-called “modernization” theories, all countries follow the same path toward development, and countries at a particular stage of development resemble one other; that is, development is fashioned after the currently advanced nations.

The critics, on the other hand, reject this perspective and argue that the state of development of LDCs is completely different from that prevailing in the eighteenth and nineteenth century West. They believe that the development, which might arise from this perspective, will be very different from the development that took place in Europe. Industrialization that is based upon foreign capital is nothing but “delayed capitalism” (Almgren & Galvenius, 1988, p. 7). And according to Dillard, the industrial development of the West was based, directly and indirectly, on colonization and exploitation of the present-day Third World. He gives us a comprehensive account of the role of the slave trade, colonization and exploitation in the industrial development of the West (Dillard, 1967). But the fact is that there is no "Fourth World" to be exploited by the Third World of today! Some critics even say that underdevelopment is a historical process through which economies that have already achieved a high level of development have not necessarily passed (Furtado, 1970); that is, LDCs do not need to follow exactly the same path that the West did, but determine the rate and course of development by considering cultural, political and socio-economic features of their own countries.

For reviews of both supportive and critical studies of modernization theories see for example Rostow (1960, 1987, 1990, 1992), Furtado (1970), Frank (1972), Kindleberger & di Tella (1982), Baldwin & Forslid (1998), Steger (2000), Zein-Elabdin (2001), Murata (2002), Tiffen (2003) and Papyrakis & Gerlagh (2004).

2.3. RELATIONSHIPS BETWEEN MNCS AND HOST LDC GOVERNMENTS

For host LDC governments, the placements of MNCs raise important issues of control over their economic destiny. By reviewing the literature, we find that there are conflicts of interests between LDCs and MNCs, since conflicting objectives can easily emerge between MNCs and LDC governments. The origin of the conflicts is the disparities that exist between objectives and interests of the two parties. For an MNC, the purpose of locating in a particular country lies in allocating and utilizing resources so as to maximize its competitive position on a global basis. An LDC government has a different view. Its interest lies in such concerns as domestic growth, employment, and social and economic stability (Rosenfeld & Wilson, 1999, p. 449).

Thus, LDCs' official objectives are development and industrialization, but MNCs are more concerned with profit, market share, scale economies etc. In other words, the basic objective of an MNC is to maximize global profits, and thus it is almost inevitable that conflicts will arise between the LDC government, which is supposed to safeguard national interest, and the MNC located in its territory. There are studies in the literature that have done comprehensive reviews regarding both critical and supportive views on MNCs (see for example Sagafi-nejad, 1979; Contractor & Sagafi-nejad, 1981; Biersteker, 1981; Beladi & Choi, 1995; Caves, 1996; Carr & Garcia, 2003).

Critics and supporters of MNC investment in LDCs assume different models of the economic actors and their motives. For the supporters, the actor is an individual firm negotiating with various actors in the environment to maximize returns or minimize risks. The critics, on the other hand, focus on a country's struggle for economic development.

In order to shorten a long story, table 2.1 briefly presents major issues of MNCs' investment in LDCs, and the different views of critics and supporters about the issues.

Table 2.1. Major Issues on MNCs Investment in LDCs

Critics	Supporters	Related studies
1. Outflow of MNC's income		
MNCs transfer the bulk of their profits abroad. This means that a great deal of LDC's GDP is transferred outside the country and consequently worsens LDC's balance of payments. MNCs should reinvest their profits inside the host LDC, and in this way strengthen LDCs' economic condition and create more jobs for the working population.	MNCs operate in uncertain environments and take great risks. They must be free to reinvest their profits elsewhere. If LDCs force MNCs to keep their revenues inside the host country, then the motivation for MNC investment would be lessened. LDC's balance of payments is always strengthened by local production through exports or substitution for imports.	Vaitsos (1974), Biersteker (1981), Sakurai (2002), Pangarkar & Lim (2003), Chen, (2004)
2. Establishment of Linkages		
MNCs establish few linkages to the local economy, and they act as if they are isolated islands. LDCs want MNCs to create backward and forward linkages to LDCs' economy. At present, most MNCs purchase their requirements from their home countries, and export their final products out of the host LDCs.	MNCs establish linkages to local economy either by purchasing their needed input from local producers or by furnishing output to other sectors of LDCs' economy. In the case where linkages are few, this is due to the specific economic situation of the LDC, which prevent establishment of linkages. And moreover, in certain cases MNCs have to be isolated islands, otherwise they would be accused of imposing their values on local areas.	Carlsson (1981), UNCTAD (2001), Castellani & Zanfei (2002, 2004), Rasiah (2003)
3. Comparative advantages of MNCs		
MNCs drive their indigenous competitors out of business by enjoying the competitive advantages. They are able to pay higher wages and consequently absorb the best-qualified workers of host LDCs.	MNCs do all they can, and use all of their resources, to run their business as efficiently as possible, and there is nothing wrong about it. They pay higher wages to their employees in order to raise their standard of living and thereby their productivity. On the other hand, if MNCs do not pay high wages, then they would be accused of exploitation of local labor.	Hymer (1972), Arrighi & Saul (1973), Biersteker (1981), Cook (1997), Zhao (1998), Aitken & Harrison (1999), Yamin & Ghauri (2004)
4. Appropriateness of technology		
Imported technology must be appropriate, it must contribute to LDCs' technological growth, and to their society. LDCs want growth, not dependency. Most of the technologies transferred by MNCs are inappropriate.	MNCs do their best under every circumstance, but host governments and local firms are also responsible for maximizing the contribution of transferred technology.	Widstrand (1975), Behrman & Wallender (1976), Biersteker (1981), Emmanuel (1982), Georgantzas (1991), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999), Mu (2001)

Table 2.1. Continued

Critics	Supporters	Related studies
5. Control of transferred technology		
LDCs have to have control over imported technology in order to be able to improve their scientific and technological position. Lack of control hinders LDCs policies.	MNCs must control their technology and how it is utilized so they can maintain their competitive position and improve upon their technology. Technology is MNCs' most important asset.	Widstrand (1975), Behrman & Wallander (1976), Sagafi-nejad (1979), Sagafi-nejad *et al.* (1981), Georgantzas (1991), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999)
6. Restrictive transfer practices by MNCs		
Restrictive and strict practices of MNCs have drained LDCs' treasuries while keeping them dependent and technologically backward. All such restrictions must be eliminated.	If MNCs require safeguards or certain quality standards, or have other requirements, it is only because they care about their quality, reputation and the preservation of their markets and competitive position.	OECD (1973), Widstrand (1975), Behrman & Wallender (1976), Sagafi-nejad (1979), Georgantzas (1991), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999)
7. Price of transferred technology		
Technology suppliers must charge LDCs the marginal cost of technology, as LDCs' markets were not the prime motive for the initial development of the technology.	MNCs have spent much time and money, and sell their technology in the market like any other item. If they do not get the right price, they will not transfer their technology.	Sagafi-nejad (1979), Georgantzas (1991), Al-Obaidi (1993), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999)
8. Protection of property rights		
LDCs need the information for strengthening their national technological capacity. MNCs are too restrictive and secretive about their technology.	MNCs need confidentiality and protection for their most important asset. Without it there would be no incentives to develop new technology and transfer it.	Widstrand (1975), Behrman & Wallender (1976), Sagafi-nejad (1979), Georgantzas (1991), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999)
9. Assessment data and packagedness		
LDCs often have to buy unnecessary technology just because it comes in the package. Often they do not know what they are paying for. No clear data or criteria exist.	MNCs will provide as much data they can, but much of data sought is not available even to themselves. Technology package cannot be unbundled without increased cost or damage to quality.	Widstrand (1975), Behrman & Wallender (1976), Sagafi-nejad (1979), Georgantzas (1991), Caves (1996), Basu & Weil (1998), Chhibber & Majumdar (1999)

Table 2.1. Continued

Critics	Supporters	Related studies
10. Government control		
LDCs must have control over their society and the use of productive resources.	Too much government control ties up MNCs' operations and reduces their effectiveness.	Said & Simmons (1975), Castellani & Zanfei (2004)
11. Conflict resolution		
LDCs have laws and courts and will resolve any conflict according to these laws. They cannot accept foreign interference in their sovereignty.	MNCs prefer their own courts, but will settle in international tribunals. They seek impartial and nonpartisan courts.	Said & Simmons (1975), Sagafi-nejad (1979), Georgantzas & Maru (1990), Peng (2000)
12. Development of allied local groups		
MNCs foster the development of groups whose interests and activities are consistent with their own.	Loyalty to the organization in which you are working is a well-known fact elsewhere in the world. MNCs and their employees, suppliers, contractors etc. are all in the same boat, and their consistency of interests with those of MNCs is natural.	Waterman (1975), Palma (1978), Biersteker (1981), Hara & Kanai (1994)
13. Income distribution		
MNCs contribute to an uneven income distribution and to a widening of an elite-mass gap.	MNCs have no interest in creation of an elite-mass gap or contributing to an uneven distribution. It is entirely the host governments' responsibility to prevent these effects by social reforms and allocating the revenue, generated by MNCs' operations, properly.	Jameson (1986), Chan (1989), Caves (1996), Ahn (2001)
14. Local dependency		
MNCs bring short-term benefits to the areas in which they operate, and they create local dependency on their operations. LDCs want MNCs, along with their ordinary commercial activities, to yield lasting social benefits and encourage local agricultural and rural development.	MNCs do not desire dependency of local people on their operations, because it creates certain problems for MNCs too. It is host governments' responsibility to diversify the economic base of the areas in which MNCs locate. Because whenever MNCs try to contribute to the development of the local areas, they are suspected in their role as both commercial companies and development advisors.	Butler (1978), Alschuler (1988), Ardelius *et al.* (2000), Choshi (2001), Gibbon (2001)
15. Suspicion		
On the whole, it is difficult for LDCs to rely on MNCs unquestionably. The history provides many examples of exploitation of LDCs by MNCs.	On the whole, MNCs cannot completely trust LDCs. There have been many cases of nationalization of MNCs by host LDCs without adequate compensation.	Thomas & Worrall (1994), Kettis (2004)

The outflow of MNCs' income (issue 1) has always been a subject of great controversy. Though the supporters claim that MNCs import capital into LDCs, the critics talk of decapitalization of LDCs by MNCs (Vaitsos, 1974; Biersteker, 1981; Sakurai, 2002;

Pangarkar & Lim, 2003; and Chen, 2004). The study of Carlsson, among others, shed some light on linkage effects of MNCs in LDCs (issue 2). His, and similar studies, report limited linkage effects between the MNC and the host LDC (Carlsson, 1981; UNCTAD, 2001; Castellani & Zanfei, 2004; Rasiah, 2003). There are, however, studies that report positive linkage effects of MNCs in certain industries. Castellani & Zanfei (2002), for example, focus on the creation of linkages of MNCs with local firms in the electronics industry, and report positive effects. Suppression of local initiatives by comparative advantage of MNCs (issue 3) is studied by many writers, among others Hymer (1972), Arrighi & Saul (1973), Biersteker (1981), Cook (1997), Zhao (1998), Aitken & Harrison (1999) and Yamin & Ghauri (2004). Appropriateness of technology and related issues (issues 4-9) are the most debated ones in the literature (see for example OECD, 1973; Widstrand, 1975; Behrman & Wallender, 1976; Sagafi-nejad, 1979; Biersteker, 1981; Emmanuel, 1982; Georgantzas, 1991; Al-Obaidi, 1993; Caves, 1996; Basu & Weil 1998; Chhibber & Majumdar, 1999; and Mu, 2001). The discussion of national sovereignty (issues 10-11) is also a topic of discussion regarding MNCs' influence on host LDCs (Said & Simmons, 1975; Sagafi-nejad, 1979; Georgantzas & Maru, 1990; Peng, 2000; and Castellani & Zanfei, 2004). Development of allied local groups (issue 12) has occupied a great deal of the literature. According to critics, MNCs make their employees the direct beneficiaries of their investment, which creates a situation in which employees feel that they have common interests with MNCs (Waterman, 1975; Palma, 1978; Biersteker, 1981; and Hara & Kanai, 1994). The effect of MNCs on income distribution (issue 13) has been studied by Jameson (1986), and Chan (1989) who finds substantial evidence relating the stock of foreign capital and the rate of economic growth to income distribution in the manner predicted by the dependency school. Other studies state that the MNC can alter the income distribution within the host countries (Caves, 1996, p. 110; Ahn, 2001). The debate on local, and national, dependency (issue 14) has been discussed in many theoretical and empirical studies (Butler, 1978; Alschuler, 1988; Ardelius *et al.,* 2000; Choshi, 2001; and Gibbon, 2001), and suspicion and lack of trust between LDCs and MNCs (issue 15) have their roots in the history of colonization, exploitation, and nationalization (see also Thomas & Worrall, 1994; and Kettis, 2004).

However, the brief description in table 2.1 above indicates the main areas of conflict between LDCs and MNCs, which originate from the disparities in interests, priorities and objectives of each side, and illustrate points of controversies regarding the role of MNCs in the development of LDCs. Now, with the above arguments in mind, in the next section we consider the transfer of technology by MNCs to LDCs.

2.4. MNCS AND TRANSFER OF TECHNOLOGY TO LDCS

Closely related to the issues of MNCs' investment in LDCs, which was discussed earlier, is the issue of technology transfer. Technology transfer has developed into an important issue because of a changeover from viewing foreign investment as a pure portfolio investment to realizing the importance of the movement of technology (Menzler-Hokkanen, 1989, p. 13). One of the most important objectives of LDCs is to create a national industrial growth; that is, LDCs wish to create a capacity for producing needed goods and services. Transfer of technology has been considered as a possible means for establishing such a capacity (see for example Vernon, 1966, 1979; Dunning 1981; Blomstrom, 1989; Kokko & Blomstrom, 1995; Rugman & D'Cruz, 1997; Bende-Nabende, 1999; and Ernst, 2001).

Technology is a concept that is hard to define, and its definition is not clear in the literature. Technology usually refers to the package of product designs, production and processing techniques, and managerial systems that are used to produce a particular product (Baranson, 1979). It is also described as the body of knowledge that is applicable to the production of goods and creation of new goods (Root, 1968). Another writer notes that technology in essence is merely knowledge. It is embodied in patents, architectural plans, production process specifications, chemical formulae, capital goods, replacement parts, managerial expertise and worker skills (Alschuler, 1988, p. 18).

In literature we define various aspects of technology as appropriate, intermediary, low-cost, alternative and soft technologies. "Intermediate technology" means something between traditional and modern technologies that stresses the engineering aspects. "Low-cost technology" is less expensive than the modern one and concerns economic factors. "Alternative technology" is less anti-environmental, and "soft technology" is less anti-ecological than the advanced one. Among these technologies, "appropriate technology" is the most variable and fluctuating in time and space. Appropriateness of a particular technology to a particular region depends on so many factors that a general definition is of limited use (Bhagvan, 1979, p. 8). However, in the literature, the major issues regarding transfer of technology have been its appropriateness, its diffusion, and its linkage effects. The assumption is that imported technology should be appropriate to LDCs' factor endowments and needs; that is, a greater use of labor and local materials in production of goods and services. The imported technology should also be of a nature that can be learned and improved through indigenous science and research (Alschuler, 1988, p. 2). This assumption, however, is questioned by many writers who consider transfer of technology as merely "travel of technology". Stewart (1977), for example, argues that much imported technology is inappropriate to LDCs' factor endowments in the sense that it is capital-intensive and produces unnecessary products in relation to the needs of LDCs.

There are other writers who are in favor of the transfer of capital intensive technology to LDCs. Vernon (1966), for instance, maintains that such technologies can contribute directly to LDCs, since they provide better quality products at lower prices, teach local employees new techniques, and as a whole contribute to national economic welfare. He also argues that inappropriate patterns of consumption in LDCs are inevitable outcomes of industrialization, not MNCs' fault (Vernon, 1977). The critical point in Vernon's argument is the fact that many LDCs have not yet experienced industrialization, but the outcomes of it are prevailing!

However, the supporters of transfer of technology by MNCs stress the potential gains for both parties. MNCs bring capital, technology, skills and the like; and LDCs offer markets, raw materials, labor etc. (Dunning, 1974). There are also several writers who are in favor of the restricted inflow of technology by MNCs, and argue that a free and unrestricted inflow of foreign technology can lead to many undesirable effects in LDCs, while a controlled inflow could prove desirable (Lall, 1985, Lall & Teubal, 1998; Yamin, 1998; Perez-Aleman, 2000; Ocampo, 2002; Stiglitz, 2002; UNCTAD, 2002).

The issue of technology transfer is more debatable when we regard mining MNCs. By means of new and expensive machines and new production methods, a handful of workers are capable of running a giant plant. In other words, mining operations have become more capital-intensive and less labor-intensive since the 1960s, when adoption of computers, of containerization, and of giant carriers became widespread. This new technological era has made it more difficult for LDCs to adapt the new techniques. Lack of enormous capital resources, the skilled manpower and the organizational and operational ability have hindered LDCs in their participation in this new technological era.

Basically, mining technology is developed *by* and *for* industrial nations of Europe and North America where loan capital is relatively cheap, and labor is relatively expensive. The technology is therefore designed in a manner that employs a mixture of labor and capital that increases manpower productivity and reduces unit labor costs. The result is that mining MNCs in LDCs design their mines according to the most advanced technology in the industrialized world, and consequently import large numbers of skilled and highly paid expatriates to run the mines.

Mining technology comes therefore in ready-assembled and standardized packages to LDCs, and it is very difficult, if not impossible, to take apart the package and make up a combination suitable to the needs and condition of the host LDC. There is also a lack of local research facilities in LDCs that are necessary to gain the research experience needed to develop a mining technology suitable to the condition of the LDCs. For example, throughout the 1960s the Takwa Mining School in Ghana was the only mining school in independent Africa, and the second mining school of black Africa was established in 1973 in Zambia, more than forty years after the establishment of the mining industry in that country (Davidson, 1973).

2.5. THE IMPACT OF MINING MNCS ON HOST LDCS

The impact of mining MNCs on host LDCs has been debated in many studies. However, in this study we are not going to judge whether MNCs have contributed to the national development of LDCs or not. Rather, our task is to find out if it has been possible to create *more* links to a local community from an MNC, and how well an intermediary organization fulfilled this goal. It is not our task to investigate how much the host government used its income from the venture to improve conditions in the local community. Our task is to analyze if and how the intermediary organization helped to augment these income flows and put them into efficient use.

It seems, however, that many authors in this field have found that the impact of mining MNCs on LDCs as a whole has been undesirable. Formerly self-sufficient subsistence economies became increasingly dependent on mineral exports. The dependence of an LDC on revenues from mineral export prevents the country from reliable planning programs, since prices of raw materials in the world market are subject to fluctuations that the LDC cannot forecast. For instance, as a result of the decrease in world iron ore prices, Liberia's revenue from iron ore profit sharing decreased from $28.3 million in 1976 to only $5.6 million in 1981 (USAID, 1983). Another impact of mining industries has been the fact that the mines and their associated services attracted many people from the rural areas, and thereby had a serious impact on agriculture production. While the rural areas were left to decay, the mining MNCs created an overdeveloped mining industry out of all proportion to Africa’s needs (see for example Holmsen & Mannerheim, 1968; Lanning & Mueller, 1979; Auty & Mikesell, 1998; Ramutsindela, 2002; and Jensen, 2004).

The mineral producing LDCs are in a difficult dilemma. Government revenue, employment, and foreign exchange earnings are dependent on the price of minerals. Long-term planning for economic development is very difficult owing to the fluctuation of prices in the world market. Mining MNCs establish few linkages with the local economy (Carlsson, 1981; UNCTAD, 2001). The mines in many cases have better communications with the industrialized nations than with the capitals of the countries in which they are located (This was experienced by the author while visiting Nimba Mines in Liberia). There are many examples of mining enclaves in Africa - Akjouit copper mines in Mauritania, most of Liberian mines, Awaso in Ghana and many other examples. The isolation is most marked in the diamond mines such as in Botswana, Namibia and Angola which are totally sealed off for security reasons (Lanning & Mueller, 1979).

According to many studies, the mining sector in LDCs is not coordinated with the whole economy, and the technology employed by mining MNCs, and the production methods, are hardly suitable to the LDCs' situation. Mining MNCs do not transfer relevant technology to LDCs, and their effects in the form of employment creation and income generation are often short-term and highly dependent on price fluctuations that are out of LDCs' control (see for example Holmsen & Mannerheim, 1968; Furtado, 1970; Davidson, 1979; Lanning & Mueller, 1979; Hinzen & Kappel, 1980; O'Faircheallaigh, 1985; and Stern, 1995).

2.6. THE THEMES OF THIS STUDY

This chapter has pointed out major issues regarding MNCs' operation in LDCs, with special reference to mining MNCs. These issues are interrelated; that is, they affect each other. However, a "complete" analysis of all issues extends beyond the scope of this study. This study deals mainly with problems in linkages to the local community from MNCs in mining activities. Therefore the central theme in this study is to follow the development of linkages.

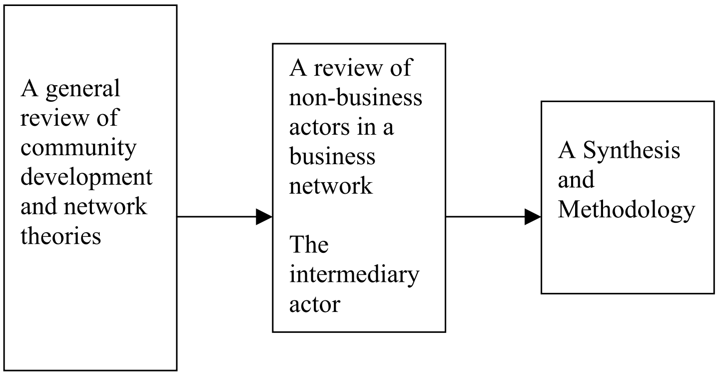
In table 2.1 we mentioned 15 major issues regarding MNCs' investment in LDCs. As a whole, this research sheds some lights on issue 2 (establishment of linkages), issue 3 (conflict resolution), issue 14 (local dependency) and issue 15 (suspicion).

PART II: THEORETICAL DESCRIPTION

The aim of this part is to introduce a conceptual framework that would describe the empirical case of this research. The case considers cooperation between four actors: a host government, a "local community" or a set of local actors, an MNC and a non-profit intermediary (in the empirical study called a private voluntary organization, PVO). As described earlier, the emphasis of this study is on the benefits in cooperation between MNC and the local actors, and on the performance of the intermediary actor. The interests of these firms and organizations for this cooperation are different. MNCs see this cooperation as a means to manifest their ability to fulfill concession clauses for viable site development, aiding new business in the local and other societies. Others, like local organizations and entrepreneurs, become committed to such projects for the pure belief that their actions have positive impact on the development of the local society or their personal wealth. Governments, on the other hand, get involved in such projects because of their political aims and interests. In contrast to the views like industrial network, this study sees cooperation between business and non-business organizations as a necessity for the proper function of MNCs in developing countries.

The fundamental theoretical consideration of this study is constructed on cooperation between business firms and non-business organizations. Since the crucial aim of the cooperation is local development, a short review of the studies touching local development is necessary. Therefore discussions about collective actions and interorganizational relations in the coming chapter attempt to give a theoretical basis for incorporating these factors into a business network perspective. The reliance of these studies on this theoretical framework is mainly because they see the cooperation between these different groups of organizations and firms as cooperative or collective actions. Thus the empirical case will prescribe the form and function of an intermediary when interacting with an MNC and other local business and non-business organizations. Generally, as we are going to discuss later in this part, implementation of social and developmental policies involves a number of independent organizations, where the collective capabilities of these participants are essential for the success of a social and developmental program.

However, to do this task, we begin with a short review of community development, and then we give a review of the main essences of the network approach. Since our network consists of both business and non-business actors, we shed some light on issues concerning non-business actors in a business network. Chapter 4 is devoted to this theoretical frame. There, following the discussions on business networks, the attempt is to introduce a view on business networks in the context of business and non-business actors' relationships. Finally, the concern of chapter 5 is to provide a synthesis of important aspects discussed in the earlier chapters. Beside this synthesis, the effort in this chapter is also to introduce the method used to collect empirical facts. The scheme of the study will be as follows:



Chapter 3 **Chapter 4** **Chapter 5**

3. BUSINESS ACTORS AND COMMUNITY DEVELOPMENT

3.1. INTRODUCTION

The aim of MNCs in interaction with a local community is to manifest their willingness and ability to develop the site and its surroundings to a viable community. This can benefit their business not only in that specific country but also in negotiations with governments in other countries. This crucial point for MNCs naturally touches aspects related to community development. Within the context of this study, community development involves not only MNCs but also others in the local society. A review of studies of community development can increase our understanding of the views employed in this field. In further understanding the cooperation between non-business and business firms and organizations, a very short review of the theoretical fields of collective actions and interorganizational perspective are given. Finally, the chapter will devote its attention to a business network which fundamentally has its base in cooperation. The review of these fields will pave the way for construction of the theoretical frame in the next chapter.

3.2. SOME PERSPECTIVES ON LOCAL COMMUNITY DEVELOPMENT

In one line of thought, a large body of theories that represents capitalistic development approaches appeared after the Second World War and the emergence of many newly independent countries. According to those traditional development theories, development is a *spontaneous* process. The reason for a country's underdevelopment is simply lack of important factors that existed when, for example, Western Europe developed. Development theorists sought to explain the process which led different nations first to their "take-off", and subsequently to a path of self-sustained growth (see for example Rostow, 1960). According to this view, LDCs must reach the critical take-off stage. The traditional development theories are found in works of, among others, Lewis (1954), Vernon (1966) and Lall (1985).

Another line of thought is called the *structural* perspective on development. These theories reject the capitalistic models and assume a Marxist analysis of the growth of capitalism and socialism. In contrary to capitalistic take-off theories, non-capitalistic break-off theories which advocated self-reliance, were developed. *Dependency-theory*, which is an example of such structural theories, was based on the Latin American studies of Frank (1967, 1972), Dos Santos (1970) and Galeano (1976). Dependency-theory was then developed by Rodney (1972), Amin (1974, 1976) and Wallerstein (1976) to describe the situation in Africa.

However, the traditional development theories that are briefly mentioned above were developed during the 1950s, 1960s and 1970s. Many of these theories assume that development for LDCs means achieving the same condition as developed countries. The theories assumed “development from above” which had the most influence on the LDCs in the formulation of their strategies for economic development (Stöhr & Taylor, 1981, p. 15; Bratton, 1989; Auty & Toye, 1996). It means that LDCs should concentrate on a few central and dynamic industries. To be efficient, the industries should be geographically concentrated. The idea is that the economic development that might take place within these areas, will trickle down to the rest of the society (Almgren & Galvenius, 1988, p. 7). Brazil was mentioned as a typical example of this strategy where the emphasis was put on capital-intensive industries with very advanced technology, and a high degree of urbanization.

However, today we witness problems that LDCs are struggling with such as economic crises, poverty, unemployment etc. LDCs have begun to reject the "foreign" development models that were presented from the vantage point of developed nations, and focus instead on the local situation. According to a study, African governments have begun to retreat from ambitious attempts to sponsor development from above (Bratton, 1989). If, previously, modern industry had been assigned the role of the primary engine for development, now "rural development" and appropriate government policy towards agriculture become the focal point of analysis and policy formulation. In other words, interest shifted from "top-down" to "bottom-up" approaches (Stöhr & Taylor, 1981; Annorbah-Sarpei, 1997; Moser, 2001; Eversole, 2003); and the “spatial” perspective of the development process (Mabogunje, 1981; Stimson *et al.*, 2002; Haughton & Counsell, 2004) became more and more important for both scholars and practitioners. This new development paradigm, development from below, has emerged as a result of the relative failure of development from above (Almgren & Galvenius, 1988, p. 12; Botchway, 2001; Kössler *et al.*, 2003).

This new perspective on development focuses on concepts such as *grassroots, self-help, participation, small-scale* etc. In contrast to earlier models of large-scale industrialization plans, the new perspective focuses on agriculture, handicraft and small industries. Attention has been paid more to economic development in combination with social development (Almgren & Galvenius, 1988; Eisen & Hagedorn, 1998; Kleemeier, 2000; Tambunan, 2000; Bohringer & Ayuk, 2003). The basic concept is to stimulate local people to participate in the process of economic development. The purpose is to increase the self-esteem of the local people which in itself could stimulate development.

This approach also emphasizes the development of *local community* and *local self-reliance*. Bottom-up-development is based on the thought that a local society should, to as large an extent as possible, be self-sufficient and the development of an area must be closely related to existing resources of the area (Almgren & Galvenius, 1988; Olaniyan, 1996; Bridger & Luloff, 1999; Eversole, 2003; Phahlamohlaka & Friend, 2004). This approach is used by many PVOs and there are many reports that this alternative approach is being implemented with satisfactory results. The local community became an important actor in the process of development, and PVOs' role as “intermediaries” and "catalysts" is now recognized. "Indigenous development" of local community is a central theme in this approach. This alternative approach to development with the focus on local conditions, seems to constitute one of the main lines of development research in future (see for example Nabudere, 1999; Singh, 1999; Tevera, 1999; and Murdoch, 2000).

3.3. A PARTICIPATIVE APPROACH TO LOCAL COMMUNITY DEVELOPMENT

As we mentioned above, rural and local community development have occupied a focal point in studying the development process. The community development approach emphasizes the involvement of local people both in decision-making and implementing developmental efforts. It refers to work in which community workers help local people to plan and act in order to satisfy their own needs with the help of external resources (Milson, 1974, p. 17; Carr *et al.*, 2001). In other words, community development has its point of departure in the local community with its traditions, culture, available resources etc.

Before continuing our discussion we try first to clarify what we mean by “local community development". The term has come into international usage to denote the process by which the efforts of the people themselves are united with those of governmental authorities to improve the economic, social and cultural conditions of communities, to integrate these communities into the life of the nation and to enable them to contribute fully to national progress (Specht & Vickery, 1977, p. 171). We adapt Specht & Vickery's definition, but we add also the efforts of *private business actors* to those of local people and governmental authorities since governments are increasingly looking for private actors' participation in certain aspects of local development planning, strategy design and implementation (Oinas, 1991, p. 10; Stern, 1995; Kleemeier, 2000; McPhail, 2000; Choshi, 2001; Jensen, 2004). Partnership between the local community and business has been considered as critical to solving development problems (Regelbrugge, 1999).

The complex nature of local development is thus made up of two essential elements: *the participation of the people* themselves in efforts to improve the standard of living with as much reliance as possible on their own initiative, and the *provision of technical and other services* in ways which encourage initiative, self-help and mutual help and make them more effective. It is expressed in a variety of programs designed to achieve a wide variety of specific improvements (Specht & Vickery, 1977, p. 171).

Community development requires "community organization" which means an increase in the cooperation between public institutions and voluntary organizations, to improve information and to discover problems (Ronnby, 1994, p. 75; Temali, 2002). Community organization can also be considered as a process by which a community identifies its needs and objectives, orders these objectives, develops the confidence and will to work at these objectives, finds both internal and external resources to deal with these objectives, takes action in respect of them, and in so doing extends and develops cooperative and collaborative attitudes and practices in the community (Specht & Vickery, 1977, p. 168). Community organization is thus concerned with an actor (community worker) stimulating a process through which local people identify their needs and objectives and develop strategies to reach these objectives, and at the same time develop their own competence during this process.

However, the spatial, or local, perspective is very important when local traditions, social and economic structure, resources and skills are considered as vital aspects in the community development process. The idea is that development must have its starting point in local conditions; that is, to see the world from the local people's standpoint and to consider the effect of other parties' activities on local community (Ronnby, 1994, p. 81-82; Louw *et al.*, 2003).

When considering local community development, the concept of *partnership*, or *cooperation*, or *networking* occupies a central role (Murdoch, 2000). Local people are considered as partners rather than the objects of decisions and policies made elsewhere. Development programs can help local people develop the confidence and skills to get community activities going and build the networks that will give them more control over the quality of their life (Taylor, 1992, p. 2, 5).

The community development program involves partnership and cooperation between various actors. The actors may be influential individuals, interest groups, government bodies, planners, business enterprises or non-profit organizations (Oinas, 1991, p. 9). The program aims to create a basis for cooperation from the common interests of the participants, their common problems or issues. One of the actors occupies a very crucial function as an intermediary, or a *catalyst.* The function of this actor is to act a sort of catalyst to take actions to create opportunities for local people. Because, at least in the beginning, there is an unbalance between governments and MNCs over the local community people, there is a need for an independent actor helping the locals to develop small entrepreneurs by stimuli, contacts, know-how, and resources. This notion of partnership in community development corresponds with the network approach that will be discussed later on in this chapter. The network here also consists of both business actors (business enterprises) and non-business actors (government, non-profit organizations, etc.).

Thus, as we stressed before, the process of development requires tight cooperation between various actors with different resources. This is because both the formulation and implementation of developmental programs increasingly involve several actors. Put it in another way, the process of development requires a *collective action* towards common goals; or, as Hanf & Scharph (1978) point out, the major task confronting the organizer of developmental programs is to secure a coordinated policy action of separated yet interdependent organizations; where the collective capabilities of a number of participants is essential for effective problem solving. The role of the "organizer" of development programs mentioned above corresponds with the role of the intermediary actor which will be described in chapter 4. Since development requires collective action, we discuss the theory of collective action in order to describe development of a local rural society. As we shall see, the collective action theory resembles the network theory.

3.3.1. Collective Action Theory

Collective action theory stresses the fact that collective action is guided by various kinds of beliefs, assessment of situations, wishes and expectations (Smelser, 1962, p. 8-9; Tilly, 1978; White & Runge, 1995). Collective action consists of basic components that are values (sources of legitimacy), norms (standards for interaction), motivation (mobilization for organized action), situational facilities (information, skills, tools and obstacles) and, of course, goals. Smelser's approach concerns collective action between individuals, but we can speak generally here about actors which could also include organizations. However, the interesting concept here is Smelser's line of argument on *mobilization* of actors for action through organizing and leadership (Smelser, 1962, p. 17).

Mobilization links intentions with goals and means to lead and to organize a collective action (Ronnby, 1994, p. 130), and one actor (an intermediary) assumes responsibility for leading and organizing and also makes a platform for cooperation. This actor's job is to plan and implement strategies according to the "collective" resources (cultural, social, technical, economic, political, material and manpower) and knowledge about strategies and methods for local development. Part of the job is also the ability to tackle conflicts, meet resistance to inevitable changes and overcome difficulties in cooperation; and, as Ronnby points out, mobilization is concerned with a community worker (intermediary) acting as a catalyst for starting and continuing the processes of development in the local community (Ibid., p. 130-131). Moreover, mobilization has to have public backing and external supports and impulses (Ibid., p. 150).

Referring to the network approach in the next section, there are two important issues: how to mobilize various actors, and how to develop cooperation and coordination in interaction with other actors for solving problems as they arise (Håkansson & Snehota, 1995, p. 6). As a whole, the preconditions for collective action can consist of common problems, unsatisfied needs, a realistic framework, available resources and necessary knowledge about strategies and methods for organizing and leading developmental processes (Ronnby, 1994, p. 132-133).

3.3.2. Resources and Management for Local Development

Local development is based on utilization of locally available resources. These resources include human, social, institutional and physical resources (Blakely, 1989, p. 58). According to Blakely, it is important that the local society cooperates both with government authorities and the private sector. Local economic development is a process in which the local society and the local authorities use their resources, and through partnership with the private sector stimulate economic activity, create job opportunities and wealth (Ibid., p. 60). Furthermore, community development, particularly in a remote rural area, cannot be separated from the surrounding countryside that furnishes its food, labor and materials (Blaisdell & Slater, 1981, p. 2).

Blakely presents also five "Ms" that are key factors for local economic development. These Ms are: ***M**aterials* (raw materials and infrastructure), ***M**anpower* (human resources), ***M**arkets* (demand for certain goods and services), ***M**oney* (loans, credits, grants etc.) and ***M**anagement* (Blakely, 1989, p.134-136). The last M, ***M**anagement*, is of special interest in our study. It refers to an intermediary actor who is able to combine materials, money and people, is the catalyst without which the development process cannot occur, and tends to be a visionary, innovator, motivator and coordinator (Ibid., p. 135). The issue here is to stimulate people to change their situation and to develop themselves (Ronnby, 1994, p. 117).

MNCs have an important role to play in this process. Local development as a natural process can take centuries, but the task for an extracting MNC is to help to get a viable development before the venture is finished, often in a 20-years' perspective. What the MNC brings is resources, and over the years it can be involved in an increasing exchange of resources with the local entrepreneurs. It is essential, however, that the directions of exchanges should be more and more between local actors, thus phasing out the relative importance of the MNC in pace with its explorative mission's decline and end. Planning for such a development and exchanges is also a task for the intermediary organization.

3.4. INTERORGANIZATIONAL RELATIONS

In his classic work, *The Function of the Executive*, Barnard (1938) points out that organizations by their very nature are cooperative systems and could not fail to be so. People join organizations voluntarily and they cooperate toward a common goal. Each individual makes an input to the organization and receives some output from it. Barnard's viewpoint was later developed by March & Simon (1958), who stated that individuals participate in organizations in order to obtain *inducements*; and, in return, participants make *contributions*, and contributions of some participants become inducements for others. Regarding complex organizations, Thompson (1967) points out that a complex organization is a set of interdependent parts that together make up a whole because each contributes something and receives something from the whole. In other words, in a social system, a component enters into a system in order to satisfy some *needs*, and in return, is willing to provide the system with some *resources* for achieving some common *objectives*. These needs, resources and common objectives are the factors that bring the components together into a cooperative structure.

We may extend this argument to an interorganizational level and in a similar way maintain that organizations may come into a coalition in order to exchange resources (contributions) for satisfying needs (inducements). By interorganizational relations we refer to a condition in which two or more organizations are related to each other. The interorganizational coordination is characterized by the participation of several organizations in order to achieve some common goals. In the state of interorganizational coordination, organizations not only pursue their own goals but also take into account the activities of other organizations in their organizational set (Hall, 2002, p. 230).

However, there are several forms of interorganizational relations, and there are several concepts for describing a group of organizations that are cooperating with each other in order to achieve common objectives. The simplest form of interorganizational relations is a *dyadic* one, which is defined as a situation where two organizations find it mutually beneficial to collaborate in accomplishing a common goal (Whetten, 1981, p. 5; Hall, 2002, p. 218). The second concept of interorganizational relations is an *organizational set,* which is defined as dyadic relations between a focal organization on one side, and a number of organizations on the other side (Evan, 1966). The organizational set is then constituted around the focal organization. In this kind of interorganizational relations the relations among organizations in the set are ignored. The third concept of interorganizational relations is an *action set,* which is defined as a coalition of organizations formed into a temporary, not long-term, alliance for a limited purpose (Aldrich, 1979, p. 280). In other words, action set refers to an interacting group of organizations, whereas the concept of organizational set is explicitly centered on a single focal organization interacting with other organizations. The view is somehow similar to the standpoint of this research study, as it attempts to study the interactions among different organizations. The line of thought can be found in another research tool, business networks, which concerns such interactions in a more comprehensive way. A network is defined as all interactions between organizations in a population, regardless of how the population is organized into dyads, organizational sets, or action sets (Whetten, 1981, p. 8;

Möller & Wilson, 1995). The network approach, which is chosen as the main contributing part to our conceptual framework for this study, will be developed in the following section.

3.5. BUSINESS NETWORK

3.5.1. Introduction

A network is a model that describes a number of entities that are connected. The concept of interorganizational networks was initially developed in the sociology area (Park, 1996). The concept entered the field of organization to elaborate organization-environment research. The network of an organization is assumed to be all of the relevant actors that an organization comes into contact with and all of the relevant relationships in which it becomes involved. The actors in a network can choose to exchange or pool their resources and decide to work together toward some common and mutually agreed goal (Alter & Hage, 1993; Ford *et al.*, 2003; Ritter & Gemunden, 2003). In the last decades, interorganizational networks have occupied much interest in the field of community and regional development. And as we discussed earlier in this chapter, the reason for the increasing importance is that the networks of relationships between various actors within communities and regions are becoming more and more complex and the need is arising for more extensive and interrelated relationships between organizations dealing with the complex task of community and regional development (Turk, 1970; Bridger & Luloff, 1999; Murdoch, 2000; Gilchrist, 2004). The authors emphasize the interorganizational networks in community development and conceptualize a community as an aggregate of organizations that form networks of relations with one another.

In this study, however, we have adapted an empirical-based network theory from the field of industrial marketing that concerns the real-life interorganizational settings, and is developed by Swedish researchers. The network approach questions the concept of the firm as a closed functional organization and focuses on structural changes taking place within organizations, and is supported by growing empirical evidence, for example, on increasingly complex subcontracting chains. The evidence supports Chandler's argument that there has been a trend away from the simple market economy, from the invisible hand of market to the visible hand of co-ordination (Chandler, 1977). The essence of the network view is that, as a firm specializes in a narrow niche of its own, the firm becomes more and more dependent on the resources of other firms. Also, an increasing share of these resources cannot be bought by simple market transactions, but have to be provided by joint efforts which require specific investments and presuppose long term commitments by the actors involved. According to this approach, the complex net of linkages in industrial markets creates mutual interdependencies between independent firms, and the links between actors are defined in terms of economic exchanges that are conducted within the framework of an enduring relationship. Coordination becomes a necessary requirement for effective performance of each firm, and this coordination takes place by means of interaction between firms in a network. Networks offer opportunities, reduce uncertainty, allow specialization and provide co-ordination (see for example Hammarkvist *et al.*, 1982; Hägg & Johanson, 1982; Johanson & Mattsson, 1988; Axelsson & Easton, 1992; Johanson & Mattsson, 1994; Mattsson, 1997; and McLoughlin & Horan, 2002). As a whole, the Uppsala network approach is somewhere between market and hierarchy. It is a mode of transaction not based strictly on the price mechanism, nor is it governed by a hierarchical structure (Axelsson & Easton, 1992, p. xv).

Although the Uppsala approach is mainly intended for industrial markets, there are some attributes that are very important in describing social networks, such as our empirical case. The Uppsala approach deals with real-life situations and the most important concepts of this approach for our case are trust and complementarity. Promotion of knowledge and respect for each other's interest have also been essential in the real-life case that we present in this study. Division of work in a network, and heterogeneity of resources and needs are also typical of our case. However, there is an important aspect that is typical of the Uppsala approach. While others assume competition and opportunism between firms (e.g. Williamson, 1985, pp. 44-52), the Uppsala approach advocates complementarity and trust (e.g. Johanson & Mattsson, 1987).

3.5.2. Actors, Activities and Resources

In the overall structure of networks there are three classes of variables: actors, activities and resources (Low, 1997; Halinen & Törnroos, 1998; Chelariu *et al.*, 2002; Ojasalo, 2004). The relation between these three variables is: those who perform *activities* and/or control *resources* are *actors*. A network of actors, a network of activities and a network of resources are related to each other (Håkansson & Johanson, 1992; Björkman & Kock, 1995; Ritter & Gemunden, 2003).

Actors make a network and are individuals, groups of individuals, organizations and groups of organizations that perform activities and/or control resources ((Håkansson &

Johanson, 1992, p. 28). Actors have five characteristics. Firstly, actors *perform and control activities*. They determine (alone or jointly) which activities to perform and which resources to utilize for performing the activities. Secondly, actors *develop relationships* with each other. Each actor is embedded in a network of more or less strong relationships that gives an actor access to the other actors' resources. Thirdly, actors base their activities on direct and indirect *control over resources.* Direct control is based on ownership, and indirect control is based on relationships with other actors. Relationships with other actors give indirect control over resources directly controlled by those actors (Ibid.). Fourthly, actors are *goal oriented.* Irrespective of the individual goals, the general goal of actors is to increase their control over the network, and this can be used to achieve other goals. Network control is reached through control over resources and/or activities. Network control is not evenly distributed over the actors. Increased control of one actor may lead to increased control of some other actors. Finally, actors have *different knowledge* about activities and resources of other actors in the network. The knowledge is developed through experience of activities in the network. The knowledge of nearer parts of the network is greater than knowledge of more distant parts. Actors use their knowledge of the network as well as their relationships with other actors in order to increase their control. Actors have both conflicting and common interests (Ibid., p. 28-30). An actor may have a "bridging effect", where the actor can be used as a bridge to other actors (Johanson & Mattsson, 1987).

Activity is defined as a sequence of acts directed towards a purpose (Håkansson & Snehota, 1995, p. 52). An activity occurs when actors combine, develop, exchange and create resources by utilizing other resources (Håkansson & Johanson, 1992, p. 30). Activities, which are based on the resources, are connected to each other and form "different sequences" or "chains of activities" (Håkansson, 1992, p. 133). Håkansson discusses also the concept of "activity cycle" (Ibid.), which means that there are usually sequences of activities that are repeated in a regular way. There are two types of activities: *transformation* activities and *transfer* activities (Håkansson & Johanson, 1992, p. 30). Resources are changed through transformation activities that are controlled by one actor. Transfer activities link transformation activities of different actors to each other, and they affect and are affected by the relationships between actors involved (Ibid.).

And finally, *resources* are required for performing the activities mentioned above (Ibid., p. 32); that is, resources are related to the activities performed (Håkansson, 1992, p. 134). In a network, actors may choose to exchange or pool their resources and decide to work together toward some common and mutually agreed upon objectives (Alter & Hage, 1993, p.

2). Resources are heterogeneous and can be used in different ways or in different settings (Chung *et al.*, 2004). Combination of heterogeneous resources leads to emergence of new knowledge (Johanson & Mattsson, 1987). Like activities, there are transformation or transfer resources that correspond with the type of activities they perform. Resources are dependent on each other and consist of human and physical resources (Axelsson, 1996, p. 214-215). An interesting aspect is the fact that an actor can have indirect control over resources in a network by having relationships with other actors who have direct control over resources (Håkansson & Johanson, 1992).

3.5.3. Actor Bonds, Activity Links and Resource Ties

With regard to actors, activities and resources, there are three important concepts that are related to each other: actor bonds, activity links and resource ties (Håkansson & Snehota, 1995, p. 26-27).

Actor bonds connect actors and influence how actors perceive each other (Medlin, 2004). Bonds are defined as a result of mutual commitments around priorities that lead to a structure of actors (Ritter *et al.*, 2004). Bonds between two actors may alter their way of seeing and interpreting situations, as well as their identities both in relation to each other and to others (Håkansson & Johanson, 1992, p. 32). Bonds arise in a relationship between two actors as they direct a certain amount of attention and interest towards each other - they become mutually committed (Ibid.). Bonds also indicate restrictions. To be committed, to have a certain identity and to be trusted, means that an actor has to comply with some specific rules (Ibid., p. 33). Demonstrating commitment is an important way to earn the trust of a partner so that the actor can come to expect similar commitment in return (Ford *et al.*, 2003, p. 39-40). Especially at the early stage of a relationship, commitment is vital if the relationship is to develop from this introductory stage. Each party has to convince the other that they are seriously interested in the relationship and at the same time have to gain the interest of the other party (Ibid.).

Activity links regard technical, administrative, commercial and other activities of an actor that can be connected to those of another actor as a relationship develops (Medlin, 2004). Activity links lead to activities that are synchronized and matched (Håkansson & Snehota, 1995, p. 62). When actors build up relationships, certain parts of their different activities can become linked to each other (Ibid., p. 28). Linking activities could be considered as a way to create a “unique performance”. As the activity structure of actors change over time, the activity links will also be modified and adjusted (Ibid.).

Resource ties connect the actors' various heterogeneous resources (technical, material, financial, know-how etc.); that is, resource ties imply a combination of heterogeneous resources (Medlin, 2004). Tying resources has both direct and indirect innovative functions, as parties to the relationship learn about the use and provision of resources (Håkansson & Snehota, 1995, p. 146). However, the results of a combination of resources that are heterogeneous are impossible to know in advance and have to be learned (Ibid., p. 136).

To sum up, a relationship between two actors has a profile in terms of activity links, resource ties and actor bonds, and each relationship is different from each other one because each relationship has its unique features of actor bonds, activity links and resource ties. In the next section we discuss the concept of relationship and interaction in more detail.

3.5.4. Relationship and Interaction in Networks

According to the literature, relationships among the actors are the essence of a network (Chetty & Eriksson, 2002; Medlin, 2004). A network cannot be understood without studying the relationships among its actors (Easton, 1992, p. 3). The simplest form of relationship is a *dyadic* one between two actors, but a dyad is not a network. A network consists of at least three actors, a *triad* (Axelsson, 1996, p. 209-210).

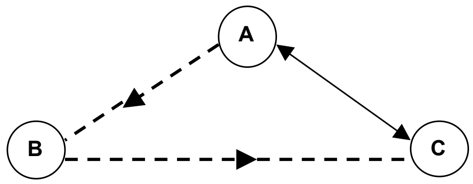
Why does an organization seek to develop relationships with other organizations? The answer might be related to the resource ties described in the previous section. In other words, by means of resource ties, the actors "complete" or "match" each other. Relationships also provide continuity and stability that can lead to increased strength to plan, reduce costs and increase efficiency for each actor. Furthermore, a relationship offers access to third parties who may have valuable resources, such as information (Easton, 1992, p. 9).

Relationships directly affect the two actors involved in exchange relationships, but, in a network, there are also *indirect relationships* where A may affect C through B because there are exchange relationships between all three parties (Ibid., p. 5-6). Direct and indirect relationships can be illustrated as in the figure 3.1.

Moreover, as relationships are connected, what is produced in a relationship can have effects on other relationships and thus on actors other than those directly involved. A certain relationship between two actors is thus subject to effects from a third actor in the network (Håkansson & Snehota, 1995, p. 28).

Johanson & Mattsson make a distinction between *relationships* and *interactions* that are two central concepts in the network approach. Relationships comprise of interrelated elements which are mutual orientation, the investments each has made in the relationship,

Figure 3.1. Direct and indirect relationships



Direct relationship:
Indirect relationship:

bonds of various kinds (technical, planning, knowledge, social, economic and legal), and the dependence that each has upon the other (Johanson & Mattsson, 1987). However, the relationship is not established and developed in isolation but is considered as a part of a broader context, which is a network of interdependent relationships (Håkansson & Snehota, 1995, p. 2).

Mutual orientation means that an actor is prepared to interact with other actors and expect the others to do so (Easton, 1992, p. 9). The mutual orientation between organizations is principally a mutual orientation between individual actors in the organizations, where only some of these relations are directly based on business activities between the organizations. In some cases relations are between two persons, in other cases relationships are between a number of persons at different levels in the organizations concerned (Christensen *et al.*, 1990, p. 26). Two types of personal relationships can be identified, weak and strong ties. According to Granovetter, strong ties can be found between close friends and persons working in organizations with close and frequent exchange processes, while most other relations could be classified as weak ties (Granovetter, 1973).

Investments in relationships are processes in which "resources are committed" in order to create, build or acquire assets that can be used in future (Johanson & Mattsson, 1987). Investments may have the character of traditional investments, but more likely they are "soft" ones, such as acquiring knowledge of various characteristics of a partner or time spent in establishing good social relationships (Easton, 1992, p. 13-14). Investment in relationships gives in return more effective transactions, accumulation of knowledge and control possibilities of the other partner (Anderson *et al.*, 2001). Such an investment may be acquiring knowledge of the technical, administrative and other characteristics of a partner. It may also include the time spent in establishing good social relationships. Investments in relationships both affect and are affected by other investments. An investment by one partner depends upon the existence of complementary assets in the other (Hägg & Johanson, 1982).

Bonds imply different types of ties between actors. Strong bonds provide a more stable and predictable network structure and one that is more likely to be able to withstand change. Bonds may have various dimensions, such as economic, social, technical, administrative, informational and legal dimensions (Easton, 1992, p. 10-11). The economic element of a relationship is self evident for the existence of a network. Economic factors, however, become less important when other bonds become stronger (Hägg & Johanson, 1982; Björkman & Kock, 1995; Donnan & Comer, 2001). *Social bonds* between individuals in organizations also become stronger as relationships between the actors develop over time (Claro *et al.*, 2003). Social exchange has been identified as a significant factor in the overall strength of interorganizational relationships (Easton, 1992, p. 12). Social relations between organizations are the result of the relations of the individual involved (Batt & Purchase, 2004). It is possible that social bonds transcend and even replace economic bonds as the reason for the continuation of the relationship (Easton, 1992, p. 12). Networks have a social dimension characterized by patterns of individual social contacts (Hamfelt & Lindberg, 1987). *Technical bonds* stem from the characteristics of products exchanged. Organizations adjust products and processes to their partner's requirements, subject to the constraint of technology and economics. They also acquire technical knowledge some of which may be rather specific to one relationship (Cova & Salle, 2000). Some *administrative procedures*, which usually vary from organization to organization, have to be adapted where there is a continuing relationship (Easton, 1992, p. 12-13). *Informational* or *knowledge bonds* emerge when different actors acquire enough knowledge of each other's needs, resources and objectives (Ibid.). Organizations may also be *legally bonded* by contracts (Ibid.). However, the most important dimension of relationships is information. All other dimensions described above operate through the communication of information. Information, which leads to knowledge, may also be regarded as an investment that an organization could make in respect of a particular partner (Ibid.).

Dependence, which is a matter of both choice and circumstances, may be regarded as the "price" an actor pays for the benefits of a relationship (Ibid., p. 9-10). Thus, a network is characterized by interdependencies between the actors (Ojasalo, 2004). Interdependence is defined as the condition where two or more actors must take each other into consideration for achieving their individual goals (Litwak & Rothman, 1970), and this notion corresponds with the exchange perspective developed by Johanson & Mattsson (1987). This is the implication that the interdependence is not a zero-sum situation, but a situation in which the relationships will be of benefit to all parties.

Interaction between actors is central to the relationship framework in business markets (Medlin, 2004), and the intensity of it varies over time and depends on those issues that are considered important by the actors (Axelsson, 1996, p. 189). In a network, two separate but closely related types of interaction are distinguished: *exchange process* and *adaptation process* (Håkansson, 1982). In the exchange process, the actors test how well they fit each other. The exchange process is not only a learning process, but also an adaptation process that is a vital characteristic of the relationships in an industrial market. The inducement which actors offer each other is essential for exchange processes which give rise to relationships (Johanson & Mattsson, 1987).

Thus, a relationship between two actors is general and long-term in nature, while an interaction represents short-term behavior between actors that constitutes the dynamic aspects of a relationship. An interaction, as was mentioned above, is comprised of exchange processes, which comprise the day-to-day exchanges that occur between two actors, and adaptation processes, which comprise the processes by means of which the actors adjust products, production and routines (Ibid.).

Relationships presuppose the existence of a certain complementarity between the objectives of the actors (Hägg & Johanson, 1982). The objectives of cooperation may be common for the actors, but it is also true that each actor may seek to gain different ends from the same means (Easton, 1992, p. 9).

Through relationships, the actors are coordinated and the coordination is essential since there is a division of work in a network, and coordination takes place through interactions among actors in the network (Johanson & Mattsson, 1985). However, inherent in any relationship is the tension between conflict and cooperation. Conflict may arise from absence of mutuality because of changes in the objectives of either party or because the processes of exchange are not being managed to the satisfaction of one or both parties (Bengtsson & Kock, 2000; Ritter & Gemunden, 2003; Vaaland & Håkansson, 2003; Medlin, 2004). Relationships, however, are very important in the process of adaptation (Easton, 1992, p. 14).

To summarize, at the center of the relationship between actors, there must exist a clear understanding of the special and essential resources that each has to offer, combined with each actor's healthy attitude toward the other's expectations and apprehensions.

3.6. A SUMMARY

The focus of the development process has shifted from national to local/regional level. As we discussed in this chapter, the development of local communities occupies a great deal of attention both in research and policy. This line of theories has generally three common elements: the importance of cooperation between different parties including local people, diversity (heterogeneity) of resources and, most importantly, the role of an intermediary or catalyst in mobilizing the actors, in realizing the resources and in helping to bring about changes that are necessary for the development process. According to the contemporary view of community development, one cannot adopt a strategy of isolation, and the process of development makes networks necessary between those actors who specialize in different kinds of works. In other words, local development represents collective action intended to achieve a "supra-organizational" goal (Alter & Hage, 1993, p. 27). All actors are of value, and from their different conditions and starting points they can contribute to the common result. Local development is thus characterized by a number of actors, heterogeneous resources and various types of activities.

Local development therefore requires a number of actors with various resources, and one actor, the intermediary/catalyst, has the responsibility for mobilizing actors and realizing the resources. It implies that one actor alone cannot manage the task. This could be an MNC coming to an area, and as we discussed in the first part of this study, mining MNCs seem not to have fulfilled their social and developmental roles without help.

In this study we consider a network as a number of organizations that are linked together. A network can be considered as a cluster of both business and non-business actors such as commercial companies, PVOs, government agencies and organized groups of people; that is, partners in a network do not need to be in the same "market".

Actors in a network perform activities by using their resources, and the actors are linked together by means of various bonds. Not only the actors themselves, but also their activities and resources bind the organizations together. These actor bonds, activity links and resource ties make the profile of relationships between actors. Relationship is characterized by mutual orientation, various kinds of investments, different types of bonds and dependence and has a long-term profile, while interactions are rather short-term episodes of exchange and adaptation processes.

4. A VIEW ON BUSINESS AND NON-BUSINESS ACTORS' INTERACTIONS

4.1. INTRODUCTION

The effort in this and the following chapter is to provide a frame related to the research problem. The subject of viable site development of MNCs in LDCs raises interaction between MNCs and local business and non-business actors. Therefore, in the first section the effort is to provide a short discussion on the interorganizational view and thereafter the main focus will be on the business network. The effort in this chapter is to introduce a business network view constructed on cooperation between different types of actors. It aims to expand the understanding of the industrial network by infusion of non-business actors into the network context. In this construction, three types of actors are identified. Beside the business actors, non-business actors are divided into intermediary and political units.

4.2. NON-BUSINESS ACTORS IN THE CONTEXT OF BUSINESS NETWORKS

4.2.1. An Introduction

In the pervious chapter we presented a general description of the network approach and related concepts. We discussed the concept of actors in general, without further specification of the "nature" of actors. The essence of the network approach rests on the interaction and relationship between business actors. However, in real-world situations, such as the empirical setting of this study, networks may consist of both business and non-business actors, and non-business actors may not have the same kind of goals as the business oriented actors. Thus we have to study whether there are any special problems, weaknesses, opportunities and strengths involving non-business actors in a network with business actors. This section is an attempt at a theoretical discussion on non-business actors in business networks.

The interaction model (Håkansson, 1982; Ritter & Gemunden, 2003) and the relationship model (Anderson & Weitz, 1989, 1992; Sheth & Parvatiyar, 1995, 2000; Lichtenthal & Tellefsen, 2001) are concerned with dyadic business actors and consider all other actors as part of the environment. The business network model (Håkansson & Johanson, 1992) incorporates all the business actors of the interaction model into the context and leaves all other actors in the environment. Thus, the context of the network includes the business actors with business goals. Even later studies in network theory (see for example Håkansson & Snehota, 1995), when operationalizing the network, are mainly concerned with the business actors and their activity links or resource ties and leave out the behavior of the non-business actors. Embededdness in the network is treated by diversities in the business actors' resource ties and activity links. The influence of non-business actors is implicitly presumed. Against this perceptualization, there have been raised voices that the business network is also composed of non-business actors that affect and become affected by business actors (see for example Ring *et al.*, 1990; Boddewyn, 1988, 1993; Hadjikhani, 1996a, 1996b, 2002). Some of these studies observe the interaction between the business and non-business actors as the focal relationship, and some others like Waluszewski (1990) and Sjöberg (1996) regard non-business actors in the context of the business network. These later sporadic efforts do state a need for more studies in this direction. Several later studies in institutional theory and political and social science made efforts to show the interactions in a wider context. In their study of institutional theory of exchange in marketing, Pandya & Dholakia (1992) and Kaufman (2003) present models for the exchange types of different actors in social systems; and Lane & Ersson (1987) divide the political system into partitions interacting with each other.

In this vein, a network is considered as a set of actors (business and non-business) affecting each other. They are explained as having a generalized and simple exchange in which the reciprocity is not necessarily achieved through any direct benefit from an actor to another, but can even be indirect (Levi-Strauss, 1969; Ekeh, 1974; Bagozzi, 1975; Lazega & Pattison, 1999; Kadushin, 2002). Each business actor has a unique relationship which is an outcome of its ability to relate its actions to the values and norms of the political actors and other actors. The interaction between the two requires adjunction of conflicting interests, but also is an arena for exploring options and sharing common values (Hult & Walcott, 1990). In the context of this study, business network is governed by the activities of the business and non-business actors. This relies on a network explanation that MNCs are dependent on the non-business actors as they have a legitimate position in the market and control resources. The non-business actors are also dependent on the foreign enterprises because firms conduct business activities and make investments—this affects groups like local communities, which the non-business actors are dependent upon (Jacobson *et al*., 1993; Hadjikhani, 1996b). This elevates the explanation that the interplay of business and non-business actors is contingent upon a set of actors controlling different resources and having different goals. Meyer & Rowan (1977), when discussing the success and failure of firms, state that organizations' success depends on factors other than coordination of production activities. For their survival, business firms interact with organizations and units that have not got business goals.

In the present study the local community, or rather the local people, are actors themselves. In the beginning they are mainly non-business actors, but more and more some gradually become business actors, which also is the intention behind all their efforts.

In a business network, the non-business actors and their behavior are inevitable parts of the network context. They influence the relationships and become influenced. Non-business actors are defined and explored in different ways depending upon the needs of the study. While the studies of Ring *et al.* (1990), Boddewyn (1988, 1993) and Johanson (2001) explore the role of political actors, others like Waluszewski (1990) consider the relationship between environmental organizations and business actors. The context operated by non-business actors extends from political actors which belong to the political system to organizations like PVOs, media, peace organizations and environmental organizations, and to local people taking part in the development. In other words, non-business actors can be divided into a) political actors that have both direct and indirect relationships with business actors and, b) intermediary actors that usually stand in between political actors and business actors, and c) local actors whose involvement is necessary for a successful activity.

4.2.2. Main Issues Regarding Different Types of Actors in Business Networks

The network in this study is a set of business and non-business actors. In performing activities, actors use different types of resources to reach goals with different characteristics. For the aim of simplification, the study adapts the construction introduced by Hadjikhani & Sharma (1999). They distinguish between two different types of actors in the business networks, non-business actors and business actors. Non-business actors have a legitimate position and control financial and non-financial resources and possess power to influence the business activities of firms. Business actors control financial and technological resources. Business firms are exposed to both types of actors. For business actors, the economic goals dominate interactions. For non-business actors the political ideology or general values and norms are important. The combination of types of actors and activities, as illustrated in figure 4.1, leads to a matrix with four conditions.

Figure 4.1. Non-Business and Business Actors

		The nature of actor I	
		Business	Non-business
The nature of actor II	Business	**1**	**2**
	Non-Business	**3**	**4**

Source: Modified from Hadjikhani & Sharma, 1999, p. 247

In the first situation, both parties are business actors and function on a business basis to gain business goals. The goals could be profit or market share. The exchange is less complicated to govern and the nature of the conflicts is less problematic. The exchange is instantaneous. The terms and conditions of the exchange are indicated by price. In a more complicated and long-term transaction, the relational mechanisms govern the exchange. Situations 2 and 3 are more complicated as the interacting parties function in accordance with different principles in order to secure their goals. The functioning of political actors is based on political ideology, the functioning of the economic actors is based on economic gains. Management of interaction is more complicated.

Some non-business actors, like government, control resources and formulate the rules of the game and some others, like intermediary actors, can become active in the exchange caused by their legitimate position. The intermediary actors' position is legitimated by their resources and can be based simply on interactions valued by people on which the business actors and even government depend. Intermediary organizations can become powerful in the network. They can formulate the rules of business and can in cases, like the PVO in this study, intervene in the implementation of the duties or rules. A high central position of an intermediary actor in a business network can affect not only the structure of the relationships in the network but also its nature as the intermediary actor enriches the network with other resource types and goals. The intermediary actors, like peace organizations, media and PVOs can be differentiated from the other actors as they have a neutral position. They are not so dependent on the political or business actors. Their goal in the interaction is not economic gains. It is true that their legitimacy, similar to political actors, is gained from the people, but they are different from the political actors as political actors have their ground on the political gains.

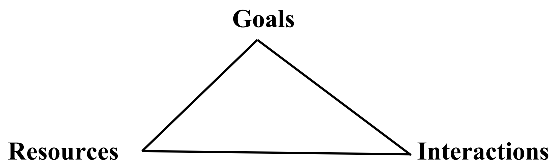
As pointed out in chapter 1, local people have to be involved as actors. Their role in the community development process is to start and run enterprises. During the first stage, the entrepreneurs are learning and finding methods, and can be classified as non-business actors, as well as other local people, tribe leaders included. But when the enterprises start to work and earn money, they belong to the business actors.

Situation 4 is of special interest in the present study, since there are three non-business actors with different goals involved. These actors are the site and the rural community (local people), the government, and the intermediary organization. They should share a common goal, site and rural development, but their objectives could differ. Local people desire development for their own wealth, and the intermediary PVO, since that is its duty, giving legitimacy among donors and attracting other countries. Governments may share the welfare goal of development, but may also strive for control, tax collecting and furnishing urban areas with food and manpower. In this latter case, the government has little legitimacy among the other actors. In this study, the government was hardly engaged in interaction with the other non-business actors, at least not in the first period of the study.

4.2.3. The Interplay Between Actors

The interplay between the non-business and business actors relies on the explanation that MNCs are dependent not only on local business actors but also on others like intermediaries that have access to resources like local knowledge or are trusted by local actors. The neutral position of the intermediary actors makes them trusted by actors in the social system. The intermediaries and governments are also dependent on the business actors to reach their goals in interaction with business actors. This interaction can be cooperative or conflicting. This elevates the explanation that the interplay in this network is contingent upon a set of actors from business and non-business actors. The model of this paper, which resembles the study of Boddewyn & Brewer (1994), relies on the three components of actors' resources, their goals and interaction atmosphere. Goals reflect the aim of the actors in the network. Based on the composition of the network, the goals of the actors are multi-dimensional. Network goals for some actors like MNCs are economic gains and for some others are political gains. The next component reflects the resource exchange between the actors and finally considers the relationship atmosphere (see figure 4.2).

Figure 4.2. Political Behavior of Actors



One specific characteristic of this network is that the goals of actors can vary from business to economic development. While MNCs have their business goals, those in the intermediary system, like a PVO, has the short term success in the development project and the long term goal of gaining legitimacy in national or international societies. In seeking legitimacy, an actor interacts with business, political and intermediary actors, and so the network is faced with a multi-faceted environment composed of conflicting interests (Hadjikhani & Sharma, 1999). Thus, several dimensions of legitimacy are identified. The political actors work primarily to achieve a goal with institutional legitimacy that is based on the values and norms of a society. The business actors are driven by economic dimensions. Intermediaries have goals for public communities and function on the basis of social legitimacy (Ibid.). Intermediary PVOs do not seek to gain economic profits.

The importance of these three dimensions of goals and legitimacy varies. For business actors, the evaluation is primarily based on business norms like profit and growth. They also need to justify their activities and resources to the institutional norms. The political actors are not exposed to the play of market forces. Intermediaries are to be neutral and represent independence towards the legitimate political and business actors. They, on the other hand, are dependent on the values given by the public or even by other actors. Indeed, their survival is reflected by their ability to respond to the divergent interests prevailing in the environment.

Intermediary organizations primarily are to manifest discrepancies between actors' actions in the society and to inspire reflections from responsible groups. In strengthening their legitimacy, some intermediaries undertake an active role in the network. In his study of new technological development, Sjöberg (1996) manifests how environmental organizations cooperate with business actors to find new technological solutions and reduce the impact of pollution. In such a construction, the intermediary actor keeps its legitimate position but becomes an active linking pin which cooperates with other actors. An intermediary with such character leaves its mission of information delivery to the public. It possesses technological and financial capabilities to conduct specialized activities which otherwise would be performed by, for example, business actors.

These different actors have different goals and legitimate grounds. These grounds specify the nature of interdependency in the network. The crucial issue is not on the differences in the goals. Rather it is the compatibility of these goals which defines if the network can reach its mission. Further, there is an urgent need for complementarity in the resources and actions of different actors interacting with each other.

Despite an extensive heterogeneity in goals, resources and activities, the fundamental reason driving the actors' engagement in this network is the network mission. These actors who belong to different systems have different legitimacy bases and contribute different resources. Each actor has a specific goal and contributes particular types of resources that add value for the network mission. These actors belong to different systems and their activities need to be legitimized by the larger system to justify their rights to exist. Maurer (1971) and Delmar & Shane (2004) state that legitimization is the process in which an organization justifies to other organizations its right to operate in a market. Legitimacy for an actor is a conferred status and therefore is always controlled by other actors. While it is not correlated perfectly with either law or economic viability, it bears some relationship to all three types of actors (see also Pfeffer & Salancik, 1978; Hadjikhani & Sharma, 1999). While MNCs in developing countries primarily act to gain business profit, the intermediaries often act to connect the firms to their surroundings. In the present study, the intermediary acts to involve the local people as actors in the network for site and rural development, at first as non-business actors, then as local business actors. The intermediaries gain legitimacy through proper neutral actions. The act of political actors, MNCs, intermediaries and local actors are evaluated and legitimized by the people who are directly or indirectly related to the mission of the network.

A large diversity in the goals requires different kinds of resource exchange in this network. MNC actors contribute technological resources and local business actors contribute local market contacts and knowledge, products and services. Political actors generate social and economic development, contributing financial resources. Legally they have to devise a system to control the MNCs' business activities. Intermediaries are to link different actors. In a simple structure, intermediaries are to facilitate the flow of information between these actors. In a more complex condition, they undertake an active role to bridge the relationships between different actors. Environmental organizations or organizations like the PVO in this study can act like business actors to transfer the technology to the local business actors without loosing their legitimacy. Some intermediary organizations have built their legitimacy by becoming closer to the local non-business actors. For that they accumulate resources in the organization needed for an intensive cooperation with other members of the network. Their survival depends, first of all, on the evaluation of the local communities. However, for reasons of differences in goals and resource contributions, the content of interdependency is different. Intermediaries are dependent on the political, business and local actors, including local non-business and business actors, because without these actors they do not have any legitimate position.

4.2.4. Relationship Between Business and Non-Business Actors

The function of MNCs or political actors in the society affects the local people's trust. MNCs or political actors are interdependent with the local communities for the cause of legitimacy and long-term market activity. Local people distrusting MNCs or political actors will sooner or later influence the function of the network and finally the goal fulfillment. Intermediaries enjoy their position as their legitimacy is gained by their mission in linking people to the MNCs and political actors, or, as in this study, how the intermediary helps to develop local non-business actors to become business actors. The higher the distrust between actors like political and business actors, the stronger becomes the role of the intermediary actors.

A relationship generally has its basis on reciprocity of gains and losses because of interdependencies. But mutuality in the interplay between the actors in this network is always threatened since the interaction is based on dissimilar value bases. As discussed in the previous section, the problem in such a network is the involvement of actors having their belonging in different systems. Contrary to passive support actions of people or political actors, which design unproblematic relationships, the local communities' or political actors' active engagement is embedded with conflicting relationships. This increases the risk of the appearance of conflicts and distrust. Distrust in a network emerges from the discrepancies in the aims of the actors and inconsistency between the pronounced aims and real actions. The higher the consistency between the declared goal and actions, the higher will be the trust towards these actors and the stronger become their legitimate positions. On the contrary, inconsistency in the actions of MNCs or political actors can generate distrust which finally affects the mission of the network.

In their study of business and non-business relationships, Hadjikhani & Sharma (1999) state that business actors operating in foreign markets adhere to the national laws and values and show a willingness to listen to and take an interest in demands raised by local interest groups and actors. In other words, their legitimacy in these segments of the local environment depends on how well business actors incorporate the norms of legitimacy in a society. These norms of legitimacy may, and frequently do, differ from the established and enacted formal rules and regulations in a society. Political actions towards the business actors may be passive or active. A passive policy implies "a government that governs the least" (Ibid.). In this study, the role of the political actors is limited to providing some basic services and to these supplies being kept at a minimum. In the case of a passive relationship, government may reduce their obligations by contract with MNCs. Government formally signs contracts with MNCs demanding them to fulfill the demands of others in the local community. They can demand MNCs to interact with local firms and groups to reach the aim of the governments. Cooperation between the MNCs and local units, for the aim of society development, is to be governed by trust; and conflicts are to be solved by understanding the mutual gains. Insofar as the diversity in the goals is solved by some range of cooperation, and conflicts are solved with mutual understanding, relationship is accompanied by trust. The complication arises when MNCs are formally obliged by political actors to conduct cooperation with local units but local units distrust the MNCs. Conflicts between these different types of actors influence the interaction and finally the network mission.

Alternative strategies for an actor facing a relationship of distrust with another actor are a) investment in the relationship to convert distrust to a trustful relationship; this strategy is time consuming and increases the cost of the mission; b) disconnecting the relationship; this alternative requires freedom of actions for the involved actors. In cases in which an actor is legally obliged to conduct actions and perform activities towards a third partner, this alternative is not possible. Finally, c) actors gain distance from each other and have to involve a third partner. This alternative is usually employed when two strategic actors have conflicting relationships (Ibid.). A failed negotiation between unions and industrial firms always engages intermediary actors as a so-called independent unit. Their tasks vary from simple listening to intervention and introduction of new alternative solutions. Intermediaries involved in such conditions are to be legitimated by all actors in the network and they primarily have to have a neutral position. Their mission is not only to link the actors, but also to integrate resources from different actors. For example, the act of the United Nations approved by all nations is to be neutral and not to be related to a specific country. For this mission the United Nations, beside its political and economic knowledge, sometimes conducts interventions to stabilize the socio-political condition. Organizations like the PVO in this study are not legitimized only for the sake of their socio-industrial knowledge, but also their contribution to the economic development of the societies. Such organizations, beside their technological or economical knowledge and ability to bridge between two actors and prevent conflicts, accumulate resources to have an active role in the development of societies. Instead of the passive role of possessing tasks like providing information for different actors, these organizations act to integrate different actors and their resources to reach a specific goal.

4.3. ACTORS IN THE CONTEXT OF COMMUNITY DEVELOPMENT

As we discussed in chapter 3, local community development requires a collective action of different types of actors towards common goals. These different actors, with different activities, different resources and different objectives for participation in a network, could be grouped into four categories: private business actors, government bodies, local people and entrepreneurs, and intermediary organizations that serve as "managers" of development programs.

4.3 1. Business Actor: A Commercial Company

A business actor, in our case an MNC, has of course well-defined business objectives, and is driven by economic considerations. Business actors control know-how and financial and technological resources with profit and market share as prime goals. Thus, the context of the network includes the business actors with business goals. For business actors the economic goals dominate their activities, but as we already pointed out in the first chapter, the success of a business actor may depend on factors other than coordination of production activities and efficiency considerations. The fact is that some activities of a company, without any connection to its "business mission" (like participating in community development), are efforts to obtain legitimacy. This legitimacy may indirectly affect the company's business efficiency (DiMaggio & Powell, 1991).

Thus, business actors may have to be partners in a network, and interact with non-business actors to justify their commercial operations, obtaining legitimacy and surviving in a competitive environment. An example of a business actor (Lamco), involved in a network consisting of non-business actors, is described in chapter 7, with a description of the business actor's objectives, resources and activities.

4.3.2. Political Actor: The Government

Governments, as political actors, have their grounds on political gains and their activities are based on political ideologies. Governments are of course important actors in the mobilization of resources for community development, and they are supposed to satisfy the needs of the local population. As we discussed in the first chapter, the role of governments in development projects is crucial for projects to have a lasting development impact (McPhail, 2000, p. 46). Based on their political legitimacy, they have the power to decide the rules of game and put pressure on other actors, for example business actors, to pay their shares in contributing to local development. At least officially, governments have the ambition of local and regional development and try to formulate such goals in relations with other actors, and their interest lies in concerns for domestic growth, employment, and social and economic stability (Rosenfeld & Wilson, 1999, p. 449). Regarding business actors in LDCs, we discussed the issue in chapter 2 and pointed out the disparities between LDC governments and foreign business actors, and in chapter 7 we describe a political actor (Liberian government) and its objectives, resources and activities. Host government policy, official support and legal resources are important factors that define the "environment" of the network in which other business and non-business actors participate. As we discussed earlier, governments look for other actor's participation in local development planning and implementation. Thus, the government has the opportunity to be the most important actor in the network without whom the community development could not be planned and realized.

4.3.3. Non-business Actor: Local Community

The local community is an actor which differs widely from situation to situation, from country to country and from region to region. In our case, the local community is a company-town and surrounding "bush" with total dependence on the company, and its dependence on the company will have a cost on the business actor.

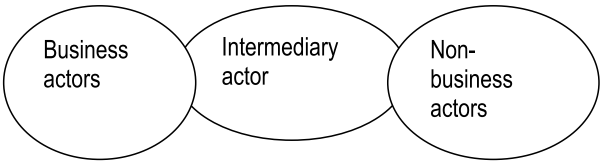
However, local community is an important actor in the process of development, and as we discussed in the previous chapter, this actor is considered as the point of departure in the contemporary perspectives on community development. Local people are considered as active partners, rather than passive objects, in the network. This actor is the only actor in the network that is deeply familiar with problems and opportunities which are the basic reasons for the existence of the network. In many situations, this actor has totally different objectives concerning their relationships with business and political actors. Moreover, especially in LDCs, this actor shows mistrust towards both political actors and business actors. Thus, the trust and involvement of the local people is important for sound relationships between the actors in the network. In chapter 7 we describe a local community (Upper Nimba County in Liberia) and shed some light on the activities and resources of this actor. Many are entrepreneurs or potential entrepreneurs, thus local business actors. They will found the basis for a viable development.

4.3.4. Non-business Intermediary Actor: The PVO

The characteristic of a modern MNC and its mode of production, compared with the condition and needs of rural areas, illustrate two different worlds. It is rather difficult to imagine how the former can directly yield benefit to the latter. We must pay attention to the important fact that MNCs are not naturally inclined to be involved in, and are not equipped to deal with, the complexity of local development. The potential benefits of the MNC should therefore be "processed" in some way before they could be utilized by local communities. In other words, the gap should be bridged in order to utilize the benefits of the MNC in a manner that is useful and meaningful for local people. The fact is that community development is not something that could be imported or followed by the MNC to the LDC. Even if the MNC were to consider the well-being and happiness of the local people first, the task will challenge the experience and capability of the company. Local development needs grassroots efforts to be promoted, and has to be fostered domestically through the development of autonomous local institutions. It is apparent that there is a need for an intermediary actor who has knowledge, skills, commitments and experience for local development, and also familiarity with the objectives and needs of a large MNC. Intermediary PVOs which are involved in human service activities could serve as a possible link between these two activities: operation of a mining enterprise and process of rural development. The PVO in the network is an actor who is able to influence other actors' objectives and behavior towards community development. In order to function properly, this actor needs to be independent, giving legitimacy and trust. Recent studies stress the emergence of intermediary PVOs as a viable force in international investments. In an era of increasing globalization, it becomes more and more important that host governments and MNCs assess the potential impact of PVOs on investment plans and projects (Doh & Teegen, 2002). Doh & Teegen argue that PVOs re-shape the business-government interface by transforming it from a two-way exchange into a trilateral structure of relationships (Ibid., p. 667).

An intermediary organization has an intermediary function as a link between business and non-business actors, as shown in figure 4.3.

Figure 4.3. The role of an intermediary actor



The role of intermediary organizations in business relationships, between a supplier and a customer, is investigated in many studies. In a business relationship, an intermediary actor has the opportunity to become an actor who is able to play a part within the business relationships (Havila, 1996, p. 4). Consequently, the intermediary actor is able to influence the relationships between the other two parties who are dependent on the intermediary's performance (Ibid.). However, the crucial role of the intermediary actor in our study is the same as in a business relationships; that is, a "distance-reducing" role (Ibid., p. 5). And as we will develop in the empirical part of this study, the main role of the intermediary actor in our case was to reduce distance, to bridge the gap, between business and non-business actors, for efficient development activities.

However, the intermediary actor in our case did not only act as a link between the MNC and the local community, but also as an actor responsible for mobilization and realizing the heterogeneous resources of other actors and directing them towards rural development. This role corresponds to the "catalyst" role discussed in the previous chapter.

The intermediary actor in our study has an integrative role. The concept of integrator is introduced by Lawrence & Lorsch (1967) and Daft & Lengel (1986). Although their studies are inter-departmental by nature, yet their concept of the integrator can be used in studying network relationships. The main function of an integrator, according to Lawrence & Lorsch, is to achieve coordination among the actors involved (Lawrence & Lorsch, 1967, p. 58-78); and Daft & Lengel (1986) state that the integrator's role includes the transmission of data, but it is primarily a way to overcome disagreements and, thereby, reduce both uncertainty and equivocality about goals and how these goals are to be achieved. The concept of integrator is interesting and useful if we extend Lawrence & Lorsch's and Daft & Lengel's findings to an interorganizational/ network level. They review the integrator as being involved in non-routine and non-programmed problems that arise among traditional functions. The integrators contribute to important decisions on the basis of their competence, experience and knowledge, rather than on their positions. Effective integrators were found to be more confident, persuasive, social, and willing to take initiative. Furthermore, integrators have an "intermediate" position, and a balanced orientation and behavior pattern towards the departments (actors) that they are attempting to coordinate. Although Lawrence & Lorsch and Daft & Lengel do not discuss change, the description of the integrator's role and function implies also the role of a change agent. The concepts of change and change agent will be discussed later in this chapter. However, we use the concept of "integrator" in order to mark the role and function of the intermediary actor in a network of relationships.

The intermediary actor serving as integrator between other actors in order to achieve a specific task must also have a legitimacy among these other actors. This may be founded on their acknowledgement of the intermediary's special knowledge and commitment for the task, a task that the other actors do not have as an objective of priority, but which is necessary to be satisfied. Such a task could be bought in the market, had it not been for its close long-term integration in the other actors' operations. Then interaction and mutual network control is necessary.

The intermediary's independence. Although the intermediary actor is interdependent as a network member, as are other actors (c.f. section 4.2.4), the intermediary actor must also be independent in order to gain legitimacy and trust in the network. Some areas for independence are discussed here.

* ***Economic independence.*** To be independent, the intermediary actor needs resources of its own. It may be rich, or it may be a member of an international charity organization channeling funds from the United Nations or national development agencies. Less independent, but sometimes satisfying, is funding from the other actors' contribution to a special development fund, or from a fee on each exported ton or barrel.

**** Goal independence.*** The intermediary actor can hardly gain all actors' trust if it shares the main goal of one of the other actors. Since in business the ultimate goal is to earn profits, the specific-task-intermediary has to have another primary objective, tied to the task. The objective in this study is rural development. An intermediary actor serving this task should ideally have this as an exclusive priority. And only if it follows this priority, is it granted funds from the international development societies, and only then it can attract volunteers to join the work on site.

This goal may be in conflict with the other actors' goal. The MNC can find that good workers leave and start enterprises of their own, the government may experience that farmers learn to get decently paid for deliveries to the urban population, and the local potential entrepreneurs may accuse the intermediary integrator of not helping in the manner they want but insist on heavier work and studies, encouraging local competition, and not furnishing the most modern equipment available.

An independent actor recognizes these kinds of conflicts but can persist in its goals, and tell the other partners never to forget that this is its goal. Negotiations may start with this goal in mind, and the other partners have to respect it, since the integrators' assistance is needed.

**** Resource independence.*** Besides economic resources, the intermediary integrator needs its own resources, attractive to the other actors. Typically this is know-how. MNCs, and governments in LDCs, seldom have the knowledge of how to manage a rural development in remote parts of a country, but this can be the speciality of the intermediary. Specifically, when it comes to small business, near to the individual small farmer or carpenter, MNCs seldom have developed the skills for assistance.

If there is a viable community clause, or if the World Bank prescribes rural development to grant loans, then it pays for the other actors to select and recruit an intermediary organization specialized in this task. The intermediary gains independence just because it has this knowledge, needed by the others.

The intermediary's duties. The intermediary integrator is not there to help partners with their jobs. It should not raise pigs or hens itself, nor dig mines or set up a police department. It should not tell people what to do. The task is to influence the other actors to a fruitful co-operation in order to establish a viable community. And that means all actors, business and non-business. As the study of Doh & Teegen points out, a task of an intermediary PVO is to effect change (Doh & Teegen, 2002, p. 669), and influence the formal institutional setting for MNC investment (i.e. the setting based on a formal agreement between an MNC and a host government). Remembering from chapter 1 that one of the common mistakes in site development is the top-down approach, the intermediary must look at the indigenous population as an actor, as a subject, not as an object for charity or instruction. This means that the intermediary actor has to influence two areas:

1. the goals, objectives and measures of each partner, related to rural development, and
2. the relations between partners so that development efforts will be more coordinated and efficient.

According to network theory, the first area includes establishment of relations with the other actors. As described above, these need the resources, the know-how, of the intermediary actor, and the intermediary needs co-operation, technical assistance, construction of roads, electricity, water supply and other infrastructure from the government and the MNC. From the local people it needs co-operation and a willingness to undertake studies and work, and a social acceptance of entrepreneurial efforts. In these relationships with the other actors, the intermediary integrator has the possibility to gradually change their insights into what development demands, their attitudes and methods.

In the other area, influencing the relations between the other actors, the intermediary integrator has to resolve conflicts and misunderstandings, and to develop trust and co-operation. To do this, the intermediary must be looked upon by the other actors as an independent and legitimate actor, not without power stemming from trust, from its exclusive knowledge and from its international back up. Step by step, local entrepreneurs' growing possibilities to supply, and the MNC's and the government's small-scale demand, should be matched, thus developing the business relations between actors.

Of special importance is that the intermediary can change the top-down approach from the MNC and the government towards the local people. It could put forward a common goal, rural development, and try to build a network where all are equally necessary actors, contributing to this common goal through co-operation and exchange of resources.

However, the duties of the intermediary actor described in this chapter, and its role as a "manager" in the network, implies that the intermediary is also responsible for *changes*. Community development is a process of change. The intermediary must try to change the local entrepreneurs, and potential local entrepreneurs, from a state of total dependency on the MNC at first, to somewhat more independent business partners, later to active entrepreneurs extending their network locally and regionally. In the next section we consider the dynamics of relationships in a network.

4.4. RELATIONSHIP DYNAMICS

4.4.1. Introduction

In the literature, networks are considered as dynamic structures. Networks are stable, but not static. Networks change gradually in response to changes external and internal to the network (Easton, 1992, p. 11). It implies that relationships are also subject to changes, and in this section we review various viewpoints concerning the concept of *change*. This review is relevant for our study firstly because networks are dynamic and changing structures, secondly because the development process is a process of change (Auty & Toye, 1996, p. 5), and thirdly because the intermediary actor in our case acts as a change agent.

Change is simply concerned with making things different (Robbins, 2003, p. 558). Generally, change is a product of some problem, and problems are discovered when "what is" is identified as somehow different from "what ought to be" (Klein & Ritti, 1984, p. 568), or as another author puts it, the need for a change is recognized when a gap between "actual performance" and "desired performance" is perceived (Jones, 1995, p. 483). Another author considers change as a result of "conflict". Conflict initiates a search for resolving the conflict and therefore leads to change, and conflict makes changes more acceptable and even desirable (Litterer, 1966, p. 154).

However, there are different approaches to planning and implementing changes. Sometimes the change is introduced very quickly, perhaps even before people realize what has happened; and, at other times the change proceeds much slower (Kotter *et al*., 1986, p. 345). Researchers talk also about *evolutionary* and *revolutionary* approaches to the change (Jones, 1995, p. 485). The evolutionary approach deals with minor changes, and the revolutionary approach means drastic changes, with high-risk. Other related concepts are *unplanned change, planned change, first-order change* and *second-order change* (Robbins, 2003, p. 558). Unplanned change takes place in reaction to events as they occur (Rosenfeld & Wilson, 1999, p. 286). Planned change is concerned with activities that are intentional and goal-oriented. First-order change is a planned change that is linear and continuous, and second-order change is a planned change that is multidimensional, multilevel, discontinuous and radical (Robbins, 2003, p. 558). Moreover, a change can have *problem-solving* (solve current problems) or *developmental* (prevent future problems) characteristics (Kotter *et al*., 1986, p. 346). As Gordon points out, trigger events indicate change and a change unleashes mixed reactions (Gordon, 1987, p. 426-427). Putting change into place is likely to involve attention to different levels: individual, the group, the organizational, the interorganizational and the societal levels (Rosenfeld & Wilson, 1999, p. 286). However, a common problem is the fact that the process of change rarely lends itself to precise mapping of future states (Ibid., p. 295).

In this section we will briefly discuss change in networks and the role of a change agent. Many changes may be unplanned and just happen as an accidental occurrence. However, we are here concerned with change activities that are intentional and goal-oriented.

4.4.2. Incremental Change

As we pointed in chapter 3, networks are dynamic and changing structures. There are various aspects of dealing with changes in networks. In a network perspective, change develops mainly through mobilization and coordination of activities and resources of several actors (Hertz, 1992, p. 106), and change is a result of a long-term networking process (Håkansson & Snehota, 1995, p. 283-284).

There might be revolutionary approaches to change (Jones, 1995, p. 485), but such drastic changes are not usual in a network context (Easton, 1992, p. 24). Changes can be *incremental* or *intentional* (Ford *et al.*, 1998, p. 54-55). Incremental changes occur partly out of necessity and partly out of chance, and intentional changes appear as a result of activities that are carried out with the intention of changing the status quo. In a network, changes between two actors may be divided in *confined* and *connected* changes (Halinen *et al*., 1999, p. 781). The confined change is the part of the change that remains between the two actors, and the connected change is the other part that affects other actors and relationships in a network. It means that changes may spread via relationships, meaning that a dyadic relationship between two actors may have a changing impact on other actors and relationships in a network (Ibid., p. 780). The dyadic change between two actors may concern changes in actor bonds, activity links and resource ties that exist between the two actors (Ibid., p. 781).

4.4.3. The Role of an Intermediary Change Agent

As we discussed in the previous chapter, the process of community development needs profound changes, and a catalyst actor, an intermediary integrator, acts as a *change agent* in order to bring about necessary changes. In the literature, a change agent is referred to as the actor who is responsible for ensuring that the planned change is properly implemented

(Gordon *et al.*, 1990, p. 644). Rosenfeld & Wilson define change agents as individuals or groups of individuals whose task is to effect the desired change (Rosenfeld & Wilson, 1999, p. 294). The role of the change agent is to act as "intermediary" and as a spur to effecting change (Ibid., p. 295). A change agent is often an "outside expert" or adviser with more objectivity to a situation and better ability to obtain the acceptance and trust of involved parties (Gordon *et al.*, 1990, p. 644-645). According to Gordon *et al.* a change agent may use a three-steps process before implementing the change. These steps are: *data collection*, *presentation of the results* to all concerned parties, and finally, *action decisions* (Ibid., p. 645). The overall objective of the change agent is to decide how much change to try to bring about and how much effort is to be directed at problem solving versus developmental change (Kotter *et al.*, 1986, p. 346).

Most experts agree that change has to be reflected by an aim. This means that the change contains a process of initiation and end. In phrasing this short-term interaction between the partners, authors simplify the process by dividing it into stages. In other words, there is a *change sequence* that is the sequence of events that is needed to bring about a change (Gordon *et al.*, 1990, p. 634). The most famous, and old, model of change is a three-stage process proposed by psychologist Kurt Lewin (1951):

Unfreezing → **Change** → **Refreezing**

Lewin's three-stage process underscores the need to *unfreeze* the parties and then *refreeze* them once the changes are made. At the unfreezing stage, the need for a change is realized by recognizing that some problems and events require new solutions. The change is then introduced and implemented at the change stage. At the refreezing stage, the necessary reinforcement is provided to ensure that the new patterns are adopted on a more permanent basis. The change process, which is activated by a change agent, concerns the "attitudes" of actors (Czarniawska-Joerges, 1993, p. 93). At the unfreezing stage, the change agent challenges the opinions and ideas of actors that have been taken for granted. Then a change takes place, and finally the attitudes are refrozen with support from the change agent (Ibid.).

Regarding change by change agents, Kotter *et al.* present a seven-steps model. This model focuses on change by a change agent "external" to an organization. At the *scouting* stage, the change agent and the client obtain primary information about each other without committing themselves formally to the project. Here the change agent must assess the actors' readiness for change. The scouting phase ends with the change agent's decision about whether to proceed with the change effort. At the *entry* stage the change agent attempts to negotiate a contract with the involved actors. In conjunction with scouting activities, the change agent identifies actors for contact and develops effective working relationships with the actors with whom the agent shares expectations about the change process. At this stage the change agent also identifies individuals in other organizations to serve as the agent's contacts with other actors. The *diagnostic* phase involves problem definition, further goal specification and an evaluation of the available resources. At the *planning* stage the change agent and other actors generate alternative strategies for meeting the objectives of the change. The involved actors outline the prescription for change, determine the steps in its implementation, and detail the cost, timing and necessary personnel. This stage requires anticipating and planning for all possible consequences of the change effort. At the *action* step the change agent implements the best strategy. At the *evaluation* phase the change agent collects data about the change as it is occurring. The extent of evaluation needed depends on the significance of the project. The results of the evaluation indicate whether the change process is complete or should return to an earlier stage to effect further change. And finally at the *termination* stage a project terminates depending on whether the project is a success or failure (Kotter *et al*., 1986, p. 687).

As we discussed in the previous chapter, the process of development is a process of change. It is necessary that one actor in the network assumes the role of a change agent. The change agent has also the role of an integrator for mobilizing the resources provided by the other actors. As will appear in this case, the intermediary PVO has a focal role as an intermediary integrator, or a broker, in the observed network. Referring to the network theory, this focal actor performs some activities in order to realize the resources provided by other actors. These activities are supposed to lead to an objective, regional development. Håkansson & Johanson (1992) describe a focal actor who has indirect control over resources in a network by having relationships with other actors who have direct control over those resources.

4.5. A SUMMARY

While the business network traditionally put the emphasis on the business actors, the attempt in this chapter was to expand the conceptual boundary of the business network and include non-business actors. A commercial company may be a partner in a network consisting of not only business actors such as customers, sub-contractors, distributors etc., but also of non-business actors such as government bodies, intermediary organizations, local communities and other non-business actors. Therefore the interplay between two business actors differs widely from the interplay between a business actor and a non-business actor, or between two non-business actors. This leads to the different nature of relationships regarding business and non-business actors in a network.

In this chapter the actors, both business and non-business, were identified. The role and function of a specific actor, the intermediary, were stressed. And we shed some light on change and change in networks. Change is seen as a natural phenomenon which demands a continual dialogue and continuum of contacts between the actors if the network is to remain dynamic and process-oriented.

5. A SYNTHESIS & METHODOLOGY

5.1. INTRODUCTION

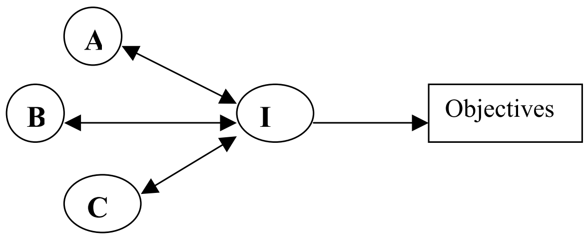
In the first chapter we referred to a number of recent studies, including a World Bank study, on the lack of viable development effects from extracting MNCs in LDCs. The studies stress the importance of co-operation between the actors to bring about a development effect. In the two earlier chapters. the aim was to introduce the views close to the subject of this study. After the introduction of a business network, the view of non-business actors infused into the context of business network. The purpose was to illustrate that MNCs, with the aim of fulfilling contractual commitment, should interact with several different types of actors, and part of the contractual commitment is to develop a community. As manifested in the earlier chapter, the views of the business network, which are developed in this study, and the views prescribed in community development have several major similarities. In both theoretical views, the role of the intermediaries as agents to overcome change was discussed. In this chapter, the attempt is to introduce a synthesis of the framework which was discussed in the earlier chapters. It aims to manifest the crucial factors that will be used to analyze the empirical study. After the synthesis, the effort of the next section in this chapter is to introduce the methodology used to collect the empirical facts.

In the study of McPhail (2000) we found that there were networks consisting of MNCs, host governments, local communities and PVOs. PVOs acted as representatives for local communities or for interests other than those of economic development (e.g. World Wildlife Foundation in Papua New Guinea). According to the community development theory discussed in chapter 3, a viable development demands the involvement of the population itself and of a network committed to development, or at least an actor with this objective.

In the two previous chapters we also made an effort to establish a stronger link between network theory and community development theory by discussing the role of an intermediary actor, an integrator. The purpose was to find characteristics necessary to an intermediary actor to be able to influence other actors' objectives and behavior towards rural development. We argued that a fundamental quality is independence, giving legitimacy and trust.

Legitimacy and trust among the site population are necessary for MNCs to achieve, since the population has to be an important actor in the development process. The population has every reason to be suspicious of the intruding partners such as an MNC or government agencies, but also of other organizations, whether from the World Bank or a PVO. These other organizations may be looked upon as instruments of the MNC or the government. Therefore independence is the first thing to demonstrate. Therefore organizations such as PVOs seem to require own objectives, and own resources.

In the empirical case of this study, several actors combined, developed, exchanged and created resources by utilizing other resources. According to the network theory, though resources are changed and the different activities of different actors are linked to each other, they affect and are affected by the relationships between actors involved (Håkansson & Johanson, 1992 p. 30). Any individual actor is dependent on resources controlled by other actors. The inducement which actors offer each other is essential for the exchange processes which give rise to relationships (Johanson & Mattsson, 1987). The function of an intermediary integrator (I) in a network is illustrated below:



In this illustration, the needs and resources of actors are heterogeneous. When heterogeneous resources are combined, new knowledge emerges (Ibid.). The coordination is essential since there is a division of work in the network, and coordination takes place through interaction among actors in the network (Johanson & Mattsson, 1985).

In the rest of this chapter we combine traits from chapter 3 (community development and network theories) and chapter 4 (non-business actors in a business network) into a model which will be developed in the next section.

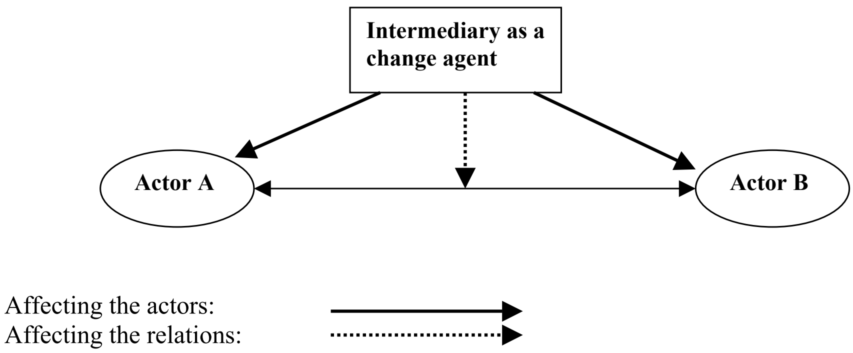
5.2. THE SYNTHESIS

In chapter 3 we discussed the relationship between the involved actors and also their resources and activities in combination with each other. In chapter 4 we had a discussion about business and non-business actors in business networks. Actors involved in community development, the concept of change, change in networks and the role of a change agent were also discussed. We stressed the importance of co-operation between various actors for the development process of a local community, and discussed the concept of an intermediary actor.

As we mentioned earlier, the actors in a network do not need to be in the same "market", and a network can consist of both "business" and "non-business" actors such as commercial companies, PVOs, government agencies and organized groups of people.

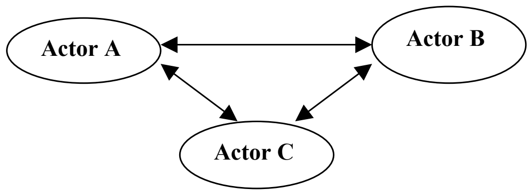
In order to develop our model, we start with the simplest form of relationship between two actors, which is a *dyadic* one (Axelsson, 1996, p. 209). When a new actor, an intermediary change agent, is introduced, the agent affects not only the two actors' objectives, but also their relationship. The effect of a change agent on a dyadic relationship is illustrated in figure 5.1.

Figure 5.1. The effect of an integrator as a change agent on a dyadic relationship



With the framework above in mind, we continue our discussion by describing a *pre-change* and an *after-change* situation (that is, *before* and *after* the introduction of a change agent) of a network of actors. The dyad described above is not a network. A network consists of at least three actors, a *triad* (Ibid., p. 210). As shown in figure 5.2, at the pre-change stage we have a triad of different actors, both business and non-business actors, involved in a net of relationships with each other.

Figure 5.2. A network before introducing an intermediary change agent

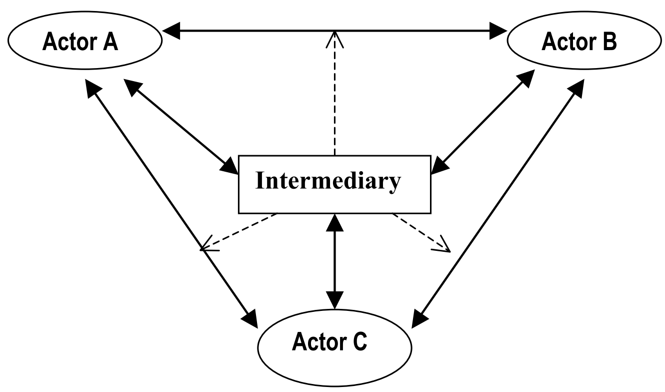


Referring back to our discussion about the concept of change in chapter 4, we may describe the situation as the *current situation*, or *unfreezing stage*; that is, the stage when the need for a change is realized owing to problems that require new solutions. The actors in our triad are *dissatisfied with the present,* are confronted with some problems and *recognize the need for a change.* And as we discussed earlier, one approach for planning and implementing the change is to "invite" a *change agent* into the network; or in other words, to "add" a relationship to already existing ones (Johanson & Mattsson, 1987, p. 36). The change agent was described in chapter 4 as an intermediary actor, an integrator or a catalyst, with the ability to combine the resources from other actors.

But why "invite" a new actor into a network? One answer would be to reduce the uncertainty by letting a new actor bear it (Heimer, 1985). The process of change can strictly be divided into planning and implementing. This process contains uncertainty for the actors in our triad since none of them can act as an intermediary change agent, and the best approach would be to ask a new actor to do it. Heimer also points out that actors will be eager to have other actors act as external information buffers in fields in which conditions are changing rapidly and it is hard to predict whether the sort of information that is needed today will be relevant tomorrow (Ibid.). Another reason might be the "bridging effect", where a new actor can be used as a bridge to other actors (Johanson & Mattsson, 1987). Referring to the division of work in the network perspective (Ibid.), a new actor might be needed to carry out the "change work" since other actors have other "works" to do. The new actor might also be considered as a *linking-pin organization* (Baumgartner *et al.*, 1976) with the role of providing services linking actors to each other by transferring resources, information or clients. The new actor can also be considered as an *interstitial organization* (Bates & Bacon, 1972) that plays the important role in promoting exchanges and co-ordination between other actors. According to Bates & Bacon, voluntary organizations are interstitial ones (Ibid.). Actual or latent conflicts between partners can also be reasons for inviting an intermediary. The new actor can contribute to conflict resolution, as is the case in big wage negotiations.

To sum up, we may argue that the actors in our triad need to "employ" a new intermediary actor in order to plan and implement the changes that are required for a complex process such as the process of local development. Thus, the change agent not only affects the individual actors, but also affects the relationships between the actors. The triad after introducing an intermediary actor is illustrated in figure 5.3, with the thin dotted arrows indicating the effects.

Figure 5.3. A network after introducing an intermediary integrator (change agent)



Relationships: ⟷

Effects: - - - - - →

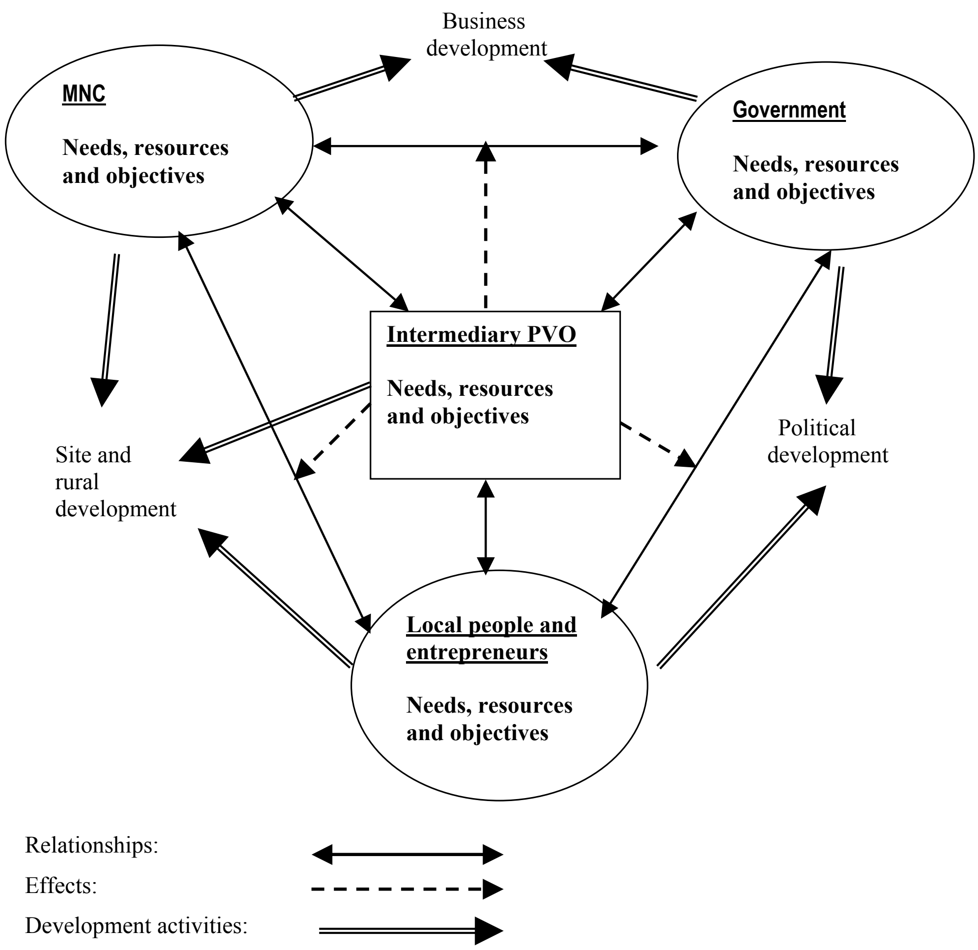
In the figure, three basic actors and one intermediary actor are represented. The three basic actors are a business actor, a non-business actor and a local community. Three main areas should be developed by the actors: *a) business development* with the government and the MNC as actors; *b) political development* where the government could interact with the local community; and *c) site and rural development* where the MNC is responsible and the local actors have to be involved, which is the task of the intermediary PVO. As will be pointed out in our empirical case, the government was hardly involved, at least not in the first periods of this study.

Thus our framework should include two traits of theories. One is a development and change theory. In the present study we recognize the local people as actors and subjects, not as passive rural objects that should be helped by other actors, as is more common in theory and practice when an MNC enters a rural area to extract ore or drill oil wells.

The other is a theory suitable for analyzing the relations and bonds between the actors. We chose the network theory. In our study there are, however, some traits not so common in the network theory: a) important roles are played by non-business actors such as the PVO, the local actors at the beginning, and to a minor extent by the government; of these the government is treated in the theory as somewhat more of a non-business *political* actor. – b) the intermediary PVO was engaged to function as an integrator and a change agent, thus with the duty to influence the other actors, change their attitudes, and the relations between them; we must devote special attention to adopt this role into the theory. – c) local actors were at first non-business actors, but through the efforts of the PVO some should develop to business actors.

However, two of these development areas (business development and political development) are peripheral to this study, serving as a necessary background, and one of them (site and rural development) is the main focus. Figure 5.4 shows an overview. According to the overview, the government took no part in the site and rural development. This design reflects the passive role played by the government; its contribution is only a clause in the concession contract prescribing the MNC's responsibility for development of a viable community. In our case, after a coup, the new government took a more active part, supporting the intermediary PVO.

Figure 5.4. Three development objectives



5.3. THE METHOD OF STUDY

In this section the research approach will be presented. As stated by Selltiz *et al.*, even though research may raise as many question as it answers, there remains a constant effort to devise procedures that will increase the probable accuracy of research answers (Selltiz *et al.*, 1976, p. 11).

According to Selltiz *et al.,* research purposes can fall into four broad groupings (Ibid., p. 90):

1) to gain familiarity with a phenomenon or to achieve new insights into it, often in order to formulate a more precise research problem or to develop hypotheses,
2) to portray accurately the characteristics of a particular individual, situation, or group,
3) to determine the frequency with which something occurs or with which it is associated with some thing else, and to test a hypothesis of a causal relationship between variables,
4) to test a hypothesis of a causal relationship between variables.

The nature of this research corresponds with the first type of grouping called *formulative* or *explanatory* studies, with major emphasis on discovery of ideas and insights. When selecting explanatory research, according to Selltiz *et al.*, the research design must be flexible enough to permit the consideration of many different aspects of a phenomenon, and that is why a review of related social science and other pertinent literature are considered to be fruitful in the search for important variables (Ibid., p. 90, 92).

However, the purpose of this research is to study a phenomenon, an intermediary/ integrative approach. We are interested in obtaining insight into a situation by which an intermediary actor influences other actors, and by which a business actor invites another actor to join and influence the other actors in a network. We do this by considering an intermediary organization acting as a broker between an MNC and local rural people in an LDC. The setting chosen, PFP and Lamco in Liberia, was consequently the one that suited an empirical investigation.

Obstacles to carrying out a detailed empirical study in Liberia were removed when the author was awarded grants from two research institutions. In addition, owing to the practical assistance from Gränges Company in Stockholm and Lamco Joint Venture Operating Company (Lamco) in Liberia, the author skipped a lot of bureaucratic procedures concerned with obtaining a visa from the embassy in Stockholm and also contacts with authorities while staying in Liberia.

5.3.1. The Empirical Study

The empirical study follows the process that is recommended in the literature (see for example Selltiz *et al.*, 1976 and Yin, 1989). It started with a review of the literature concerning the operation of MNCs in LDCs in order to gain an overview of related issues, perspectives and debates. The debates on MNCs' operations in LDCs and LDCs' situations are presented in chapter 2. Then a framework for the study was constructed and is presented in this chapter. It must be noted here that parts of the literature are rather “old” in order to reflect the prevailing viewpoints, both in research and practice, for the period of the empirical study (1974-1983). The “new” references are also used in order to point out that the “problem” is still of present interest.

The next phase consisted of an empirical pre-study in 1982 in order to get a general picture of the problem area, establish contacts, and find proper areas for a more detailed study. The final phase, an in-depth empirical study, which was carried out in 1983, was a detailed investigation of an intermediary organization, its roles, effects and cooperation with other parties in a network of relationships. Since social reality is dynamic and changing, we have delimited our case to a period of ten years (1974-1984), and observed the factors and events that affected the case during this period.

5.3.2. Selection of the Research Setting

As a researcher living in Sweden, it was of great advantage to choose a Swedish MNC with an operation in an LDC. Access to information from the home office, and other facilities, were decisive in choosing the research setting. Further, the Department of Business Studies at the University of Uppsala has had a long tradition of research in various aspects of international business, and publication of many research reports and dissertations was another reason for choosing MNCs as the subject of research. After a brief survey of Swedish MNCs, Lamco in Liberia was chosen. Since the operation of the joint venture was managed by Gränges International Mining (GIM), a Swedish company, the author obtained valuable information at the initial level of research from Gränges Company in Stockholm. Furthermore, two comprehensive studies about Lamco had already been published by the Department (Mildner, 1965; Sondén, 1966) and these served as another incentive for choosing Lamco as the object for this study.

The research setting was considered interesting and attractive, not only because the Lamco project was the largest Swedish private investment in an LDC (Storette, 1971), but also because of the fact that Gränges Company, from the very early stages of the Lamco project, stressed concern for the development of the host country, Liberia (Waldenström, 1963). According to Storette, the Swedish contribution to Lamco represented the largest Swedish business investment abroad during the entire quarter of a century after the Second World War (Storette, 1971, p. 7).

But the most important factor for choosing the research setting was the fact that an intermediary approach was initiated by a mining MNC, Lamco, for implementing rural projects. The intermediary approach, which was considered new and unique in Liberia, started in a rural region of Liberia in 1974, when a non-profit development agency was invited by a mining MNC to plan and implement developmental projects in areas surrounding the company.

The multinational was Liberian American-Swedish Mineral Company (LAMCO), a large mining company with the aim of mining and improving iron ore for export. The region was the Upper Nimba County in Liberia, a tropical rural area close to the borders with Guinea and Ivory Coast. Also, the intermediary organization was Partnership for Productivity (PFP), a non-profit development agency active in Africa.

As mentioned, PFP came to Upper Nimba County in Liberia at the request of a mining MNC, LAMCO Joint Venture Operating Company (Lamco). The program was unique in that no other non-profit, non-governmental agency was at that time helping to implement an integrated rural development scheme within a multinational concession area. The fact that a portion of the initial funding for the project had been provided by the company itself indicated that there was concern and/or purpose behind its endorsement.

However, the PFP program represented a joint effort of an MNC, the government of an LDC and a PVO to work with the people of a rural area. The program aimed to make available to local farmers and entrepreneurs the technical, human and financial resources represented by the multinational in order to build a viable community within Yekepa, the base of the mining corporation.

In this study we use “Lamco” to refer to “LAMCO Joint Venture Operating Company”, a wholly owned subsidiary in Liberia established by Gränges Company, through which it managed the entire LAMCO project. “LAMCO” refers to “The Liberian American-Swedish Minerals Company”, and “LAMCO Joint Venture” refers to the agreement between LAMCO and Bethlehem Steel Corporation. The structure of LAMCO Joint Venture is presented in Appendix C.

5.3.3. Data Collection

The data for this study were collected from primary and secondary sources. The primary information was based on an empirical study in which a mining MNC and an intermediary organization were involved. Secondary information consisted of books and articles written in the field we are concerned with.

The empirical study was carried out in Upper Nimba County in Liberia during two visits. During these visits information was obtained by means of interviews, observations, and surveying written material and available archival sources.

Questionnaire-method was not used for data collection since, because of questionnaires' standardized wording, standardized order of questions and standardized instructions for responses, the method demanded "uniformity" of respondents. In our study, however, there were clear differences between individuals from different organizations with different occupations, backgrounds, situations and experience. Therefore, the bulk of data was collected by interviews.

Minutes from PFP meetings and diverse memoranda were also valuable sources of primary information.

Collected information was important for understanding the condition of the social, political and economic environment of the research setting, and for gaining insight into the goals of involved actors and co-ordination between them.

Several developmental projects were selected and visited for investigation in order to consider the real complexities involved in development programs. These projects are described in chapter 8 and involved several visits to small villages and farms where the author had the opportunity to talk directly to people affected by development programs. Most of rural people could speak English, but in some cases, when the interviewee was a tribal Liberian, a Liberian member of PFP acted as an interpreter.

The Interviews and the Interviewees. As we mentioned above, the bulk of data was collected by interviewing PFP officials, Lamco officials, local businessmen and local farmers. The author also had some "unofficial conversations" with local government officials. All interviews were face-to-face and not via telephone. The interviews were based mainly on "open-ended" questions, without formal questions or use of tape-recording, and the interviewees were informed in advance about the main topics of the discussion. "Open-ended" questions permitted a free response from the interviewee rather than limiting him/her to stated alternatives. The topics/questions were individually designed owing to the different positions of interviewees (see Appendix A), and the open questions allowed the interviewees to discuss further issues considered to be important. Some interviews were followed later by another interview for completing the previous one. References to various interviewees are made with their initials (see Sources for a list of interviewees). There were, however, "less-structured" interviews at the beginning of the field research in order to find out what the basic issues are.

The number of interviewees was 46 and they consisted of 10 persons from PFP, 9 persons from Lamco, 13 commercial farmers, 12 local businessmen and 2 officials of University of Liberia. Four interviewees were American, 3 were Swedish, 3 were British and 36 were Liberian. Five of the interviewees were women. Interviews with government officials were planned and booked, but were not carried out because of the officials' "lack of time".

The interviews with local businessmen and farmers were carried out on their sites. Interviews with Lamco and PFP officials were carried out both at their offices and also in more informal atmospheres (their residences, restaurants, pubs, recreational centers and other social gatherings).

The informal and face-to-face nature of interviews had a great advantage in the sense that the author and the interviewee could clarify the questions and the answers when either of them did not understand a question or an answer. The "conversation" went on until the question/answer was clear. As mentioned before, the questions/topics were formulated with regard to the interviewees' position, background and experiences; that is, there were not any conversations about the world market for iron-ore when talking to a local farmer.

Since the interviews were open ones, not all answers are commented in the text, but only the information that was relevant with respect to the framework of the study, that is, the role of PFP as a change agent and catalyst, characteristic of the involved actors, their objectives and resources and their relationships with other involved parties. As a whole, the replies and comments were later summarized and classified under different themes.

Observation as a Research Method. Observation can serve as a scientific technique when it is planned and recorded systematically (Selltiz *et al.*, 1976, p. 252). In this study, observation was also a tool for gathering information by visiting and observing both PFP projects and also the infrastructure built by the company. Simultaneously, in those "natural" and "real-world" settings, questions were asked from the officials/clients who were accompanying the author to the objects. Field notes were written, "jotted down", during the visits and then, later, were "translated" into more refined and structured information.

An observer can have various roles such as *provocateur, complete participant, participant observer, an observer as participant,* and finally, *complete observer* (Ibid., p. 263). The role of the author in this study was the last one, a complete observer.

The observations were relatively unstructured in the sense that the author had not decided beforehand what aspects would be recorded by means of checklists and the like. According to Selltiz *et al.*, the unstructured method provides a richer and direct account for the object under observation. The researcher does not impose his/her structure on the situation but instead attempts to provide an analysis of the complexities found in the situation (Ibid., p. 270).

Reliability Issues. As far as possible advice was followed to get high reliability interviews:

* Information was gathered from different sources; interviews with PFP officials and with small enterprises, using our own observations as a control.
* Since interviews did not follow a regular scheme, but were open-ended, notes were re-written the same evening while all observations and discussions were still remembered.
* Since some issues might be controversial, information was compiled from relevant actors from both sides, e.g. both PFP and enterprises, both PFP and Lamco, both PFP and government, and both Lamco and government.

In chapter 8, twenty cases of small enterprises are presented. They have been selected from among 485 small enterprises helped by PFP. The selection was not random but aimed to study a variety of types and conditions. First, PFP documents were studied and discussed with PFP personnel, second the author followed PFP personnel to the enterprises. The sites and work were observed, the entrepreneurs were interviewed, sometimes with the help of an interpreter. The same evening, the author studied the notes and wrote down experiences and observations.

In this way the author believes the collected information was of the highest quality possible. Of course, in the sample there are only surviving enterprises, since only these could be studied at their sites, and presumably because PFP found them to be more interesting. All material from these cases are collected in the dossier “Mini-cases”.

As a whole, evidence is reliable to the extent that we can assert confidently that similar findings would be obtained if the process of data-collection were repeated. Since interviews were the primary source of information, great attention was paid to the reliability of the responses. The answers were judged to be reliable when different interviewees provided similar answers to the same question. In some cases the questions were repeated on various occasions in order to re-check the reliability of the answers. The answers and comments that were obviously subjective (e.g. judgments based on stereotyping etc.) were not considered.

PART III: AN EMPIRICAL STUDY OF A BUSINESS-RELATED NETWORK FOR COMMUNITY DEVELOPMENT

Networks have a purpose. Among primates the purpose is defense against predators, and within a group to gain some power or other benefits (Dunbar, 1996). In business the purpose seems to be to reduce uncertainty, to gain something like a monopolistic excess profit, or to develop a competitive edge based on technology. In our study the basic network grew from a common wish to extract and export iron ore. The focus, however, is a side-network forced upon the original actors by external and internal forces. The purpose of this side-network was economic development of the region surrounding the mining site.

6. THE BACKGROUND

6.1. INTRODUCTION

In chapter 2 we discussed the fact that the impact of the operations of MNCs on less developed areas is a subject of great interest. At present there are factors of suspicion and hostility, deeply rooted in painful history, on both sides. There are many studies that have regarded the impact of the multinational concession companies on the host areas. Most studies, however, report a negative and distorting impact of multinational concession companies on the host areas. Even in the cases where the best intentions were involved, the positive impacts were limited. We have stated that problems stem from the fact that there are disparities regarding the operation of concession companies on one side, and the process of development on the other side. In other words, the existence of these problems could be due to the fact that an intermediary link, between business operations and development efforts, is missing.

However, our study examines such an intermediary organization. Organizations are not being created spontaneously, but brought about as a result of certain needs and circumstances. In this chapter we will briefly consider the pre-history of the intermediary organization (PFP); that is, the series of events which preceded the birth of the organization. In the following sections we first familiarize ourselves with a brief background of the host country, Liberia, and its social, political and economic conditions with special reference to the site of this study, Upper Nimba County. Then we pay attention to the background of Lamco and its developmental efforts. By considering Lamco's background, we aim to explain why and how the new intermediary organization, the integrator, was created, and what factors shaped its establishment. Finally, we consider the background of the PFP and its activities.

6.2. LIBERIA: A BACKGROUND

6.2.1. Introduction

The section is mainly based on *Africa South of Sahara* (1982), Carlsson (1977), *Economic Survey of Liberia* (1983), Hinzen & Kappel (1980) and *Liberia 1971-1978* (1978); and also related web sites. The facts presented here refer to 1984, the time of the study.

The Republic of Liberia is located on the west coast of Africa, in an area formerly called the Pepper Coast (see the map in Appendix B). It has a land area of 111,370 km^2 (which is 1/4 that of Sweden), and had an estimated population of 2 million in 1984.

The official language is English, but there are more than 20 local languages in the country. Only 25% of population is literate. Infant mortality rate is 132/1000 and life expectancy is 49 years. About 15% of the population is Christian, 20% Muslim and the remaining 65% practice traditional religions. There are at least 16 distinct ethnic groups in the country.

The country's monetary unit is the Liberian Dollar with a par value to that of the US Dollar. The country has no central banking system and the Bank of Monrovia is a wholly owned subsidiary of the First National City Bank of New York.

In 1984 about 82% of the work force were occupied in the agriculture sector, 7% in the public sector, 6% in the service sector and 5% in industry and commerce.

The demographic pattern of Liberia is characterized by a number of features typical to LDCs; a high proportion of children under 14 years, a high density around the capital city Monrovia (with an estimated population of 400,000 in 1984), a high growth rate in the capital city, and a high rate of migration towards urban centers.

6.2.2. A Brief History

The modern nation of Liberia is the outgrowth of the American Colonization Societies. Prior to the American Civil War, these societies claimed that the answer to the U.S. slavery problem was to settle black Americans in their own black African country. In 1822, the first settlers (55 freed slaves) landed at the site of Monrovia. These were followed by others. Mississippi, Maryland, and Pennsylvania each sent their own settlers who established independent colonies. By 1838, the three colonies joined together to form the Commonwealth of Liberia in order to improve finance and commerce, expand their territory and to pursue a policy to suppress the slave trade to America. In 1847, Liberia became Africa's first independent republic [PFP 46].

The relationship between this new colony and the American government had always remained unclear. There had been initial support for the colonial effort by president Monroe, thus the name Monrovia for the capital city. In establishing their government, the black American colonizers adopted a constitution and government structure modeled upon the American system. However, the American government repeatedly denied any official responsibility for the new country; that is until 1884 when the British and French colonial efforts attempted to encroach upon the territory of Liberia. America's response to this incident was to claim their "parental link" with the fledgling nation. This so called parental link was conveniently dismissed when U.S. Government financing was sought and then denied in 1924 as the Firestone Rubber and Tire Company of Akron, Ohio opened its rubber plantation in a concession area not far from Monrovia [Ibid.].

Firestone employed local tribal Liberians to plant and then later tap the acres of rubber trees. At times this was forced labor, where government soldiers came to the villages and collected able-bodied individuals to work the plantation. And it was not just at Firestone where forced labor was practiced. In 1930, the League of Nations established a commission to investigate claims of forced labor and slavery practiced by the black American settlers, the Americo-Liberians (who consisted of only about 5% of the population in 1984), against the indigenous population. The commission concluded their investigation by verifying the accuracy of these unfair labor practices and calling for reforms in education and public health that would benefit the whole of Liberia, including its tribal population [Ibid.].

During World War II, Liberia prospered as the world demand for rubber increased. William Tubman of the conservative True Whig Party assumed the presidency in 1944 and held that position until he died in 1971. Within the framework of their democratic constitution, Tubman established a tightly controlled government that promoted the interests of the Americo-Liberians. However, this politically stable environment served as a welcome setting to foreign investors which not only developed Liberia's rubber industry, but also its mineral wealth, iron ore. Iron ore, which was first mined in 1951, constituted 62% of Liberia’s total export in 1984. The approach to economic development then pursued by the government was one of granting concessions to foreign corporations who were in effect held responsible for granting the development process [Ibid.].

In 1971, with President Tubman's passing, his handpicked successor, William Tolbert assumed the presidency. Also affiliated with the True Whig Party, the Tolbert presidency continued in the Tubman tradition. Initially, few steps were taken to extend benefits into the rural population. Graft and corruption within the government continued unabated. In 1979, the government attempted to increase the price of rice by 40%. This sparked a wave of protests known as "rice riots". Hundreds were jailed and several killed. In response to the political unrest and attempting to reconcile the increasing political strain between the Americo and tribal Liberians, Tolbert opened his government to some leaders of the opposition parties. These concessions to the opposition groups however were not sufficient to divert the growing opposition to the existing government [Ibid.].

In April 1980 the first military coup in Liberia’s history took place, and Sergeant Samuel Doe of the Liberian Army successfully spearheaded a junior officer coup. Doe, a tribal Liberian, aimed to gain retribution for the abuse and neglect the Americo-Liberians had extended to the tribal Liberian population. Thirteen key political and government leaders were executed and the ministry personnel were shifted to reflect the new people in power. Americo-Liberians, threatened by this situation, fled the country, taking with them their training and expertise, a scarce and valued commodity in Liberia. The coup represented a rocky phase for Liberia. Supply lines and economic activity were disrupted and the transition to a new administration resulted in an uncertain economic climate. Liberia then faced a series of major economic problems, since the world prices and markets for coffee, rubber, timber and iron ore were all depressed [Ibid.].

In December 1989 a vicious civil war started in Liberia, and a quarter of the population fled to neighboring countries. The rebels, associated with the Mano and Gio tribes, sought to oust President Doe, a member of the Krahn tribe, and by mid-1990 the insurrection had turned into a tribal war. Civil order ended in 1990 when rebel forces killed President Doe. Years of civil strife have destroyed much of Liberia's economic infrastructure, made civil administration nearly impossible, and brought economic activity virtually to a halt. The deterioration of economic conditions has been greatly exacerbated by the flight of most business people with their expertise and capital. A peace accord was signed in 1996, and Charles Taylor, a rebel leader, was elected as president in 1997. In 2003, Charles Taylor - under international pressure to quit and hemmed in by rebels - stepped down and went into exile. A transitional, power-sharing government was sworn in later that year to steer the country towards elections (The World Factbook, 2003).

6.2.3. Economic Situation

The major growth of the Liberian economy does not date back further than 1950, when large foreign investment in iron ore mines and rubber plantations caused an increase in income, exports and government revenues. In Liberia, like many other African countries, the main economic activity consisted of extraction of raw material. The bulk of these activities in Liberia was run by foreign companies, which were clearly predominant factors in the country's economic development. The foreign investment, however, had contributed to the appearance of local planters and industrialists who concentrated on light manufacturing and farming, but the critical issue was the fact that they did not possess sufficient financial, technical and managerial resources that were required for initiating a national development. Another problem was the fact that the government had not been able to realize the economic surplus that had been gained through the activities of foreign companies.

6.3. THE NATURE OF RURAL LIBERIA

While acknowledging the social, cultural, economic and ecological differences on the African continent, one can still argue that, in several respects rural areas in Liberia can represent rural areas in most African countries south of Sahara.

For example, regarding rural areas in Nigeria, Igbinosa (1982) finds that rural Africa lacks well-organized commerce and industry. There are few local institutions to help provide commercial and industrial facilities needed for stimulating production. Coupled with the absence of a safe water supply, good roads and electricity, these problems have created unsatisfactory conditions for rural development. In some rural areas where attempts have been made to provide these essentials, administrative officials have run into trouble because they are not familiar with the nature of communities with whom they deal. Also, the administrative officials failed because they did not encourage community participation in formulating and implementing decisions affecting the people. Regarding Tanzania we find similar findings in the study of Lindberg (1996).

The lack of social, economic and political opportunities in rural Africa has resulted in migration to urban areas where these amenities are provided. A consequence of rural migration is that governments, with their political base in urban areas and with limited budgets, are pressed to expand their social and economic services for an increasing urban population. Thus, essentials such as health delivery system, water, housing, electricity and jobs must be provided for the urban population. Failure to provide these essentials can generate social or political turbulence, causing military coups as witnessed in many African countries.

In many LDCs there are fundamental differences between rural and urban communities. The characteristics of life in rural areas differ from urban centers. The beliefs, attitudes, habits and behavior of rural people may differ widely from those in urban areas. In rural societies there are stronger paternal relationships, and families are widely extended. In traditional rural societies people are not regarded and treated as individuals, but often as a member of a group. At the same time, we often find multiactive and multilocated households - with members active in both urban and rural areas (Ibid.).

However, mining MNCs are often located in rural areas of LDCs. Owing to their production modes and techniques they hire a large number of expatriates to run the mines. Many mining towns in LDCs then resemble western cities in miniature. These towns not only look like western cities, but the social and cultural context of them is western. For example, the mining town of Yekepa in Liberia, which was visited by the author, looked like a small European community with a tennis court, a golf court, a youth club, a supermarket, a swimming pool etc. The description of the social and cultural reality of rural areas compared with the values and ideals of a western community, illustrates two completely different worlds, which meet each other. Rural people, in pursuit of increased life-style and opportunities, leave the traditional villages in the hope of employment with the MNC. Many of them never get back to the villages and reside outside the company town, which in turn gives rise to the creation of shantytowns on the edge of the mining communities.

In the following sections we consider the socio-economic condition of Upper Nimba County in Liberia. The purpose is to shed some light on the condition of rural areas. The section about Upper Nimba County is based on the author's conversations with tribal Liberians and Liberian staff of PFP, and also archive materials.

6.3.1. Rural Societies in Liberia

The majority of the Liberian population live in rural areas. Food crops such as rice and vegetables are primarily grown for local consumption. In the beginning of the 1980s the government placed a high national priority on cultivation of food. Liberia had a potential for self-sufficiency, but had to import a large quantity of food. Access to agricultural inputs, modern production techniques and markets had lagged, thus making it difficult to raise small farm production.

The rural areas of Liberia are organized into towns/villages. The towns vary in size from 10 to 50 households. Most Liberians live in these small towns and conduct their farming in the surrounding areas. Men and women have distinct roles to play in the annual rhythm of activity. Men clear the bush for cultivation, build houses, fences and storage bins. They also hunt, fish, and sell tree crops. Women raise the children, maintain the home, collect firewood and water, work in the fields, process the food crops, and market some of what they produce. Children help their parents, hauling water and chasing birds from the fields and rice paddies.

Mats, baskets and hammocks are made with straw and pots are made with local clay. Carpenters fashion chairs and furniture from bamboo and wood. Traditional blacksmiths produce cutlasses, hoes and farm implements. Some cloth is woven locally. However, traditional agriculture in Upper Nimba County is bounded by many of the same constraints experienced in many LDCs. The main constraint to agricultural production is access to inputs such as animal feed, seed, fertilizer, pesticides, etc. Access is limited both by transportation difficulties and by credit constraint.

According to local farmers, advice and information about improved production techniques and pest controls could greatly increase the yield. In addition, agricultural income would rise if farmers selected crops according to anticipated market demand. The common practice is to cultivate crops according to the traditional cycle, whereby all producers in the village harvest at the same time. This is a factor which is depressing agricultural prices.

Life in tribal Liberian villages follows a tightly ordered pattern. Extended families live together in one section of the village. A man may take several wives, affording him greater status. Wives are traditionally purchased for a bride price (approximately $100 in 1983). They are the source of a man's wealth, as the women work his farm and bear him children. The number of wives held by a man varies greatly. While there are examples of one man having more than a dozen wives, it is more common to have two to four.

For each section of the village, there are Quarter Chiefs who are selected to resolve internal disputes. Among the Quarter Chiefs, one is selected to become the Town Chief. Above the Town Chiefs, there are Clan Chiefs, Sub-chiefs and Paramount Chiefs. It is the Paramount Chief who would be involved in development programs for his region, and who would interact with the county government. A Paramount Chief might also be a District Commissioner. As a District Commissioner he is also an official of the National Government. The County Superintendent who appoints the District Commissioner is appointed by the Head of State.

Religion in the villages is predominantly the traditional animist practice. Ancestors and spirits are worshipped through animal sacrifices. Bush schools train girls and boys in what they need to know in order to become full adults within their communities. Traditionally the schooling would last three or four years, but in recent times this has been reduced. During these periods, the children leave their families in the villages and live in the forests. Families contribute rice and vegetables to maintain the youth while away. The “Zoe”, who is believed to have direct communications with the spirits controlling the village, practices traditional herbal medicines.

The rural Liberian demonstrates a paradoxical attitude toward western education. On the one hand, communities express interest in establishing elementary schools within their villages. While many view western education as a positive step, almost all have commented that once a child leaves his/her village to go to school, he/she will rarely return to his/her village and the ways of his people. It is because the open door to modern Liberia, the school, may mean closing the door to traditional life, that Liberians continue to hold mixed feelings toward western education. In Upper Nimba County, two thirds of the villages had their own elementary schools.

In many of the villages a clean and safe water supply was not maintained. Some used local streams while others had wells. Latrines were even less common as the traditional practice of using the bush continued. In 1983 only 5% of the villages had a communal latrine in operation. The lack of safe water supply and sanitation had contributed to the presence of diseases in the rural area. Malaria was very common, as were hookworms and other intestinal parasites. In Zorgowee, a town of Zor Clan, 30% of children tested showed malaria parasites in their blood and 48% had evidence of hookworm. In Kpoolayo town, hookworms were present in 72% of the youth tested.

A variety of traditional values and beliefs act as a disincentive to self-reliance and innovation. The traditional village culture has a paradoxical element of being highly competitive and status-conscious while at the same time castigating those who achieve success. Children are given nicknames emphasizing a negative aspect of the child in order that the ancestors will not take him back. A child may be called "ugly", "dirty", or "good-for-nothing"; and a child was actually named "expensive"! Children are not to be fawned over, but treated roughly. The practice of poisoning continues among villagers if one has engendered the envy of others. On one hand, it would seem to your disadvantage to appear successful and chance death. On the other hand, the traditional Liberian is highly status-conscious. Men sometimes spend their limited funds to purchase a modern zinc roof, transistor radio, or to acquire a new wife to gain status in the community while their family is without medicine or sufficient food. The notion of "evil eyes" is reported in many studies about rural societies (for example Lindberg, 1996).

6.4. LAMCO: A BACKGROUND

6.4.1. Introduction

In the middle of 1950 the Swedish Gränges Company had a very pleasant problem. By the sale of part of its assets, mines and ore treatment plants in the northern part of Sweden, it had to find profitable objects for reinvestment of the now available funds. At this time investigations were going on to evaluate and map possible mineral sources in Liberia. The investigation and searches were more or less made by private persons supported by companies with interest in the possible findings. On Christmas Day 1955, one geologist, supported by Gränges Company, sent a cable to his employer that he had found "a world of iron ore" (GIM, 1978, p. 6). The findings were situated in a vast area in the hinterland of Liberia close to the borders with Guinea and Ivory Coast. Only small rural villages were spread out in the primitive rural area and no roads led into the prospective mining site. The findings were promising and planning and engineering work started almost immediately. Funds were raised and the Swedish Syndicate contributed almost 28% of necessary investments, and other contributors were the Liberian Government, Bethlehem Steel, and other shareholders. The contribution of the Liberian Government consisted only of the concession areas in form of land for workshops, harbor, ore treatment plants etc. and for the railroad and the ore body (Waldenström, 1967).

Based on the concession received from the Liberian Government, The LAMCO Joint Venture was composed of two companies: Liberia Bethlehem Iron Mines Company (LiBeth), a wholly owned subsidiary of the Bethlehem Steel Corporation; and the Liberian American-Swedish Minerals Company (LAMCO). LiBeth owned 25% of the Joint Venture while LAMCO owned the remaining 75%. LAMCO, in turn, was comprised of the Liberian Government and Liberian Iron Ore Limited (LIO), both of which owned a one-half interest in LAMCO and, consequently, 37.5% interest in the whole joint venture. LIO, for its part, was a joint holding company that consisted of the Swedish LAMCO Syndicate (SLS), owning 74.8%, and a group of American, Liberian and other shareholders who together owned 25.2%. SLS was the Swedish partnership that formed the base of the whole corporate structure. The participants in SLS and their respective interests were: Sentab with a share of 4/28, Atlas Copco with a share of 9/28, and the Grängesberg Company with a majority share of 15/28. Gränges also established a wholly owned subsidiary in Liberia, the LAMCO Joint Venture Operating Company (Lamco), through which it managed the entire LAMCO project (Sondén, 1966, p. 63). The structure of LAMCO Joint Venture is shown in Appendix C. As mentioned earlier, whenever we use “Lamco” in the text, we refer to LAMCO Joint Venture Operating Company.

When Lamco first came to Upper Nimba County in Liberia, the region was populated by people engaged in traditional agriculture activity and hunting, wholly without modern infrastructure or services, and with very little money or market contacts outside their own small villages. At that time "employment" was an unfamiliar concept to most rural Liberians. In order to build up such a gigantic industrial project in an undeveloped area 280 km from the sea, it was necessary to import almost everything, and to even provide training for laborers. The mine was linked to the sea by a railway which took three years to build. The railway was not used only for transportation of ore, but also for Lamco’s internal passenger traffic and mail delivery {AMC}. Despite the tremendous difficulties, the mine was finally ready for production at the beginning of 1963. Later, the investments had been increased to include ore treatment plants and the development of extended mining areas. Lamco became one of the biggest iron ore producers in the world with an annual production over 10 million tons of ore (Storette, 1971).

One of the most representative characteristics of Lamco was the amount of social investment the company made in Liberia. Fully 50% of the entire financial investment of $275 million was devoted to social investment. 40% of social investment was put into the economic infrastructure and the remaining 10% was put into social infrastructure. The infrastructure included a port and port town, 280 km of railroad, a mining town in Nimba with 3,000 houses, 22,000 population, electrification, water purification, sewage treatment and disposal, schools, training centers, hospitals, churches, markets and recreational facilities (Ibid.). The company's hospital had come to be used not only by Lamco employees but also by the population of the Nimba area at large {KG}. According to Lamco "The LAMCO project represents one of the biggest private foreign investments in Africa, and for Liberia, …, it has entailed a sizable increase in governmental revenues, besides helping to build up the infrastructure that the country needs for its development and directly or indirectly providing a livelihood for several tens of thousands of people" (GIM, 1978, p. 1).

However, in July of 1963, after a period of nearly ten years, from initial exploration to initial production, the first ore shipment from Nimba left Liberia and LAMCO Joint Venture was underway.

As was mentioned, Lamco spent vast amounts of capital on infrastructure. To Lamco it seemed impossible then to envision that anything besides benefit to local people could result from such huge social investment. Therefore, during the initial years of construction and production, Lamco did not give much serious thought to the future of the concession area after depletion of the ore. Lamco apparently believed that its huge social infrastructure would, in one way or another, constitute a starting point for the development of the area. Thus, the very presence of the company was considered as a matter of course for stimulation of economic activities and gradual industrialization of the area (*Veckans affärer*, 1974, p. 14). Apparently, Lamco believed in "top-down"- development that we discussed in chapter 3; that is, Lamco's presence would foster the economic development within and around its concession area, and eventually would trickle down to the rest of the country.

For a comprehensive study of the Lamco project's economic background 1953-1964 see Mildner (1965) that contains the economic factors, such as profitability judgments, market conditions, sales and sales negotiations, investment and financial questions. And for a comprehensive study of the administrative background of Lamco for the same period of time see Sondén (1966) that explores administration, recruiting, staff and labor problems, the co-operation between the Lamco partners and also the general business conditions in Liberia.

6.4.2. Criticism in Home Country

In 1966 Radio Sweden (Sveriges Radio) sent a television team to Liberia to do a program on how a Swedish enterprise operated in an LDC. By coincidence, this television team was on hand when a strike broke out at the Nimba Mine. The result was a controversial television program entitled "Black Week in Nimba" (Svart Vecka i Nimba), and it was televised on October 2, 1966; approximately two months after the actual strike occurred.

The program was followed by a general debate on Lamco. In addition to Swedish radio and television, the Swedish press was also involved in the debate, and Lamco was exposed to different types of pressures in Sweden.

The program created a tremendous uproar in Sweden. Politicians, journalists, Gränges Company, and the public at large, in fact, had something to say. The question was: What is Gränges Company doing in Liberia? Does Lamco develop Liberia or exploit it (Blomkvist, 1968)? The negative publicity Lamco received back home in Sweden was enough to threaten the mother company with domestic boycotts, and to keep potentially qualified and needed personnel from wishing to emigrate [PFP 2].

The pressures on Lamco were revived when a book, entitled *LAMCO's Liberia* and written by two members of The Young Philosophers (Unga Filosofer), was published in 1968. The Young Philosophers was an academic group which was Marxist-Leninist orientated. In their book, the authors expressed the view that Lamco and the Liberian Government were working hand in hand to the detriment of the Liberian people (Holmsen & Mannerheim, 1968). The criticism, however, was directed at the capitalistic system as a whole and at Lamco as a specific representative of that system. Although some parts of the authors' criticism have gone to rather unreasonable lengths, other parts of it are well documented and researched, irrespective of whether or not one agrees with the conclusions reached.

However, the general debate on Lamco and the reaction of Swedish opinion had a noticeable impact on the company's development efforts. Lamco began to take actions in order to demonstrate that the company was not in Liberia in order to exploit the country. For example, Lamco engaged a nutrition consultant who did a thorough investigation about nourishment of the families of Liberian workers {BK}.

6.4.3. The New General Manager of Lamco

In 1968 a new General Manager, who later became the key person responsible for the establishment of PFP, was appointed. He apparently was a humanitarian businessman who was concerned for the developmental impact of the company on the area. He was the former chief administrator of Lamco; and as the company's administrative head, he was a target for some of the criticism aimed at Lamco after "Black Week in Nimba". In 1968, as the general manager of Lamco, he obtained the executive authorities to direct Lamco's developmental efforts and to demonstrate the good will of the company. While it might be commercially and legally acceptable to extract and export Nimba's iron ore in partnership with the Liberian Government, Lamco management believed it would be morally wrong not to put something back for the long-term benefit of the people living in the concession area. Moreover, since iron ore is a depletable resource, Lamco felt it would be inexcusable to allow the massive company-built infrastructure to become another post-mining ghost town {RO}. "Mining," said the General Manager, "has the worst worldwide reputation of any industry for being purely exploitive. We want to demonstrate that it does not have to be that way" [PFP 9].

6.4.4. Adaptation of a Spin off Policy

Shortly after his appointment, the new general manager expressed to the participants of the LAMCO Joint Venture his concern for the long-term future of the concession area. It was estimated then that 20 to 25 years of intensive mining would be all that were left. He convinced the participants that an important objective of LAMCO Joint Venture should be to convert the concession area to communities that would remain economically viable after depletion of the ore. Such an objective, he reasoned, could only be achieved by a general, but steady progress that must be planned and started immediately (Butler, 1978, p. 7).

Lamco then began to consider opportunities for spinning off (outsourcing) to Liberian ownership and management company-run activities that were not directly related to the extraction, processing, and shipment of iron ore. In 1969 and 1970, various managerial and technical personnel of Lamco were appointed to study spinning off to private entrepreneurs any production or service which the private enterprise could provide at, or below, Lamco's cost. Some Lamco activities such as supermarket operation, home building, personnel transport, and furniture repair were judged to be operations which could be independent private enterprises serving the community (Ibid.).

Lamco acted quickly and spun off its supermarket, a major portion of its house construction, its transportation section, a motion-picture unit, and a furniture repair shop.

Negotiations with presumptive entrepreneurs, consultation, provision of start-up capital etc. were handled directly by Lamco [PFP 3, p. 3]. It was Lamco's hope and expectation that spinning off parts of its activities would contribute to self-development of the community and self-supporting economic activities that are required for creation of a viable community.

6.4.5. Problems Regarding the Spin-off Approach

It soon became evident that the spin-offs were not working well. The services provided by them suffered from problems relating to poor technical maintenance, inadequate personnel training, and organizational difficulties. They became financially shaky for reasons most often reflecting lack of managerial experience and accounting skills. For a while Lamco tried to prop up and subsidize the spin-offs with emergency injections of capital and advice, reasoning that their start-up problems might be normal and disappear after a year or two of shakedown and experience. But after a period of four years, Lamco realized that this optimism was not justified and the problems were not normal. The main reasons for disappointing results of the spin-off approach were as follows [Ibid., p. 8-9]:

* The units perceived by Lamco as suitable operations to be spun off to local people were too large and too complex for the level of managerial skill locally available.
* Though Lamco provided the area with technically skilled people, they were short of people with entrepreneurial motivation and business experience.
* New enterprises could not expect to produce goods and services competitive in quality and price to a department of Lamco with skilled technicians and administrators.
* The dominant role of Lamco in conceiving the new enterprises, financing them, functioning as their management consultant and being their major customer, created the opposite result. The spin-offs became more dependent than they had been as departments or sections of Lamco.
* In cases where a new spin-off took over former Lamco employment, there was considerable resistance to the spin-off on the part of those employees who had to give up fringe benefits, housing and security of working for Lamco.
* Any member of Lamco was suspect in his role as advisor to spin-offs. The entrepreneurs did not know whether the advice received was for their benefits or Lamco's. Therefore responses to such advice were not always positive.

Moreover, according to the general manager, the political situation in the country was also an obstacle for running the spin-offs in a rational way {OW}.

However, Lamco management realized the problems and tried to find a solution to them. It was not possible for Lamco to abandon its spin-off policy and take over the operations again; neither was it Lamco's desire to support the spin-offs for ever, since they were supposed to be self-supporting and independent enterprises. Lamco apparently became aware that it was personally and technically not equipped to deal with the complicated problems of community development assistance. The company realized the complexity of the task and also realized a need for a *change* and began to consider other means.

6.4.6. Lamco's Search for an Alternative Approach

Owing to unsatisfactory results of the spin-off policy, and knowing that the life of its operation was limited by the size of the ore body, Lamco set out in 1973 to limit its dominant impact on the local community and to develop the initiative and self-reliance of the local society. Since 1964 the residents of the local area had been almost totally dependent on Lamco for economic survival [PFP 26, p. 4].

In 1973, at the initiation of Lamco's general manager, a specialist in African enterprise development was engaged by the company to examine problems facing spin-offs, and also plan a development program. He was hired by Lamco as a full-time consultant to recommend and implement a rural enterprise development program in Upper Nimba County and assist Lamco in spinning off those activities that would have the potential to become viable independent companies serving the community as well as Lamco. After a year of study the consultant recommended that the company could not run the program unilaterally. Instead, it was proposed that a private agency with experience in advising and assisting African entrepreneurs should be invited by Lamco and take over the company's development program; that is, an agency with an intermediary function. The consultant also reasoned that the agency should be a non-profit Liberian foundation in order to be eligible for international development financing, and therefore operates as an independent organization, not a section of Lamco. Moreover, it was expected that local people would be more willing to accept programs and activities coordinated by a "neutral" organization {FPM}.

Lamco management accepted the recommendation and began to review development agencies in Africa. Three Lamco officials, including the very general manager, visited more than 15 development projects in Africa. After a careful review of the projects, Lamco agreed that "Partnership for Productivity (PFP)" in Kenya had the most relevant program, and most closely approximated the type of program envisioned for Yekepa. In 1974 Lamco management asked PFP to set up a development program in Upper Nimba County; and PFP was formally launched {RO}.

It is worthy to mention another factor that preceded the establishment of PFP. In 1971, the Government of Liberia got a new administration. The new government put pressure on MNCs that, in addition to their business activities, concession companies in Liberia should establish independent economic bases within the communities surrounding their sites [PFP 2].

6.5. PFP: A BACKGROUND OF A PVO

6.5.1. Introduction

PVOs vary widely in terms of size, topical coverage and geographical scope. They may be defined as non-governmental, non-profit, tax-exempt organizations whose primary objective is to provide material assistance, and administrative and technical services at little or no cost to the needy (Sommer, 1977; Vakil, 1997; Lewis, 1999), and operating with minimal resources on micro-projects in neglected regions (Bratton, 1989, p. 569). PVOs are registered, private, and independent nonprofit organizations usually founded by professionals and altruists to contribute to collective welfare, through poverty alleviation. As Gariyo (1995), Assaad (1999) and Edwards (2000) have shown, the PVO sector is diverse in type and mission. PVOs play a three-fold role to meet these needs. Foremost, PVOs mobilize local people. Moreover, many PVOs provide technical, financial and material assistance. Second, PVOs articulate poor people’s needs to governments and other agencies that can meet them, while seeking to promote favorable government policy towards these marginalized groups (Hasan, 1990). Third, PVOs serve as intermediaries between governments, businesses, donors and the urban poor, creating communication links that are beneficial to all parties (Assaad, 1999).

According to OECD, a voluntary agency is an organization established and governed by a group of private citizens for a stated humanitarian purpose, and supported by voluntary individual contributions. The broader usage, "non-profit organization", encompasses most of the voluntary organizations. An even broader term is "non-governmental organization" (OECD, 1988, p. 14). The non-governmental characteristic is an important positive attribute of PVOs since there are many criticisms regarding governmental agencies. As Dickinson describes it, "… governmental and intergovernmental agencies are suspect, always manipulated by leaders eager for their own power and affluence, always inefficient and/or corrupt, always oppressive of the poor." (Dickinson, 1975, p. 122). However, PVOs are neutral because they have no official relationship with governments. The non-political image of these organizations retains good faith and confidence. They are also efficient vehicles of development assistance owing to the fact that they enjoy tax-exempt status as non-profit organizations, and thereby their overhead costs are quite low. They operate with a streamlined, modestly paid, and in many cases volunteer staff, thus reducing their administrative costs to a rather low level by comparison to the rather bulky and expensive UN and governmental agencies (Gorman, 1984; Clements, 1999). They have a comparative advantage over international donor agencies, national governments and private firms when addressing the basic needs of the rural poor (Bratton, 1989, p. 569).

Many PVOs have been engaging in efforts to promote rural development through the use of appropriate and usually small-scale technology (Farrington & Biggs, 1990). They have the promotion of self-help initiatives as a primary concern; they provide a significant amount of developmental assistance much of which is from private sources; and, they have a good reputation as innovators of development projects.

PVOs, many of them with worldwide networks, might be well equipped at adapting and transferring positive experiences from other continents to Africa. PVOs are not only involved in the areas of agriculture production, education and health care, but also are welcomed as devices to help bring about a new generation of leadership in Africa (Minear, 1987; Obasanjo, 1990).

Many PVOs are religious ones. As Dickinson points out, churches and their development agencies differ not only from international organizations and governments but also from other PVOs. They operate on different values, have different functions, possess fewer resources, and have different kinds of responsibilities. Those differences constitute both liabilities and assets for promoting development (Dickinson, 1975, p. 115).

PVOs have moved from relief and welfare modes of assistance to self-help initiatives during last decades, and promotion of self-help initiatives has now become the major activities of PVOs (Tendler, 1982, pp. 60-67). PVOs now represent a diverse range of interests, including environmental protection, economic and industrial development, human rights and many others (Nelson & Dorsey, 2003). In their interactions with MNCs and host governments, PVOs seek procedures for public participation, fairer distributions of returns and the protection of natural resources for economic and social benefits (Doh & Teegen, 2002, p. 668).

PVOs' services, expertise, and assistance are highly sought after by LDCs. Although the motives may vary, LDCs clearly see PVOs as an attractive development alternative. One might assume that this is because PVOs provide valuable services in an efficient and professional manner that does not involve the same kinds of politically distasteful and sometimes economically painful side effects that accompany official multilateral and bilateral assistance to LDCs' governments. For instance, PVOs do not demand that a government undertake painful deflationary policies, and they do not tie their aid to the purchase of donor country products, and have no inclination to dictate terms to a host country. Indeed, PVOs' long-standing apolitical stance has won a great deal of respect and enhanced their reputation among LDCs governments (Gorman, 1984; Ebrahim, 2003).

However, PVOs are suitable intermediary links for following reasons: Firstly, and most importantly, they are deeply familiar with the complexity of human needs and they have sufficient experience and know-how regarding development of rural areas in LDCs. Secondly, the cost to the MNC for involving an intermediary PVO does not need to be large because owing to the non-profit character of these organizations they can be supported through outside funding sources. Thirdly, PVOs are free from any political influence which otherwise could be a source of suspicion, either by MNC, LDC, or local people. And finally, these organizations employ and rely on local people who are deeply familiar with the problems and opportunities of rural areas. From the MNC's point of view, being associated with a PVO provides favorable publicity for the company, and the MNC can develop an image of "social responsibility" at relatively little cost to the company. Legitimacy, which was briefly discussed in chapter 1, is another benefit to the MNC. The relative importance of PVOs to the stability and longevity of business projects is acknowledged in a study by Doh & Teegen (2002).

6.5.2. A Background of Partnership for Productivity (PFP)

Partnership for Productivity Foundation was founded by the Quakers, a Protestant religious sect, in the USA. Quakerism arose in the mid-17th century in England, with George Fox (1624-1691) as the great driving force of the early days. The followers of Quakerism called themselves "Friends of Truth", as they thought of themselves as friends of Jesus. The name "Quaker" was a nickname used by others, as it was said that they trembled or quaked with religious zeal. The formal title of the Quaker movement is now “Religious Society of Friends (Quakers)” (Weening, 1995).

Quakers are religious but very informal in their worship. Quakers are practical and productive people mostly living in rural areas. Worship is sometimes carried out in complete silence. They are opposed to state churches and to excessive pomp and ceremony. (Ibid.)

Quakers are peacemaking people who have acted as intermediaries between conflicting national states. They acted as unofficial intermediaries in crisis situations such as the conflict of the two Germanys 1961-73, the war between India and Pakistan in 1965, and the Nigerian Civil War 1967-1970 (Yarrow, 1978).

Members of the Quaker movement were from the beginning not allowed to swear oaths and as a consequence they could not become lawyer or officials. They turned instead to business and gained a reputation for being honest businessmen and bankers. Quakers avoid involvement in business like production of cosmetics, alcoholics, beverages, arms, ammunitions etc that they consider unnecessary or bad for humanity [PFP 3, p. 4]. However, Pringle & Thompson name the cotton and tobacco families Wills and Players as Quakers (Pringle & Thompson, 1999, p. 262).

According to Pringle & Thompson, the Quaker movement was a non-conformist religion and, since the universities were closely linked with the established church in the 19th century in England, Quakers were not permitted to enter the universities. Consequently, Quakers were barred from entry into the professions, and their pacifist principles precluded the military as a possible career. As a result, the energies and talents of Quakers were directed towards business (Ibid., p. 261). Among famous Quaker families are the Cadburys, the Clarks shoe dynasty, the founders of the British iron industry and the founder of Lloyds Bank, to name a few (Ibid., p. 262).

Quakerism spread early to the USA where it was split into an eastern and a western group. In the USA, Quakers have been traditionally opposed to the concentration of wealth and fortune and have worked for a more just sharing of world resources [PFP 3, p. 5]. They were very active in anti-slavery efforts for setting the black slaves at liberty. Quakers were awarded the Nobel Prize for peace in 1947 (Yarrow, 1978).

Back in 1902 Quakers started a mission in Western Kenya. It was a very active mission and had in 1984 a number of schools below university level and a business college. Via this missionary activity many Kenyans had become Quakers and Kenya had in 1984, after the USA and the UK, the third biggest Quaker organization in the world [PFP 3, p. 5].

Quakers believe that the only way to improve one's standard of living is to become more productive. They do not believe that a country can jump right from a traditional way of life into a highly industrial society in one generation. The people must first be educated and trained for a new way of life. People must be aware of the fact that increased productivity is the only way to improved living. Productivity includes growing, manufacturing and distribution [Ibid.]. The western business methods that Quakers want to spread to the third world are [Ibid.]:

a. Good management with high ethical standards.
b. Accounting and bookkeeping.
c. Selection of a business - specialization.
d. Appropriate technology.

According to Quakers, education and training should not primarily be carried out in schools; not the classroom but the marketplace is the right place to train a businessman.

However, PFP/USA was founded in 1969 with the only aim to raise funds for enterprise development activities in the third world. At the request from Quakers in Kenya, a PFP program started there in 1970 [Ibid.]. It was this program that was visited by Lamco officials in 1973 and was considered as a relevant program to be implemented in Upper Nimba County in Liberia. Besides Kenya, PFP had small enterprise development programs in Botswana, Upper Volta and Malawi [PFP 26, p. 13].

6.5.3. Objectives and Activities of PFP/Liberia

PFP/Liberia, which was affiliated with PFP/USA, was created as a non-profit development agency by act of the Liberian Legislature in July 1974 [Ibid., p. 5]. The organization's overall purpose was to increase the income, economic potential and standard of living of rural and urban people in Upper Nimba County by offering the appropriate training and development tools that would enable them to achieve lasting benefits as a result of the operations of Lamco, and to become self-sufficient in the year 2022 when the iron ore will be exhausted [Ibid., p. 1].

In more detail, the objectives and activities of PFP are stated in the formation act of which the following is an extract [PFP 3, p. 8]:

> "a. Render advice, council and assistance to businessmen and farmers.
> b. Provide technical assistance to promote economic development of any given area.
> c. Engage in research relating to all problems concerning enterprise development and productivity.
> d. Act as agents and managers in carrying on any business and employ experts to investigate and assist in such activities.

e. Establish educational and training centers which are used to promote the objectives of the Foundation.
f. Solicit, receive and maintain funds and real personal properties and employ such funds and properties and the income therefrom to further the objects of the Foundation."

In an informative letter about the act, the Ministry of Justice in Liberia declared: "This is to be a non-profit foundation established for the purpose of fostering Liberian owned and managed rural agricultural and industrial enterprises in and around the Lamco concession area, and eventually in other parts of Liberia" [Ibid.].

The objectives, engagements and activities of PFP are summarized in a pamphlet, from which the following is an extract [PFP 11]:

> "Partnership for Productivity Foundation/Liberia is a non-profit agency established by the Government of Liberia in 1974 to encourage the formation of small-scale, Liberian owned enterprises and to help proprietors and employees develop business management skills. The idea of PFP originated with Lamco General Manager Olle Wijkström. Sponsorship of the idea came from PFP/USA, a Quaker Foundation. PFP has a program in Kenya too. The Liberia foundation is financed one-third by Lamco, one-third by the Swedish YMCA and YWCA Association, and one-third by an American technical assistance agency called PACT (Private Agencies Collaborating Together). PFP engages in any activity that will help Liberian enterprises become healthy and independent. For example PFP:
> - helps businessmen and women and farmers to improve management skill, and their enterprises,
> - helps Liberians to start new ventures,
> - starts experimental enterprises that, if successful, will be turned over to Liberian entrepreneurs or cooperative groups,
> - works to improve relationship between Lamco and businesses serving Lamco and the Yekepa community,
> - assist Liberians to raise capital for feasible entrepreneurial ventures,
> - fosters the development of productivity of artisan and handicraft traders".

PFP project started as an experiment (Butler, 1978), and in a report it stated that one of the organization's primary objectives was: "… encourage and assist in broadening the economic base of the Lamco concession area in order to reduce the area's dependence on iron ore mining" [PFP 26, p. 1].

PFP was aware of future changes in Lamco's mining operation. In a report we can read "With the next few years, LAMCO may be winding down. In short, the PFP program is an effort to avoid the 'ghost-town' impact which follows the departure of multinational ventures dealing in the extraction of depletable resources" [PFP 30, p. 2].

As a whole, PFP believed in "bottom-up"-development discussed in chapter 3, and local people were considered as the main actor in the process of economic development. The basic idea of the PFP's program was to increase the self-esteem of the local people which in itself could stimulate development. PFP also believed that it assisted both Lamco and the people of the area. They believed also that development efforts are hard and backbreaking, but these efforts were worthwhile if they lead to economic viability and social benefits {FPM}.

In 1983 PFP operated with a staff of 36 members, compared with approximately 2500 Lamco workers. PFP was organized in four sections (agriculture, appropriate technology, enterprise development and administration), and 17 extension agents who operated in Camp 4 and rural areas. These agents formed the working interface between PFP and its clients {Ibid.}.

7. THE ACTORS, THEIR RESOURCES AND ACTIVITIES

7.1. INTRODUCTION

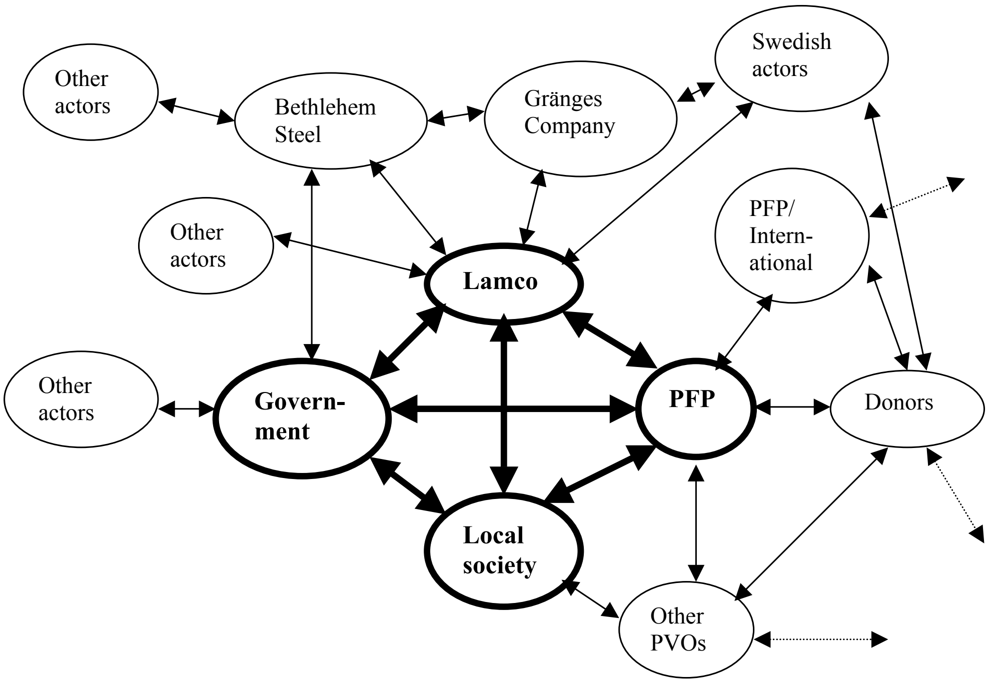
A network is made of actors. They control activities and/or resources that will be discussed in this chapter. In this study we focus on, and describe, four actors. However, in every network, there might exist a great many actors that are related to each other in a complex web of relationships. Here we look briefly at all possible actors and then, in the rest of the chapter, we describe the *focal network* of this study.

However, by studying the minutes of PFP we can identify the actors that were, in some way or another, related to each other in the network. The first meeting of PFP Foundation was held in the Lamco main office conference room in Yekepa in December 1974. At the meeting, ten members of PFP Foundation were nominated and elected to the governing council. The members represented the government, Lamco, PFP/Liberia and PFP/International (USA). The donor organizations consisted of SIDA (Swedish International Development Authority) and KFUK/KFUM, Liberian government, Lamco, Gränges International Mining (GIM) in Stockholm, Bethlehem Steels, PACT (Private Agencies Collaborating Together) in New York and PFP/USA in Washington [PFP 10]. SIDA and KFUK/KFUM's participation in the program was a result of the efforts of Gränges' executives in Stockholm [PFP 13].

PFP was thus guided by a governing council chaired by the minister of agriculture, and having members representing other government ministries, Lamco, PFP, local businessmen in Yekepa, donors and banks [Ibid.].

A network of actors could be illustrated as in figure 7.1. The figure illustrates the *total network*. In this study we consider four actors as partners in a *focal network*, marked by bold arrows in the figure. We chose them as focal actors since these four actors were directly involved in PFP-projects, were active partners in the cooperation and had a unique blend of contributions and requirements. In reality a kind of four-way partnership emerged as Lamco, PFP, the Liberian government, and local community groups worked to get the developmental projects going. In this chapter we describe the focal actors, their objectives, their

Figure 7.1. A Network of Actors



characteristics, their field of experience, ability and know-how, their power and strength and their weakness, and also their general environment. Furthermore, we describe the activities that each actor performed and coordinated, and also shed light on the actors' resources including financial, technical, material, manpower, know-how, power and influence. We describe also actor bonds, activity links and resource ties.

7.2. ACTORS' OBJECTIVES FOR LAMCO JOINT VENTURE AND FOR DEVELOPMENT

Generally, the main objective of any MNC operation is to obtain a reasonable rate of return on its investment. If the economic and political climate for such an operation is favorable, the MNC is willing to provide large amounts of financial and material capital inputs. By utilizing its capacities, the MNC can produce and market its products. In many cases large MNCs require considerable manpower to be recruited from the local community. MNCs create employment, develop infrastructures and generate valuable foreign exchange earnings and thereby affect the overall level of economic activity in the areas where they locate and operate.

However, to evaluate the economic performance of an international venture is problematic. The reason for starting a project or a joint venture is seldom to maximize the profit of the new entity. Most often the objective is to strengthen other parts of the group, or to get other benefits from the entity than profit (Åkerblom, 2001, p. 127).

Commonly, a foreign producing and selling subsidiary is set up to serve the market for an unidentified lifetime. It accumulates its own resources, builds its channels and networks, and develops its products and markets. It may be sold to another group, but it still contributes to the local economy.

In contrast, a project exploiting an oil well or an iron ore mine will terminate when the attractive resources are emptied. The partners have continuously withdrawn the financial resources not needed for the operations, and when the project is finished there are no strategies and no capital for its future.

Unless an economic life has developed outside the dependence on the project, the local economy seems to return to the level before the project started (Butler, 1978), a process that will render severe problems for the local people.

Since the project partners' economic goal is to exploit the resources, and not to develop a viable subsidiary, a future for the site has to be based on other than immediate economic goals. Such bases may be humanity or a struggle for a good reputation, conditions for loans from the World Bank or developing agencies, or clauses in the contract prescribing the partners to ensure the future economic life of the site.

What benefits the actors had expected from LAMCO Joint Venture can be illustrative. In this section we try to explain the partners' objectives. The documentation is weak, so the reader must remember that the author's description is based on experience and discussions rather than on recorded interviews. It is, however, necessary to have some idea of the partner's objectives for understanding their actions.

7.2.1. The Actors' Earnings from LAMCO Joint Venture

Gränges owned 15% of LAMCO Joint Venture, the Liberian government 37.5%, Bethlehem Steel 25%, and other shareholders 22.5% (see Appendix C), many of them companies with some relation to mining. Even if LAMCO was the world's largest exporter of iron ore, its shares were not successful in the stock markets. Why? Did the actors have any interest in the profitability of LAMCO Joint Venture?

As mentioned in the previous chapter, after selling its share of the Swedish mining company Loussavaara-Kirunavaara AB (LKAB), Gränges had idle resources in the form of money, technical employees, administration and marketing, and a fleet of bulk vessels suitable for ore transport. To employ all these resources in a profitable way, almost without risk, was far more attractive to Gränges than getting some uncertain return from a 15% share of the stocks in LAMCO Joint Venture. Table 7.1 illustrates the contractual commitments (services and fees) between LIO and Gränges Company.

Table 7.1. Contractual Commitments between LIO and Gränges AB

SERVICES	FEES
1. Management of the project for indefinite period, cancelable on two years' notice after 1978.	10 cents per ton of finished ore produced plus expenses.
2. Sales agent for indefinite period, cancelable on two years' notice after 1978.	2% of net invoice prices, f.o.b. Liberian port, on sales of first 5,000,000 tons; 1% on sales in excess of 5,000,000 tons.
3. Management and administrative services for LAMCO for indefinite period, cancelable on one year's notice.	Actual expenses as incurred.

Source: LIO Annual Report 1980, p. 23

According to the joint venture agreement, the Liberian government got a fixed payment for each ton of ore sold. The royalty that was paid to the government amounted to 4% of its net sales of iron ore and iron ore products during each quarter (LIO Annual Report 1980, p. 17). This gave the government far more money than the uncertain return on its 37.5% of the shares. Table 7.2 shows the government's earning from royalty payments 1976-1980.

Table 7.2. Royalty to Government of Liberia, in thousand dollars

Year:	1976	1977	1978	1979	1980
Royalty:	4,677	4,226	4,281	4,195	4,435

Source: LIO Annual Report 1980, p. 27

Moreover, Bethlehem Steel, owning 25%, had as its main objective to secure ore deliveries at decent prices. The uncertain return from the stocks was almost negligible.

So, in fact, no partner had a big interest in LAMCO Joint Venture's profit. Gränges would rather negotiate for higher fees, the Liberian government for higher provisions, and Bethlehem Steel for lower ore prices, than for maximizing LAMCO Joint Venture's profit. The performance of LAMCO, however, was essential to guarantee the cash flows needed for the contractual payments to partners.

LAMCO was to close down when the ore was depleted. No partner, not even the Liberian government in the first decades, had any economic interest in the site thereafter.

7.2.2. The Actors' Interest for Development

Gränges had an obvious interest in getting a good reputation for helping an LDC to develop a mining site in a flourishing region; this would strengthen Gränges' competitive position for exploiting new mines in LDCs and at the same time avoid criticism at home. Also the personal motivation and humanism of Lamco's managing director at the beginning of the 1970s was important. But Gränges' benefits would be of no interest to the other partners, who were exercising budget constraints. The Liberian government officially had to show an interest in the development of the rural areas, and contracted a clause obligating foreign companies, including Lamco, to stimulate it.

To summarize, there were few incentives for making LAMCO Joint Venture profitable, and no real incentive for development, except Gränges Company's reputation.

7.3. THE MULTINATIONAL: LAMCO

As mentioned in the previous chapter, LAMCO Joint Venture in Liberia was owned 25% by Libeth, a wholly owned subsidiary of the U.S. corporation Bethlehem Steel, and 75% by LAMCO (the Liberian American-Swedish Minerals Company). The latter was owned 50% by the Liberian Government and 50% by LIO (Liberian Iron Ore Ltd.). LIO in turn was owned 25.2% by American, Liberian and other shareholders and 74.8% by the Swedish Lamco Syndicate (SLS), of which Gränges AB owned 53.5%. Thus Gränges AB owned 15% of the total, but had the majority in all groupings, except the 50% part in Lamco. Responsibility for running operations in Liberia lay with the Gränges subsidiary Lamco Joint Venture Operating Company (Lamco), which formed part of Gränges International Mining (GIM).

Lamco was established in order to exploit the high quality ore deposits of the Nimba Ridge, beginning production in 1963. Ore extracted from the mine was designated to be for export only. The main activities of Lamco were related to ore mining, ore treatment, ore transportation and port facilities, workshops and power stations, and housing and infrastructure.

Lamco operated in a remote enclave and therefore needed to construct its own roads, generate its own electricity and provide its own health and educational services.

7.3.1 The Activities and Resources of Lamco

The main activity of this actor was to mine and ship iron ore for export, by using the resources that were controlled by the company. The day-to-day activities of Lamco consisted of a number of repetitive works of mining, processing and transporting iron ore for sale. Maintaining a functioning modern company town was another day-to-day activity of the company. Relating to our discussion on the concept of activities in chapter 3, these activities were connected to each other and formed "different sequences" or "chains of activities". For example, a number of sequences could be identified from mining ore at the Nimba mine to the shipment of the processed ore from the port of Buchanan. Since these activities were repeated regularly, they could be called an "activity cycle", as mentioned in chapter 3. The company's technical, commercial, administrative and logistic activities were performed, coordinated and completed within the company and by the means of its resources.

The resources of the company were of various types that are usually found in every business enterprise, such as manpower, technical facilities, know-how, financial resources, materials, etc. The resources that Lamco specifically directly controlled consisted of among others, natural resources awarded by the concession agreement (iron ore deposits), mines, Nimba-Buchanan railway, ore treatment equipment, the port of Buchanan, workshops, power stations, housing and other infrastructure, employees etc. Some of these resources were highly tangible, and others were more intangible. The intangible resources, which were important to Lamco’s operation, were goodwill and company image, not only for the host government and local people, but also as a very important competitive resource for Gränges International Mining for future mining projects in other developing countries.

As mentioned in chapter 3, resources are related to activities performed; thus, Lamco’s tangible resources were related to its mining operation activities, and its intangible resources were related to its activities regarding the company’s “social responsibility”. Being a partner in the PFP program could thus be considered as a valuable intangible resource for the company.

7.4. THE HOST GOVERNMENT: LIBERIAN GOVERNMENT

Host country governments have, at least officially, a broad set of national development plans. Those governments that welcome foreign investment in pursuit of economic and social development, try to create the political and legal framework within which the MNC can operate successfully.

The government, or actually the Ministry of Agriculture and Planning in our case, was the other actor of the network. Apart from the size and sector of foreign investment, the market size and level of development of the host country, the other major factor influencing the MNC investment is host government policy (Iyande, 1984, p. 10). Host government policy is of fundamental importance because it defines the environment within which foreign investment operates and could therefore attract or repel investors. Policy could also be aimed at directing investment to desired sectors, or geographical areas, and at inducing MNC behavior that is conducive to the host country’s interests (Ibid.).

7.4.1. Liberian Government Policy towards MNCs

Here we consider the policy of the government as a resource. The Liberian constitution stated that any natural asset which was depleted should if possible be restored. In the case of resources which were not restorable, like iron ore, the local society and the infrastructure built up around the industry should be kept viable. Throughout the concession period the concessionaire had to take necessary actions to build up self-supporting agricultural, industrial and commercial enterprises suitable for the available infrastructure. The demand for the concessionaire to act as described above was included in concession agreements and was known as “The Viable Community Clause” [PFP 3, p. 1].

The Liberian government’s policy on MNCs engaged in exploiting mineral resources was generally to ensure that the host country derived the optimum benefit from such exploitations. The government policies often dealt with ownership and control of MNCs, employment and training of Liberians, utilization of local resources, etc. (Iyande, 1984, p. 11).

In the case of mining companies, their entry and operating conditions were governed by the terms specified in their concessions. The concession defined the area in which an MNC could carry out exploitations for minerals as well as specified terms of ownership, control, employment, usage of local materials, processing and sale of the mine output (Ibid.).

MNCs were allowed to import, free of customs duties, all materials, equipment and personnel required for the company infrastructure. According to Iyande, one mining company in Liberia was said to have appealed to a ministry to allow it to import petrol duty-free because the high cost of local petrol was hurting the company (Ibid., p. 12).

The concession agreements often conferred full authority to manage the enterprises on foreign investors although they were expected to accord priority to Liberians in employment of technical, professional and managerial staff, as well as provide training opportunities for these categories of staff (Ibid., p. 34). Foreign capital was made welcome in the country and foreign investments were encouraged for the sake of the industrial development that was essential to Liberia's future prosperity. At the same time, foreign enterprises had been guaranteed protection and correct treatment (GIM, 1978, p. 1). The government had not, according to Iyande, adopted a general policy of "Liberianization" of ownership and control of MNCs found in many other developing countries since the 1970s (Iyande, 1984, p. 34).

However, the official objective of this actor was to improve and increase the efficiency of farms and local small industries. The most important resources of this actor, in our network context, were the official support and legal resources that could facilitate, or make difficult, the activities of other actors. Since the assumption was that the development of local community was of great interest for the host government, the main activity of the actor was to furnish a favorable climate for the activities of other actors.

7.5. THE LOCAL COMMUNITY: UPPER NIMBA COUNTY

Local communities in the immediate vicinity of MNCs are most affected by the activities of the companies. Especially in the rural areas of LDCs, as in our case, local people are very often semi-subsistence rural farmers living as they have done for generations. These people will furnish the bulk of the labor force.

By road, Upper Nimba County is located 347 km from the capital of Liberia, Monrovia. Before Lamco came to the area, Upper Nimba County was a remote area of bush and rain forest. People of the area had very little money or market contacts outside their own small villages.

The basic strategy for economic development employed within Liberia, including Upper Nimba County, was awarding concessions to foreign corporations who were then responsible for developing the infrastructure and commercial linkages. As we discussed in the first part of this study, there are disparities between the operation of MNCs and the process of local development. Thus the strategy of government could, in the best case, lead to uneven development in the country.

There were several major constraints to economic activity affecting the area. An extreme dependency on the capital, Monrovia, was one of them. Monrovia was literally the only modern center where domestic industry and commerce was conducted, imports and exports were funneled and the administrative apparatus of the government was located. The transportation situation was another constraint. Another constraint was the lack of an adequate banking system. The only bank in the area, Citibank, provided services to Lamco and its employees and a few large businesses such as Lebanese merchants {NR}.

According to PFP officials, there were also two more important constraints for the development process in the area. The first was "short supply" of entrepreneurial motivation and managerial skills. The second, and most severe constraint, was the attitude of almost complete dependence on Lamco that had developed during the years before the PFP program {PB; FPM; NR}.

However, in *Yekepa,* the modern community at the base of the mining operations, European and American expatriates held managerial and key technical positions. Liberians provided the bulk of the work force for the mining operation, and Lebanese merchants played a peripheral role to the Yekepa economy {RS}. In 1982, there were some 20,000 inhabitants in and around Yekepa drawn from 25 nationalities. In Yekepa there was a full range of shops from modern supermarkets to the typically African market place. There were privately owned motels, bars and restaurants, a theatre, library and various churches of different denominations. There were also sport facilities, schools and a 150-bed hospital in Yekepa [PFP 46].

Camp 4, the shantytown that had sprung up on the edges of the mining concession area, was a staging ground for the tribal Liberians who, in pursuit of a better life-style and opportunities had left their traditional villages. Many had come to Camp 4 aspiring to employment with Lamco but had turned to the provision of goods and services within Camp 4 itself. The *Mandigos*, a tribe prevalent throughout West Africa, though not indigenous to

Liberia, had an important role in Camp 4 as craftsmen, engaging in carpentry, baking, trucking and other activities. The *Lebanese* dominated the retail commercial activity and had informally dominated the local financial operations {CN}.

In the *rural countryside*, commonly referred to as "the Bush", traditional agriculture production and processing occurred as it had for generations. Local markets served as an outlet for traditional goods. In the rural areas cash crop production was focused on coffee, and local cooperatives served as the marketing vehicle for this operation {BC}.

The focus of local community in this study is on the small business actors. Their activities and resources are the subject of chapter 8.

7.6. THE INTERMEDIARY ORGANIZATION: PFP

Generally, development agencies, such as the PVO in our case, have the experience and credibility to mobilize resources. They can act as brokers and bring tested methodologies and skills. Confidence in their role as brokers comes from their neutral stance. This, in turn, allows the PVO to mediate between the parties, to seek financial and other support and to identify and foster the contribution of the local community [PFP 8].

PFP, a Quaker-sponsored small-scale enterprise development agency, came to Liberia in 1974 at the request of Lamco as planner and implementer of development projects. The organization was incorporated as a non-profit foundation in order to be eligible for the international development financing deemed essential for long-range success of developmental projects. PFP was formally created when it was accepted by Lamco Board in mid-1974, and when a special act of Liberia's Congress established PFP as a legal non-profit developmental foundation in that country {RO}.

The first general manager of PFP had 20 years experience in African enterprise development, with background and training in banking, management and engineering. He recruited eight local people to serve as the initial staff. In 1983 the staff consisted of 34 people, of whom 25 were Liberian and 9 expatriates {FPM}.

PFP, in cooperation with Lamco, and the Liberian government, worked with the people of Nimba County in Liberia. The PFP program aimed to make available to local entrepreneurs and farmers the technical, human and financial resources represented by

Lamco’s operation in order to build a viable community within the base of the mining operation {RO}.

During the initial years, 1974-1979, PFP program was financed by Lamco, the Liberian government and other private donors. PFP’s activities included promoting spin-off activities, described in a previous chapter, to private firms owned and operated by Liberian entrepreneurs, and providing credit and management assistance in this effort. PFP was also working with commercial agriculture through improved techniques and modern equipment to enhance agricultural output within the area, linking commercial agriculture to the modern mining community {FPM}.

In 1980 PFP received a grant from USAID (United States Agency for International Development) that allowed the program to expand into the rural areas and shantytown community that surrounded the modern concession area. In 1984 PFP was working with farmers engaged in small commercial activities to promote an integrated economic development in the region. The expatriates, hired for specially needed skills such as construction technology and machinery operations, had come from the Peace Corps in Africa and other similar volunteer developmental organizations, and an important part of their job was to transfer their skills to the local people {Ibid.}.

After the coup of 1980, and new developmental priorities of the new government, PFP had moved from developmental efforts within the community of Yekepa out into the surrounding small villages and farming areas. In 1983 about 25% of its effort was in Yekepa and 75% in rural developmental activities within 20 to 30 kilometers of Yekepa {Ibid.}.

7.6.1. The Activities and Resources of PFP

Unlike Lamco, activities of PFP were not quite repetitive and regular. The cases of PFP clients in chapter 8 illustrate the non-regular nature of PFP's activities. The main activity of PFP was to combine other actor’s resources in assisting local businessmen and farmers in technical, financial and managerial skills. PFP’s activities were responsive, as opposed to directive. Activities were subject to constant adjustment and frequent major revision (Butler, 1978). PFP's policy and strategy was "keep trying" or "let's try it and see if it works"; that is, if one approach to solving a problem does not work, a different one just might (Ibid.). PFP had learned that, above all, it must be flexible in designing and implementing programs for small enterprise and local economic development. It must continuously experiment to arrive at solutions because they were never the same for any two individuals or places [PFP 29, p. 3]. The responsive activities correspond with the notion in chapter 3 that the results of a combination of resources that are heterogeneous are impossible to know in advance and have to be learned. As in PFP's case, learning could be accomplished through interaction of resource providers and users.

PFP's activities were consequently based on long term planning and long-term goals. "Trial and error" method was used to perform activities. According to the general manager of PFP, such long term planning and "let's try it"-strategy taxed the patience and commitment of donors who felt more comfortable when programs were being carried out precisely according to detailed achievement projections and timetables [Ibid.].

PFP's resources had more intangible characteristics. The "catalyst" role of the organization, its role in mobilization of resources, and its role as a change agent were among the most important intangible resources of the organization. Its abilities and know-how and also its image, and the trust it could bring about, were also important intangible resources. An illustration of PFP's role in mobilizing other actor's resources could be found in a case when the construction of a school was planned in a village. In this case Lamco's contribution was financial support, the government contributed by assigning teachers, and local people provided labor for the project. And PFP acted as the organizer who coordinated the resources [PFP 25, p. 3].

7.7. ACTOR BONDS, ACTIVITY LINKS AND RESOURCE TIES

7.7.1. Actor Bonds

As was discussed in chapter 3, bonds are defined as a result of mutual commitments around priorities that lead to a structure of actors. Bonds between two actors may alter their way of seeing and interpreting situations, as well as their identities both in relation to each other and to others. For example, PFP's situation as a "close friend" to the powerful Lamco, or to the powerful Ministry, helped PFP in other relationships. The same could be true for Lamco. Being associated with a PVO could change Lamco's "image" and help the company in its other relationships, say, its relationship with the host government and local society {JE}.

Also as was mentioned in chapter 3, bonds arise in a relationship between two actors as they direct a certain amount of attention and interest towards each other - they become mutually committed. Bonds were created between PFP, Lamco and the local society since PFP was specialized and skilled in the development process of rural areas, and also sensitive to the needs and objectives of Lamco. There were also strong bonds at an individual level between Lamco and PFP. The general manager of Lamco and the first general manager of PFP, who also became close friends, were mutually committed to the "cause" of PFP {RO}. There are letters, minutes of the governing council, and other official documents and unofficial notes that demonstrate the commitments.

PFP’s bonds with local society were characterized by working “hand-in-hand” and closely with local people {PK}.

According to the network theory, discussed in chapter 3, bonds also indicate restrictions. To be committed, to have a certain identity and to be trusted, means that an actor has to comply with some specific rules. The nature of commitment between the actors of our case was determined by formal and informal agreements regarding each actor’s contribution to the PFP program.

7.7.2. Activity Links

According to the literature, discussed in chapter 3, activity links describe technical, administrative, commercial and other activities of an organization that can be connected in different ways to those of another organization as a relationship develops. They lead to activities that are synchronized and matched.

In our case, a great number of activities were performed and coordinated within each actor, and each actor took the form of a coordinated "activity structure". It was also discussed in chapter 3, that when actors build up relationships, certain parts of their different activities could be linked to each other, and linking activities might be considered as a way to create a unique performance. As the activity structure of actors changes over time, the activity links will also be modified and adjusted.

In our case some of the activities of the actors were linked to each other. The governing council of PFP, which included all four actors, was acting as a "linking device", responsible for “synchronizing” the actor’s activities. The government’s overall development policy was linked to the PFP's program. Lamco's technical activities were linked to some of PFP's activity. By assisting local businessmen and farmers, some of PFP's activities were linked to the local society.

PFP’s activities were also linked to those of the government since an important element for PFP was to coordinate its efforts with those of other Liberian national developmental programs and with the government’s developmental objectives {FPM}. Another example of activity links was a student internship program for promising Liberian graduates of the country's secondary and higher education schools. They were invited to Yekepa for on-the-job training in office and business administration, accounting, marketing, industrial production and agricultural development {Ibid.}. This example could illustrate the activity links between the government's educational activities and PFP's developmental activities.

Another example of activity links was when PFP had been helping to develop a local private construction and sub-contracting industry. Six firms had been assisted, and through these firms PFP was supervising the construction of 37 houses as part of a "Better Homes" project sponsored by the local Nimba Women's Association {TM; FP}. The example also showed activity links between house-construction activities of local society with PFP's developmental activities. As a whole, the activity links affected the performance of the entire network.

7.7.3. Resource Ties

As we discussed in chapter 3, developmental efforts need mobilization of resources, and the heterogeneous nature of resources was stressed. According to the literature, resource ties imply a combination of heterogeneous resources, and tying resources has both direct and indirect innovative functions, as parties to the relationship learn about the use and provision of resources.

In our case the four different actors possessed different types of resources that were tied together, and, according to the literature, they led to a new "quality" of resources.

For example, Lamco furnished half of the fund needed for the initial three-year period of the program (see chapter 9). The government also provided a small financial support. The legal support of the government, combined with the economic base, resources and technical assistance of Lamco, combined with the self-help and labor of the local society, combined with PFP's assistance capability provide a pool of collective resources that were directed towards developmental efforts.

The very relations between actors, according to the literature, could also be considered as resources. Moreover, resource combination provides both opportunities and constraints for the actors' activities. The financial contribution of Lamco, for example, could be seen as a constraint in the short-term, but also an opportunity in the long-term. The value of one resource is dependent on how it is combined with another resource. Lamco's in-kind support of heavy equipment, for example, could be of more or less value dependent on the type of the local society's resources that it was combined with. In discussing relationships between PFP and Lamco in chapter 9 we will mention an example when the resource and contribution of Lamco in form of a tractor counteracted PFP's effort to organize a self-help project.

In the house-construction example mentioned above, there were also resource ties involved. Resources of local people in the form of local labor and local materials were tied to resources of PFP in the form of its ability to mobilize the necessary resources.

Another example of resource ties would be that PFP selected brands and models of vehicles and office machines because Lamco had the same brands and models and stocked replacement parts [PFP 37].

7.8. SUMMARY OF THE ACTORS, ACTIVITIES AND RESOURCES

In the literature, actors are defined as those who perform activities and/or control resources. Actors in our study, with their own objectives, performed activities based on control over resources. They controlled their own activities by means of an administrative control mechanism. Through exchange processes, actors developed relationships with each other. Actors learned about, and had knowledge about, the activities and resources of other actors. The actors' "formal knowledge" was acquired by being members of the governing council of PFP. The knowledge was however differentiated. It appeared that Lamco and PFP knew much more about each other's activities, resources, objectives and restrictions. Relationship between government and other parties was not at a personal level compared to the relations between Lamco and PFP, and also between PFP and local society. The military coup of 1980 contributed to the lack of knowledge of the new government about the activities, objectives and resources of other actors.

However, the main task of this study is to analyze the work of the intermediary organization, PFP, implementing Lamco's duties for local development. How did it influence the other partners' objectives, resources, activities, bonds, ties and links, in its struggle to fulfill its own goal and task? This is the subject of chapter 10.

Moreover, to give the reader a reference and a concrete background to PFP's intermediary actions, it may be necessary to furnish illustrative examples of how PFP worked to develop entities in the local community. Thus, in the next chapter, a sample is presented.

8. TYPES OF PFP CLIENTS

8.1. INTRODUCTION

One important task for PFP was to change part of the local community from a non-business actor to a number of business actors. In this chapter we look at the process. The chapter concerns the "output" of the PFP program; that is, the outcome of the mobilizing of several actors' resources which was performed by the intermediary actor. To do the task, a number of PFP clients, those who were receiving PFP assistance, were selected for a more detailed investigation during the author's second visit to Liberia. The purpose was to consider PFP's approach in implementing the development program and its real impact on the local people.

We did not aim, however, to evaluate the PFP program, rather the purpose was to illustrate the problematic issues that were involved in development efforts. By considering these cases, we might obtain a perception about what rural development was required, whether a large MNC like Lamco was equipped to deal with the various complexities of local development, and if the company's capital, personnel and technology were sufficient to set up its own development programs.

As new business actors, the small enterprises took part in the network, utilizing resources from other actors and providing new goods and services.

8.2. SOME NOTES ON THE CASES

The cases were selected from 382 farmers, 72 entrepreneurs and 31 village development projects. These farmers, entrepreneurs and projects are listed in tables 9.5 and 9.6. In selecting the cases, the variety of the activities and their geographic location were considered.

Geographically, the projects were located in three different areas: Yekepa, other urban areas and rural countryside. Yekepa was the modern community which was the base for the mining corporation and housed Lamco employees. Sanniquellie and Camp 4 were other urban areas. Sanniquellie was the capital of Nimba County and the center of the government's local administration. Camp 4 was a shantytown that had grown alongside the mining town, Yekepa. It was located three kilometers from Yekepa and housed about 10,000 people. The majority of Camp 4 residents came from all the different tribes in the country. Rural countryside, commonly referred to as "the Bush", was where the majority of the area's population was living, and where PFP had placed its emphasis to implement development projects after the USAID grant.

8.3. THE CASES

8.3.1. Commercial Farmer, Yekepa

SK had two vegetable plots. He learned about growing vegetables in 1978 from a friend who had been trained at the PFP demonstration farm. By 1980 this client was growing cabbage, lettuce, okra and corn. In April 1982 he received an in-kind loan of fertilizer from PFP. He said that PFP had taught him about the application of chemical fertilizer and manure, as well as about the proper spacing of his crops. In 1982 he grew 6000 head of cabbage and earned more than $1600. SK had been contacted by several others who wanted to learn how they could engage in a similar activity.

SK used some of the profits from his cabbage to buy palm oil cheaply and sold it later as the price rose. If he earned $1600 in a year, he would keep $1400 and gave $200 in compensation to family members. His desire was to buy a pick-up to take goods to Monrovia (the capital city).

SK was in a farmers' group of six members, only two of whom were related. SK and a man of Batu tribal origin co-signed for a PFP loan in 1982. (The other group members were not shareholders and were, in effect, hired labor). In their arrangement, SK was to contribute improved seeds, labor and his skill in vegetable production, while his partner was to contribute land and labor. During the cropping season, the partner left to mine for diamonds in another area, and his harvest was consequently not as good as SK's. The partner's wife took what profits there were and invested them in diamond digging rather than in repaying the fertilizer loan, and SK, as co-signer, was forced to repay the entire loan himself. Not surprisingly, that original group disbanded; one other member of it besides SK had a vegetable garden that year.

SK formed a new farmers' group, all the members of which were part of his extended family. According to PFP, the experience of this case was not unusual. The amount of discipline in economic matters was not generally high, and this created reluctance among local farmers to sign joint or group loan agreements {PK; CN; LP}.

8.3.2. Commercial Vegetable and Animal Production, Sawmill Camp

GW learned how to raise pigs, poultry and vegetables from PFP. He started as a PFP client in 1981. In 1983 he had a vegetable garden and raised hogs and chickens. He grew cabbage in the dry season and cucumber, corn, radishes, okra, peppers, bitter ball and eggplant in the rainy season. The expansion of his farm was clearly visible, especially the buildings, of which there were five.

In June 1981 he built his first chicken house, and in 1983 he had three chicken houses, and improved his pigsty. He raised four flocks of chickens a year. His flock was 360 pullets, and he was expanding his hog production. In September 1981, he bought his first sow and boar, and in 1983 he had a big brood sow and four younger sows which he was starting to breed. He had four boars, which would be slaughtered in December, and he had bought a young Hampshire boar to breed with his sows. He had learned to feed his hogs local feed: rice bran, paw paw, potato greens, cucumber, eggplant, and leaves from cabbage and kudzu. PFP taught him how to castrate hogs for increased weight gain, as well as the control of internal and external parasites.

In December 1981 he received a $240 loan for poultry that he paid back in January 1982. The next month he received a loan for $470, also for poultry. He paid that loan back in July 1983, and was planning a third loan for December 1983 to construct a hog pen. An idea of the economics of broiler raising follows:

Expenses:

$262.50	cost of 360 chicks
390	feed
40	vaccination and vitamins
100	chick mortality (25)
75	transport and costs in Monrovia
$867.50	total costs

Revenue:

335	chickens
X $4.50	price per unit
$1507.50 gross profit	
-867.50	direct costs
$640	net profit (without overhead or family labor costs)

His poultry income, from four flocks of chickens a year, was approximately $1300. GW had reinvested much of his profit from chickens in pig raising. Although he kept no formal records, this client was very conscious of expenses and had a high rate of reinvestment.

In addition to the direct benefits it had produced for the client, this farm also had considerable social impact on the surrounding community. GW's farm was close to a low-income community of rickety housing called "Sawmill Camp". The sawmill, which originally employed some of the inhabitants of this camp, had suspended operations. It could be observed that a number of people from the camp had planted non-traditional gardens along the fringes of GW's farm. There were six different vegetable plots that could be identified at the front entrance to the farm. Other farmers frequently came to GW for advice about chickens, and he also helped other farmers castrate their hogs.

8.3.3. Poultry Raiser, Barpa Village

This business was started in October 1982. Although the husband owned the business, he worked elsewhere and the wife actually ran the business. The fixed capital consisted of a raised chicken pen that segregated BS's pullets from local poultry, which might carry diseases. The wife used cassava leaves but no other form of local feed. She kept no business records to calculate her profit or to record the mortality rate of the flock. Her fully-grown broilers were sold at a market eight kilometers away for $5.00 each. Mrs. BS was one of the few women in Barpa village operating a small business. According to PFP, her level of technical knowledge and management skills were very low, but typical. Mrs. BS's case was one in which the client was not very advanced, either in farm or business practices. PFP tried to improve her learning by more structured consultancy in which she and a PFP agent made a prior agreement as to their larger goal{LP}.

8.3.4. Village Development Project, Leagbala Village

The people of this village had built a new well with PFP assistance. PFP provided the technical design, help in organizing the villagers, and the building materials that needed to be purchased for the project. The villagers provided labor and local building materials. In this case, each villager contributed a small sum to hire a well digger. Before the well was dug, they got their water from a stream. The well was both more convenient and had better water than the stream, although it had to be dug deeper into the clay strata; the water was potable but still contained some sediment and it had to be allowed to settle before use.

The villagers also built their own school and were thinking of constructing a clinic, toilets and a second well on the other side of the village. PFP had eight meetings to form farmer groups but the interest in this was still not high. The local male farmers still preferred to use slash-and-burn methods to grow upland rice, and they feared the sickness in the swamps {TM}.

8.3.5. Women's Group, Leagbala Village

The PFP Women's Program gave these women assistance in the typical women's areas of crafts (stitching and embroidery) and sewing (primarily children's clothes such as boy's trousers).

All the women had vegetable gardens. (Men cleared the bush and were primarily occupied with upland rice farming). From June through October, when water was plentiful, the women produced a variety of crops, including rice, okra, bitter balls, corn, cassava, potatoes, beans, pumpkins and plantain. In addition, the women raised chickens. After they met their needs for domestic consumption they sold the surplus around Yekepa. Each woman sold individually. There were no food transformation activities.

The implication of this case, according to PFP, was that women had a major role both in farm productivity and in generating and managing the cash income of the family {FP}.

8.3.6. Animal Producer, Sanniquellie

Two years ago JG began to raise hogs, and in 1983 he started a poultry project. He said that PFP had taught him most of what he knew about swine and poultry production. To begin his poultry business, in March 1983 he received a $604 in-kind loan of medication and feed from PFP. He built his own chicken house for $500 and bought 206 chicks from Holland for $.75 each. JG was well organized and kept accurate records on his business. He said there was very little competition in poultry production in the area, and he was struck by the huge difference between his improved chickens and indigenous varieties. “The Dutch chicks grow like magic". He was aware of the tradeoffs involved, however, in that the improved breeds required special feed, medicine, and constant attention, whereas the indigenous fowl ran wild and took care of themselves.

JG had a secure job in telecommunications, and for him his animals were an investment. If his business turned out to be successful, then he could foresee expanding it gradually to the point where he could make a living from poultry and quit his desk job.

8.3.7. School Vegetable Project, Boapee Village

This project was started in April 1983 with the help of a loan of $140 from PFP. Two teachers at the Boapee School began the garden, which produced primarily for the Sanniquellie market and was a demonstration farm for students at the school and for villagers.

One of the teachers learned swamp rice cultivation from PFP in another area, and had brought the innovation with him. They were demonstrating the importance of proper cultivation and aeration of swamp soil; the use of double-digging techniques; and raised and sunken beds to regulate soil water content. They were also demonstrating cultivation in rows, the use of a seedbed and careful transplanting. Many people, including the town chief, had come to look at the farm, and some of the senior students had started their own vegetable patches.

Progress was slower than they would wish. They had problems in locating seed, and were unable to find cucumber and cabbage seed even in Sanniquellie and Yekepa. The duties in the school took a lot of time and did not leave much time for gardening. Finally, the teachers realized that as civil servants they could be transferred at any time, and might have to leave the area.

8.3.8. Farmer Group, Zolowee Village

This farmer group started in February 1983 and by June had .8 acre of swampland cleared and under rice cultivation. One of their members had seen swamp rice growing in Guinea and so was more willing to try out the innovation himself. They received an in-kind loan from PFP of $203 for tools, seed and fertilizer. They also had learned techniques for pre-testing of seed and water control through the use of canals and bundling from the PFP agent. They had practiced some specialization of labor, with one of their members building canals, one being responsible for the nursery, two being in charge of stump removal, and so on. Each had his own plot, or if one worked hard he could have two or three plots. While they were only growing rice, they were willing to experiment with vegetable production if PFP could acquire the proper seeds for them.

While they had been open to the innovation of swamp rice, they minimized their risk by spending half their time on upland rice. They were quick to follow the advice of the PFP agent on techniques for swamp rice, but they did not believe that anything that they had learned about swamp rice was transferable to upland rice. However, there was some question about their labor allocation. Each member only worked one and a half days per week on the swamp, even though there was a major amount of land improvement to do to prepare for the coming growing season.

The farmers believed that if they worked hard and were successful then they would be a good example to the villagers and their techniques would spread. They had encountered interest from local villagers but also skepticism. Some people, especially the market women, had asked them why they worked so hard without getting any pay. The men tried to explain that they were investing their labor in permanent land improvements. But in an area where most practiced slash-and-burn rice farming on the mountainside, this strategy was not well appreciated. And in general, according to PFP, long-term investment was not seen as a practical alternative to speculative activity that offered the chance of a quick profit {NR}. The farmers of this group did believe that the swamp rice had more diseases than the upland rice. PFP gave them an in-kind loan of boots so that they could protect themselves.

8.3.9. Furniture Maker, Camp 4

FT started his business in August 1979 in Camp 4 and had two employees and 13 apprentices. He had 13 years of woodwork experience and worked in the business full-time. He had no other economic activity. FT was illiterate, but his younger brother, who could read and write, helped him in the business.

In 1981 FT noticed that his business had grown steadily to the point where it was no longer possible to operate effectively in the space of his shop. He asked PFP for assistance, and with the advice of PFP consultants he decided that the carpentry shop itself should be moved to larger quarters and the present space converted to a showroom. This expansion cost $5,459 of which $3,982 was financed by PFP and $1,477 by FT himself.

FT produced items such as beds, dressers, living-room sets, shoe racks and chairs. He said that beds were in great demand and sold better than other items, and he believed that he could sell more beds if he had more raw materials. According to FT the major problems in selling his products were transportation of raw materials and the customers refusing to pay back their loans. FT's markets were Ganta, Camp 4, and Yekepa. He had four competitors, three in Camp 4 and one in Ganta but they were smaller businesses; and FT believed that his products were better than those of his competitors because customers usually came back and told him that they preferred buying from him. FT promoted his goods through a signboard and display of goods in his showroom. FT himself planned his production and he obtained his raw materials locally from another PFP client. FT's business had met his expectations and he was planning to reinvest retained profit into the business so that it could expand. He put half of his profit back into the business and half was put in his "saving".

8.3.10. Commercial Farmer, Yekepa

TK's family had traditionally grown vegetables, but with few modern techniques. In 1983 he farmed 1.2 acres, and grew a wide assortment of vegetables. His primary market was the expatriate community in Yekepa, and he also sold in Sanniquellie, Ganta, Monrovia and sold wholesale to market women. The crops he grew included items like cucumbers, dill and parsley, as well as tomato, cabbage, sweet and hot peppers, beans, bitter ball, eggplant and squash. TK reported that the most valuable things he had learned from PFP were improved techniques for pruning and staking tomatoes, and crop diversification. TK was able to divert water from a stream to irrigate his vegetables. He considered maintaining and expanding this irrigation as his biggest challenge. PFP was examining with him the technical and financial possibilities of making a loan for a water pump. Three other farmers came to observe TK's farm to learn from it, and he helped his hired labor to start vegetable patches of their own.

Some idea of the economics of his operation is as follows: He sold a pick-up load of products in the capital city for $750. The costs of transport and expenses while in Monrovia were $200. The cost of seeds and fertilizer were $150. He estimated his net profit from a truckload as $300 to $400, although this figure did not include the cost of labor. November through May were his "good months" when he went at least once a month to Monrovia and also sold in the Yekepa area. Overall, his annual income was estimated to be between $2000 and $2500 from vegetable production.

8.3.11. Commercial Farmer, Karnlah Village

In December 1982, JP started a commercial vegetable garden that included cabbage, bitter balls, beans, sweet and hot peppers, okra, watermelon, corn and peanuts. It was the first time he had a commercial garden. PFP taught him all he knows about this kind of operation. In January 1983, he received a $55 in-kind loan from PFP for seeds, a water can and pesticides, which he repaid in June 1983. His garden had a source of irrigation during the dry season and little flooding during the rainy season. Before starting his garden, JP was a messenger at the University of Liberia in Monrovia. There, his income was $200 per month ($176 after taxes), and he paid $40 a month for rent. After starting his garden he could sell ten bags of bitter balls a week at prices from $2.50 to $4.00 per bag, and with his other income made around $300 a month, and his rent was only $13 a month, for what he considered to be better quarters. JP said that his retained income and the quality of his life were clearly higher than they were with his urban job in Monrovia.

According to PFP, this client had notable commercial success for a new venture. He kept no formal business records and did not have a clear financial picture of the earnings of his business. PFP succeeded in showing him the agronomic aspects of the business, but he still needed assistance with management {PK}.

8.3.12. Women's Group, Karnlah Village

This women's group was started in September 1981 with PFP assistance. It had seven members. They made blankets and baby clothes, and two women made bread, donuts and fritters. One woman learned to make bread from PFP, and then baked and sold it every day in the village. Three women of the group received a $100 loan from PFP and paid it back from the proceeds from bread, selling rice and fish, and small commerce. The women were encouraged by their success and were planning to apply for a second loan with which they could prepare local foods and have vegetable gardens. The female PFP advisor had taught the women traditional homemaking.

8.3.13. Vegetable Production, Viepa Village

In 1983, AK, 16 years old, and JG, 19, began to share responsibility for a vegetable plot. AK went to school in the morning and worked in the afternoon, and JG worked in the morning and went to school in the afternoon. AK's father was dead and he had to work to support his family, so his dedication to making a living from commercial vegetable production was real. According to PFP, they were good clients in that they had fewer preconceptions about agriculture than some older clients, and they followed planting and cultivation recommendations accurately. Vegetable production was not well known in their area and others were curious about their project. People were beginning to awaken to the economic potential of vegetable farming; it could be done all year round, and it could yield considerably more income for a young person than agricultural labor or going to the capital city. These two teenagers demonstrated that it was possible to continue with their formal high school education while at the same time gaining an income generating skill {LP}.

8.3.14. Charcoal Producer, Camp 4

BM started up his business in January 1983. He was also engaged in farming. Due to the available wood on his farm, and demand for charcoal, he decided to go into charcoal production. He was illiterate but got help from his brother in running the business. His markets were Camp 4 and Yekepa, and he had eight competitors. He promoted his product by informing the customers and transporting samples to their houses. His monthly production was about 400 bags. BM did not keep any business records and had no idea how much cash was being received and paid out. He used his profit to solve family problems and for the upkeep of his house. In October 1983 PFP awarded a loan to BM in order to improve his equipment. He hen increased his production and also established a market in Monrovia.

8.3.15. Kerosene Wholesaler, Camp 4

HC was 33 years old and worked for Monitco (the transport company in Yekepa) for a couple of years and was ranked in the position of dispatcher. He was paid off and decided to start his own business in August 1983. He had one employee, and also owned a taxi that he drove in the community after his working hours. He said that kerosene was in demand and “the two drums he bought last week is finished now”. He sold to six villages and, as far as the rural areas were concerned, he had no competitors. However, in Camp 4, where he resided, he had six competitors; but they did not have much interest in taking their products to the rural people. People preferred HC's kerosene because his kerosene, which he bought from Ivory Coast, was very clean and it was not mixed with anything like fuel or gas. He promoted his product by selling at a reasonable price so that the people in the rural areas could afford it. HC had some agents who sold the kerosene in the villages, and he tried to be a regular supplier without disappointing the customers. According to PFP, he began to know more about the business by setting up a record system with PFP. HC was a serious entrepreneur and PFP was working with him to provide capable agents to sell his goods in the villages and to teach him basic management techniques {PB}.

8.3.16. Baking Business, Zor Clan

MK started up his business in November 82 with the help of a loan for $200 from PFP, and worked full-time in the business. He learned baking at Sanniquillie and Guinea, and decided to start his own business. He learned from PFP to calculate how much it cost him to produce a loaf of bread, and consequently, was able to price his products accurately. He produced various kind of local bread and he said that "long bread" sold better than others. He produced bread upon customers' request and had no problem in selling his products. MK sold bread to five villages and he had no competitors in the entire area. He got his raw material from Sanniquellie. MK kept no records, but he said that he needed to and wanted to learn how to keep records. However, he knew how much cash was being received and paid out, and he took a regular amount of $60 out of the business monthly. His monthly profit was about $970, and he reinvested part of it into the business, and built his own shop and house with the rest. PFP assisted him in opening a teashop at the site of his bakery, and also taught him the basic techniques of record keeping.

8.3.17. Retail Business, Yeaplay Village

AT is 40 years old and started his business in March 1983. He was engaged in farming too. He sold slippers, mats and iron strains used for trapping. His markets consisted of five villages and there were two other competitors in the area. AT bought his goods from Sanniquellie. He kept no business records and had no idea how much cash was being received and paid out. He used to withdraw cash as needed and offered his family members some of his supplies as they requested. AT noticed that his business had not met his expectations and he was making little profit. In August 1983 he asked PFP for assistance. After reviewing the business, PFP found out the critical factors affecting the growth of the business. They were: family pressure, too much credit, lack of business record and a practice of irregular drawings. To begin with, PFP taught AT to set credit limits, and strongly advised him to put pressure on the debtors to pay their debts back {PB}. By referring the "bad debtors" to the higher authority, AT could collect the debts. AT also gathered his family members together and explained to them that he wouldn't permit anyone asking him for things free. He said that nobody was bothering him now and his business went better than a few months ago.

8.3.18. Teashop, Camp 4

Friendship Teashop was owned by two partners, UB and MK, both residents of Camp 4. In 1960 UB was involved in cow, sheep and goat business in Sierra Leone. In 1965 he left for home in Liberia to start a diamond business. In 1980 he moved to Camp 4 and began selling in the market. In 1981 he started his business in partnership with MK.

Prior to his business activity, MK worked for his father. In 1974 he started a rice farm in a village in Lofa County. In 1976 he moved to Camp 4 and was engaged in selling cloth and footwear for four years until he decided to join his friend UB with the little amount of money he had.

Their teashop was well located in the main street of Camp 4, and they prepared foodstuffs such as tea and bread, eggs, meat and salad. In November 1983 UB and MK decided to expand their business and asked PFP for advice. With PFP's assistance they prepared an expansion plan to increase the inventory. The project cost $3260 of which $1520 was obtained by a PFP loan, and the remainder by themselves.

8.3.19. Retail Business, Zor Clan

MF was 55 years old and started his business in June 1983. He did not work in the business full-time and his wife managed the business in his absence. He also farmed rice and coffee. He sold many items, but cigarettes, fish cups, batteries, gunshot and washing soap sold better than others. MF sold in five villages and had no competitors. MF used his profit to restock and to farm rice and coffee. In October 1983 he asked PFP for advice to improve his business. He was given a PFP loan and could finish shop building, refill his shop with new stock and buy proper tables for the stock. PFP assisted him in basic management techniques.

8.3.20. Drugstore, Camp 4

JN was 30 years old and started his business in April 1979. He took medical training in Guinea and then worked in two drugstores during 1974-1979. His major problem was the waste of drugs that were out-dated; and in 1982 he lost about $1000 as a result. His markets were four villages, besides Camp 4. He promoted his sales by announcing over Radio Lamco and contacting the local clinic to send patients to his store. JN kept records to control the stock and expenses. He also gave credit; the limit was $25 per person. JN really sold his product at lower prices as compared to his principal competitors. He also took his drugs to the villages. JN began to receive PFP assistance in August 1983. He learned how to control the cash more effectively. PFP worked with him to cut prices to get rid of least useful drugs. Groups of similar drugs were replaced be a single one and required drugs were noted down. He also received a PFP loan to buy essential drugs. He said that owing to PFP assistance his daily sales had been improved from $15 to about $30.

8.4. SOME LESSONS FROM THE CASES

The cases indicated the nature of the problems involved in rural development. These problems were in fact Lamco's problems, since the host government put pressure on the concession companies to establish independent economic bases in the areas where they located. The task in Upper Nimba County, Lamco's site, was then referred to PFP. But why? Certainly Lamco had the technical capability to move mountains! Why couldn't the company bring this technical expertise to bear within the indigenous community? One answer might be the fact that Lamco's strength and size was its weakness, and its magnitude fostered dependency; and since an illusion had already been built around its ability to do everything for everybody, the ability it had in convincing the people that development could only begin with individual initiative was negligible at best. This fact, and other political factors, had tied Lamco's hands at the beginning of the 1970s. But Lamco apparently was wise enough to realize that it just could not bridge the contradiction between development complexities and mining operation; and invited PFP to implement development programs.

Imagine that a large mining MNC, with the whole world as its market, is supposed to teach a local farmer how to prune and stake tomatoes, or to teach another farmer how to castrate a hog! But rural development in an underdeveloped area is nothing but teaching rural farmers and businessmen the things that are described in the cases above. These cases could not possibly be the domain of an MNC, but this is what rural development is about, and what the MNC is supposed to do if it wishes to satisfy the demand of the host LDC government.

The cases of PFP clients reveal an important fact. Unlike a large MNC, PFP had the capacity to move swiftly, flexibly and imaginatively into a new area of critical need; it had the power to arrive at a situation free from political influences; it had the freedom to engage in activities which the MNC could not, and it had the availability of sympathetic personnel who could attend to the variety of human problems that were faced because of the development efforts.

The most important role of PFP was two-fold. Firstly, in its role as an integrator, PFP had the ability to combine the resources of other actors and realize them into development projects described in this chapter. This grew a set of many new small business actors, a fundamental for a viable community. PFP not only changed the actors' attitudes, it also changed the relations directly. The actors could communicate in a way with less misunderstanding, knowing more of each other's aims. Secondly, PFP was acting as a change agent in the network in order to change the attitudes of Lamco, the government officials and, most importantly, the attitudes of local people towards the problematic issues of rural development. Without changing the attitudes of local people from "Let Lamco do it" to "Let do it ourselves", the developmental efforts mentioned in this chapter would face major difficulties.

8.5. DEVELOPING ENTREPRENEURS IN LOCAL SOCIETY TO BECOME BUSINESS ACTORS

The case studies in this chapter were carried out in 1983. If we consider Lamco's development efforts since 1970 we may distinguish three phases:

1. Spinning off phase. This was the phase when Lamco spun off parts of its activities which were not directly related to the mining operation. Lamco acted as initiator, financier, adviser and buyer. It was mainly dyadic interactions between Lamco and the spin offs, and the spin offs were heavily dependent on Lamco. An example was a major portion of Lamco's house construction that was spun off to NRCC (Nimba Realty and Construction Company), a company created for this purpose. Lamco loaned NRCC its initial operating capital and started awarding construction contracts to NRCC with prices and time limitations computed by Lamco's civil engineers (Butler, 1978, p. 8). Regarding another spin off, Monitco (Mount Nimba Transport Company), the same pattern could be seen. Monitco's initial fleet of vehicles was owned by Lamco, but leased to Monitco. The company provided bus transport for Lamco employees, school children and garbage collection (Ibid., p. 18). Spin offs were totally dependent on Lamco and needed its financial and managerial support. In other words, the spin offs were not part of a network, but had interaction mostly with Lamco.

2. Entrepreneurial phase. This phase corresponds with PFP's entrance to the scene and its early years of operation. PFP began to assist the spin offs, but also to support and initiate, granting credits and advising new local entrepreneurs. PFP started to assist small-scale enterprises and farms with a broader base of customers. PFP became involved in a number of agricultural projects, especially rice production (Ibid., p. 77-79). By using locally available inputs, and selling products to others than Lamco, these small enterprises were involved in networks by exchanging resources. These enterprises were less dependent on Lamco than the spin offs.

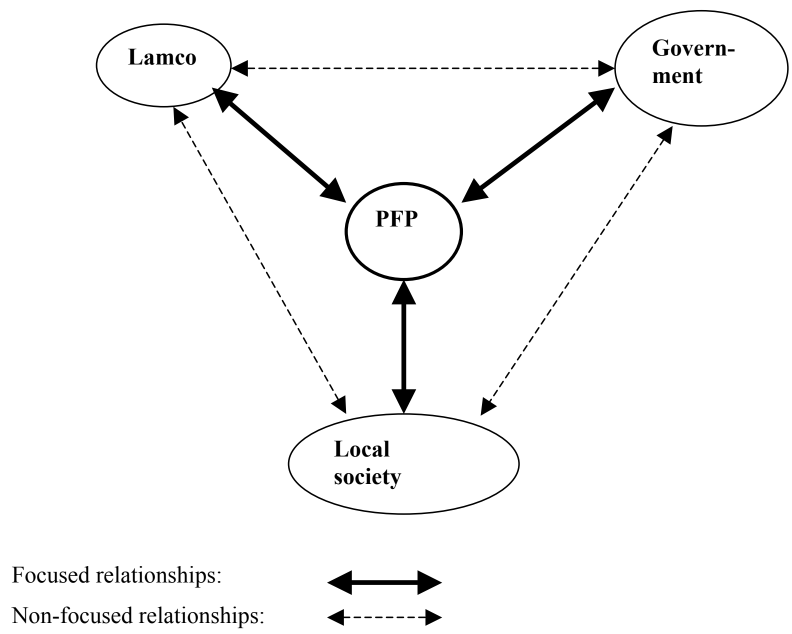
3. Viable phase. This phase was evident in the stabilization period of PFP, and affected by change of government and the introduction of new priorities for development of the area. The cases presented in this chapter reflect this phase, when there were active local business actors involved. These actors found other customers and suppliers than Lamco. The actors exchanged resources with neighbors and started to “export” alimentary goods from site and bush to other parts of Liberia (for example cases 8.3.2 and 8.3.10 in this chapter). In this way local business actors extended their own networks. This case mostly served other villages and towns in the area and also the capital city, Monrovia.

This phase demonstrates that a society has developed a basis for being viable even after the MNC has left the site and closed down the mine. We see a beginning of this phase in our study. If the mine had continued another decade, as the plans were from the outset, and if the civil war had not destroyed much of what was developed, there would have been a good chance for the site to continue to develop in exchange with other regions. Put in other words: had an organization such as PFP come in earlier, in the project phase of the mine, the length of operation might have been enough to give a viable local society. However, the civil war may have broken it down.

9. RELATIONSHIPS BETWEEN THE ACTORS

9.1. INTRODUCTION

The concept of relationship was discussed in chapters 3-4. In our case, the involved actors sought to gain different results from the cooperation. Lamco, PFP, the Liberian government and local people had different objectives concerning their interrelationships within the context of the PFP-program. In this chapter we describe relationships and interactions between the focal actor, PFP, and other actors of the network, as illustrated below:



The relationships were characterized by various “bonds”: technical bonds (for example use of Lamco’s equipments by PFP or technical advice), planning bonds (mutual planning concerning for example spinning off some Lamco activities), knowledge bonds (obtaining insights in each others activities by frequent communication and exchange of information), social bonds (joining social activities), economic bonds (for example cash contributions of

Lamco) and legal bonds (specified by the PFP Act and decisions made by the governing council).

In this chapter we study first the nature of dyadic relationships and bonds between PFP and the other actors, and then we consider the relationships between the three original actors in connection with the change effected by PFP as a change agent.

We divide the 10 years of our investigation period, from the "birth" of PFP in 1974 until the end of the investigation period in 1983, into three stages: the introduction period (1974-1976), the transformation period (1977-1979) and the stabilization period (1980-1983). This division was considered relevant owing to the fact that PFP's financial planning and funding requests were based on three-year periods. It is also a natural division, as PFP was much less dependent on Lamco in the third period, and as a coup brought a new government in 1980.

9.2. RELATIONSHIPS PFP - LAMCO

Initially PFP program was designed as a long-term project lasting for 25 years, and Lamco had committed itself to 25 years of support {FPM}. Since Lamco initiated the PFP-program, we describe the reasons for Lamco's relationship with PFP.

One reason was to tie parts of the company's resources into PFP. As we described earlier, Lamco's operation in Upper Nimba County created resources that needed to be utilized by a "catalyst" in order to contribute to the development of the local society. The resources of PFP in the form of experience, know-how and "feelings" for local development, combined with Lamco's resources in form of financial, technical and material resources could serve as a base for developmental efforts. As we discussed earlier in chapter 3, concerning theories of local community development, local development involves participation of local people both in decision-making and implementing of developmental efforts. The problem with Lamco was the dependency of the local community on the company and the attitude of "Let Lamco do it" which prevented any local initiatives.

By entering into relationships with PFP, the company could "channel" its resources without being directly involved in rural projects. In other words, Lamco established an indirect relationship with the local community via its direct relationship with PFP. A benefit of this relationship for Lamco, from a business point of view, was that after the establishment of PFP, Lamco was “relieved” when development requests from government and local authorities were passed on to PFP {RO}. It had an effect of providing a sort of stability in the company’s business activities, reducing its costs and increasing its efficiency. In other words, Lamco entered into the relationship because the company sought continuity and stability in its core activities, which were iron-ore mining and related activities.

9.2.1. Relationships During the Initial Period (1974-1976)

An aspect of the relationships between Lamco and PFP stemmed from Lamco’s position as a member of PFP’s governing council. In this position Lamco was active in giving direction to PFP’s programming and budgeting, in monitoring progress, and in recommendations. Moreover, our empirical investigations found that PFP enjoyed full support from the actors, including Lamco, at its birth and in its early development. The supports were crucial for PFP in order to be able to get off the ground, legitimize itself, and establish a public face. No external or internal forces caused changes in relationships between PFP and Lamco during the initial phase of the project and relationships between PFP and Lamco were stable. At this period a core set of values and beliefs were shared by the partners, or more exactly, between the general manager of Lamco and the general manager of PFP, regarding the mission of the new organization (Butler, 1978).

Regarding Lamco’s investment in the relationship, Lamco was the main “donor” during the initial three-years period of the program. Lamco’s cash contribution, compared to the other actors, is tabulated in table 9.1.

Table 9.1 PFP’s funds during the initial period 1974-1976 ($)

Donors / **Costs**	**Lamco**	**PACT**	**KFUK-M**	**Government**	**Totals**
Planning, experimentation	67,000				67,000
Cash grants	150,000	124,000	173,000		447,000
Salaries	90,000				90,000
Subsidized services	90,000				90,000
Overseas services		46,000	7,000		53,000
Loan fund	100,000				100,000
Revolving credit				12,000	12,000
TOTALS	**497,000**	**170,000**	**180,000**	**12,000**	**859,000**

Source: Butler, 1978, p. 15

The table shows the contributions of various actors to the PFP program. PACT in New York is an association of private development agencies receiving USAID support, and KFUK-KFUM is an association of Swedish YMCAs-YWCAs receiving support from SIDA. The table shows that the company alone provided more than half of the funds. Lamco's loan fund was interest-free for 10 years to be administrated as a small-scale enterprise development loan fund. This loan, however, was written off in 1982, and PFP was released from its obligation to repay the loan. Lamco also provided substantial non-monetary support to PFP in the form of staff housing, utilities, use of heavy earth-moving equipment, technical advice, repair and maintenance services and assignment of old and scrapped vehicles and materials to PFP and PFP-assisted enterprises. These investments illustrate both "hard" and "soft" investments in a relationship.

Another important soft investment was the "time" spent by both Lamco's and PFP's key officials in strengthening the relationship by requiring/acquiring knowledge about each other (Ibid). As a result, during this period, the general manager of PFP had personal contacts with all involved actors, in particular with general manager of Lamco, in other words, strong social exchanges were involved in this period {RO}.

Relating to the mutual knowledge, there were strong exchanges of information between Lamco and PFP. The company, as the "responsible" actor for foundation of PFP, needed information in order to evaluate the effectiveness of PFP in carrying out its task. The success of the program could also serve as important PR for the company. On the other hand, PFP was provided with information from the company about those actions that could affect the local area (for example expanding, or reducing the volume of operation). In a letter from PFP's general manager to his home office in 1975 we can read "… Lamco is the dominating donor. There is nothing wrong with this, it is simply factual. … The Lamco domination is good in most ways - it assures us of support, it feeds us information concerning the preferences and requirements of our major markets" [PFP 13].

During the first 3 years of the program PFP and Lamco considered spin-off propositions together, and PFP continued to involve Lamco as much as possible especially in awarding new and increased service contracts to new spin-offs, for example a newly started electrical enterprise and a new sawmill that also provided services to Lamco. PFP and Lamco worked jointly to solve some problems stemming from the fact that some local enterprise owners were also fully employed by Lamco (Butler, 1978).

PFP's relationship with Lamco helped the organization in its relationships with other actors. For example, in the early period of PFP's activities, there were some occasions when

PFP officials had troubles with local government authorities, and the problems were solved when Lamco officials intervened. The nature of these problems is described in section 10.3.

Another aspect of this relationship was that Lamco was in a position to defend PFP. For example, some people criticized the flexible strategies and tactics of PFP in implementing development projects as "PFP does not know what it is doing". In reply to this criticism, and in defense of PFP, the general manager of Lamco reasoned:

> *"It is not easy to achieve development and success. We have to try all means. PFP was started to assist by all means to support a development process. In some cases it is sufficient for PFP to play the role of an advisor. In other cases it might give better results if PFP temporarily engages in more direct businesses. I cannot see anything wrong with this as long as the end result means further development, more projects and opportunities. The task that PFP has is a very difficult one. All ideas and projects will not succeed. This is obvious and unavoidable. It is impossible to achieve completely perfect results, but it is always easy to criticize. PFP is based on a very good idea. PFP is here to promote things, that are worthy of our support. Let us all help PFP in the endeavor*". (*Lamco News*, 1976, p. 15)

There was, however, evidence that Lamco's staff did not have a clear picture of PFP's mission, objectives, strategies and methods for mobilizing resources. In one case, for example, PFP was working hard to motivate a group of farmers to clear the land by hand as a first step in the process of learning to participate in self-help and cooperative endeavor. Lamco's civil engineer observed the project and decided to make a contribution to it. He sent a Caterpillar tractor, with operator, which completed in one afternoon the work that the farmers had planned to complete in two weeks. Lamco's contribution of course advanced the project, but also created problems. A few months later PFP was trying to organize a self-help swamp-clearing project. Some of the same farmers were involved. When they appeared reluctant to start the work, the reason came out as follows, "The work is too hard, let Lamco bring bulldozer!" (Butler, 1978). And the problem was that swamp clearing could not be done by machine. Referring to our discussion of "resource ties" in chapter 3, this example showed a "wrong" type of Lamco's resources tied with PFP's resource.

To sum up, this introductory period was characterized by exchange of information between the two actors and mutual learning. They tried to reduce "the distance" by gaining experience of each other and obtaining views about what the other party could request and what the actors hoped to gain from the relationship. The actors invested considerable management time in the relationship. The relationship was, especially for Lamco, costly and future benefits uncertain. Commitment by the two partners was very important in this introductory stage, and it was important to demonstrate the commitment to earn the trust of its partner in the relationship.

9.2.2. Relationships During the Second Period (1977-1979)

During this period, which could be called a transformational period, there were some changes in the nature of relationships and bonds between PFP and Lamco. Owing to a sharp downturn in the demand for iron ore starting early in 1977, Lamco adopted a policy of cost cutting and postponement of investment and the results of this serious economic squeeze were evident in Yekepa [PFP 20]. Thus, the impact of iron ore market decline on a one-company mining society such as Yekepa was extreme, and according to a PFP report, the objective of most enterprises was to survive [Ibid.].

Not only Lamco, but also PFP was forced to reduce its cost because of a difficult financial situation. The reason was that the general program fund was reduced by one third, because KFUK-KFUM was unable to obtain funding from SIDA to continue support of the PFP program beyond the first three years already funded (Butler, 1978, p. 101). Therefore PFP started intense campaigns to raise more funds.

Another important aspect of the nature of relationships was the fact that the general manager of Lamco, who initiated the PFP program, left Lamco. However, Lamco's commitment to PFP was still strong. Shortly after his appointment, the new general manager of Lamco declared:

> *"Although we should never forget that our main aim is to produce iron ore in such qualities and quantities that are demanded on the world market, and at a cost level that is acceptable, I seriously believe that our objective to participate in the development of Liberia is of utmost importance".* (*Lamco News*, 1977, p. 15)

Although Lamco sustained a heavy loss during this period (some $20 million annually), its contribution to PFP continued as before. This contribution could be a demonstration of the company's obligation to fulfill its contractual developmental efforts, or a demonstration of charity, or a long-term view on development. But it could also demonstrate the heavy weight Gränges Company (and its partners) put upon a good reputation. Table 9.2 shows Lamco's contribution to PFP during this period.

Regarding the planning bonds, Lamco and PFP were jointly involved in planning negotiations and contracts with local enterprises and former Lamco spin-offs, and PFP advised the company to award new and increased service contracts to local enterprises. Good

Table 9.2 Lamco's contribution to PFP, 1977-1979 ($)

Contributions	**1977**	**1978**	**1979**
Cash contribution	70,000	40,000	60,000
Salaries	26,131	28,321	28,411
Overtime staff	27	-	12
Fringe benefit Tax	-	-	510
Electric power	517	-	-
Social costs	11,086	13,200	13,086
Totals	**107,761**	**81,521**	**102,019**

Source: Lamco Joint Venture Operating Co., Budget Report Detail, 1977-79

cooperation was reported to be obtained with the maintenance department of Lamco [PFP 20]. Examples were agreements between a PFP-assisted local transport company (Monitco) and Lamco regarding satisfying Lamco's transport requirements, and also an automotive service agreement between another PFP-assisted enterprise and Lamco [Ibid.]. Discussion with Lamco, and also with local government officials, began on ways to provide local community development needs such as expanding the electrification in non-Lamco areas, low cost housing, and closer sources of farm supplies [PFP 21].

Regarding technical bonds, Lamco and PFP jointly agreed on the type of mechanical assistance to some local enterprises [Ibid.].

Regarding knowledge bonds, by developing relationships with each other, the actors could obtain knowledge about each other's resources and activities. For example, Lamco obtained increased knowledge of PFP's resources and activities when the senior officials of the company visited PFP projects in the villages in order to familiarize themselves with the activities and resources of the other actor, PFP {RO}. Another example might be the case when PFP officials together with Lamco management participated in the University of Liberia's seminars regarding various aspects of concession companies and national and rural development {JT}.

To sum up, this period was also characterized by mutual learning. The uncertainties about each other were reduced and investments and adaptations were more specific and directed. By willingness to adapt, the actors demonstrated their commitment to the development of the relationship. As the relationship developed, the actors' mutual adaptations increased. PFP was "continuing its present relationship with Lamco and enjoying ongoing support from that source" [PFP 26, p. 19].

9.2.3. Relationships During the Third Period (1980-1983)

This period, which could be called the stabilization period, was the most challenging one. A coup and political instability, inflation, Lamco's serious financial difficulty, new general manager of Lamco and new general manager of PFP were the factors that affected relationships between PFP and the other partners.

On the other hand, an important boost to the PFP program came in late 1980 when USAID approved a grant of $3,258,700 over a 5 year period for the purpose of strengthening and expanding its program in Upper Nimba County {FPM}.

This grant had some effects on the relationships between Lamco and PFP. An important impact of this grant was that the nature of the financial bonds between the two actors was altered. For example, up to 1980, the general manager of PFP was on Lamco's payroll, but in 1980 he moved to the PFP's payroll {Ibid}. The nature of the financial bonds which were one-sided, from Lamco to PFP, turned into a slightly two-sided relationship when PFP was in a situation to pay reasonable rates for Lamco services, such as use of earth moving machinery, shop work, house rental, engineering services etc. These services were free earlier as part of Lamco's in-kind contribution to PFP {Ibid}. However, Lamco, which was in a difficult financial situation, welcomed the USAID grant and the company was relieved of some of the costs and major responsibility it had born since 1974 {RO}.

However, since USAID was not allowed to provide more than 80% of any non-governmental agency's total budget, PFP had to obtain funds from other sources for the remaining 20% of its total budget. As table 9.3 shows, in 1980, Lamco's contribution was a major part of the remaining 20%. The table shows that Lamco, in 1980, was still continuing to make its contribution of $60,000 per annum to the PFP program, while the other partner, the government, failed to do so.

However, in 1981, Lamco found itself in a serious financial dilemma and the company was operating on borrowed money. As a result, the new general manager of Lamco began to implement an intensive economizing plan by cutting down its expenses, including its cash contribution to PFP {RO}. However, the discontinuation of Lamco's contribution was not welcomed by PFP. In a report, the general manager of PFP referred to problems "resulting from what PFP management regards as a change of Lamco rules in the middle of the game. PFP counted on, and budgeted, a cash contribution of $60,000 p.a. from Lamco. This has

Table 9.3 PFP's fund, 1980 ($)

Donors	Contributions
USAID	817,190
Lamco	60,000
PACT *	20,000
IFS **	7,040
United Church	5,000
Totals	**909,230**

* PACT: Private Agencies Collaborating Together, New York
** IFS: International Foundation for Science, Stockholm

Source: PFP/Liberia, Status of Program, May 1981, p. 13

been discontinued" [PFP 37].

On the other hand, as mentioned earlier, Lamco's loan fund of $100,000 was written off in 1982, and PFP was released from its obligation to repay the loan. Lamco continued also with its commitment to the PFP program by being represented in PFP's governing council, and also by contributing with small in-kind services {FPM}.

At the end of this period, one of major goals of PFP was to form closer relationships and communication with Lamco management. Decline in Lamco's operations was "… a regional problem for which we will all have to take responsibility" [PFP 53, p. 7].

9.3. RELATIONSHIPS PFP - GOVERNMENT

9.3.1. Relationships During the Initial Period (1974-1976)

As discussed in chapter 3, governments look for the private actor's participation in certain aspects of local development planning, strategy design and implementation. Though the Liberian government considered Lamco to be responsible for the development of the area, it pledged an input of $12,000 in agricultural equipment, tools and supplies to be administrated by PFP as a revolving credit to small farmers (see table 9.1).

The bonds between the government and PFP had a more legal character, the kind of agreement between a government and a non-profit voluntary organization. As we mentioned in chapter 7, the government had formal and official relationships with PFP by being represented on the governing council. The council consisted of, among others, the Minister of Agriculture and the Minister of Planning Affairs and also the County Superintendent, and there had been close and continual communication between the government and PFP.

Through this formal relationship, and semi-formal interactions such as inviting government officials to PFP projects (Butler, 1978), knowledge bonds were established. During this period PFP obtained knowledge about the government's overall development policy and also information about other regulations that would affect the activities of PFP. The knowledge bonds were necessary for both parts for their future planning.

Regarding financial bonds, they were rather weak ones. PFP received a small sum from the government in the form of credit. On the other hand government also received some cash in form of taxes paid by the employees and clients of PFP.

Another important element in the relationships was the coordination of PFP's effort with those of other Liberian national developmental programs and with the government's developmental objectives. The goal of both partners was to create a fully documented developmental model that could be studied and replicated in other locations in the country (Blaisdell & Slater, 1981, p. 7).

However, in the early stages of PFP program, it was apparent that there was lack of clarity about the objectives, functions and activities of the new organization, and PFP's mission was not clear to local authorities. There were some misunderstandings among local government officials as to what PFP personnel should be permitted to do. Overseas PFP staff had work permits authorizing them to work for PFP as business or agriculture advisors. When local immigration officials met a PFP staff member advising an enterprise, these officials assumed that the staff member was violating the terms of the work permit by working for the enterprise instead of PFP. There were some occasions when local government officials arrested PFP advisors and held them until a trusted Liberian member of Lamco had time to explain PFP's role to local authorities {AM}. Making an arrest was also a way for the low-paid local officials to get a bribe of a few dollars.

At the end of this period, however, there was a sound working relationship between the government and PFP, and the minister of agriculture stated that PFP truly reflected the purpose and thinking of both Lamco and the Liberian Government (*LAMCO News*, 1976, p. 22). This statement reflected also the intermediary role of PFP. The minister declared also that his ministry was willing to give any assistance to PFP, in the form of seeds to be distributed to farmers in Nimba County (Ibid.).

9.3.2. Relationships During the Second Period (1977-1979)

Relationships were characterized by PFP's liaison work with the government ministries and parastatal agencies [PFP 27, p. 2]. Obtaining knowledge of each other's activities was considered as an important aspect of the relationships between the two partners. Accordingly, the government's deputy minister of agriculture, and deputy minister of land and mines and other government officials were invited by PFP to Nimba and visited PFP projects [PFP 26, p. 18]. Not only government officials, but also groups from the University of Liberia visited PFP projects (Blaisdell & Slater, 1981). PFP also provided training and work experience programs for 50-60 students each year during this period [PFP 27, p. 2]. Even the president of Liberia visited the PFP program in 1979, "… and warmly praised it; he has suggested direct financial support for the program" [PFP 26, p. 18]. Moreover, PFP "… will continue to encourage government to review small business regulations" [Ibid., p. 34].

Given the shortage of the ministry's personnel and resources, it focused its attention for the immediate future on a few urban areas [PFP 8], and consequently the rural involvement of PFP was welcomed by the government. During this period the government continued with its in-kind contribution to the program. However, in a report we can read that PFP wished that "… in the future we expect even more government participation in the program" [PFP 26, p. 8].

9.3.3. Relationships During the Third Period (1980-1983)

Owing to the military coup mentioned earlier, relationships between PFP and the government were altered profoundly. Despite PFP's increased income, the coup of April 1980 caused financial difficulties due to the fact that coup-related expenses could not have been foreseen when the budget was prepared. The majority of coup-related over-expenditures were caused by inflationary increases in the cost of fuels, lubricants, equipment, spare parts, building materials, transportation and travel. Other coup-related expenses consisted of house repairs and refurnishing made necessary after a 90-day occupation of PFP's residential area by military commandos. Finally, another cause of over-expenditure was the failure of the government to make its contribution to PFP program [PFP 32, p. 6-7]. According to a PFP report, there were problems resulting from "… having no firm commitment that the government contribution to PFP will be paid" [PFP 37].

The fact was that the past six years relationships with the government were lost, and PFP was forced to establish new relationships with the new government. Since PFP did not want to entirely lose the ground gained in the past six years, it engaged in difficult negotiations with the new government in an effort to keep a number of abandoned enterprises in operation for the sake of the employees thereof. Those enterprises were abandoned since many of the owners and shareholders of these enterprises were in disfavor after the coup and fled the country [PFP 32, p. 12]. However, though the negotiations with the new government were expensive in terms of travel, staff time, secretarial work and communication, the efforts proved worthwhile and the enterprises remained in operation under new entrepreneurs [PFP 33]. According to a PFP report in 1981, though PFP was not operated as an agency of the government, the goals set by the PFP program closely paralleled those of the ministry of agriculture [PFP 34, p. 3, 7]. According to another report "Taking into account the delays, uncertainties, and economic problems which followed the April 1980 change of government in Liberia, PFP's progress has been satisfactory" [PFP 32, p. 1].

However, as the new government obtained more insights into PFP's mission and objectives, the relationships between PFP and the new government were strengthened. According to a report, one of the PFP's main objectives in 1981 was "… to open doors for the coordination of local projects with national development programs" [Ibid., p. 2]. New board members were soon appointed and the relationship between PFP and the new government continued on a sound and equitable basis {FPM}. The government also resumed its financial contribution to PFP in 1983. Table 9.4 shows PFP's fund in 1983 with the government as one of the major contributors after USAID.

Table 9.4. PFP's fund, 1983 ($)

Donors	**Contributions**
USAID	635,200
Government	100,000
EEC * (in-kind)	56,375
EEC * (cash)	45,240
ITDG **	12,000
Totals	**848,815**

* EEC: European Economic Community (now EU)
** ITDG: Intermediary Technology Development Group, United Kingdom

Source: PFP/Liberia, Work Plan and Budget, July 1983

As the table indicates, Lamco was not able to continue with its contribution to PFP owing to the company's financial difficulties that were mentioned before.

PFP also enjoyed privileges granted by the government such as duty-free importation of project materials and free vehicle registration that had cash value [PFP 32, p. 10].

At the end of the investigation period, 1983, the two actors were making efforts for "institutionalizing" development in the area, and PFP's policy was to coordinate and strengthen relationships with government ministries and organizations {FPM}. PFP enjoyed the support of the government and, at the same time, preserved a measure of independence as an administrative unit {Ibid.}. One of the main objectives of PFP at the end of this period was to continue to build links to government and participate with the local government "… in every way possible in the development of Nimba County" [PFP 53, p. 9].

9.4. RELATIONSHIPS PFP - LOCAL SOCIETY/LOCAL BUSINESS ACTORS

9.4.1. Relationships During the Initial Period (1974-1976)

The PFP approach to local development prescribed strong relationships with local community. According to this approach the most important factor for local development "… is a two-way exchange between local people and PFP which generates information and ideas about potential economic activities and how to further them" [PFP 29, p. 2].

However, the first step taken by PFP to establish relationships with the local community was to publicize its presence, the services it offered and to try to establish relationships with local people who had entrepreneurial ideas and ambitions (Butler, 1978).

At the beginning, the local community was skeptical about the new actor, PFP, and used to think that PFP was a profit-making division of Lamco set up to make money from agricultural production. Thus, another important step for establishing and strengthening its relationships with the local community was to stress its independence from Lamco (Ibid.).

To do this task, to obtain the trust of the local community, a brochure was published, PFP was given radio time, and staff members joined organizations and committees concerned with community affairs in order to explain PFP's mission. Establishing relationships with the local society, however, was not an easy task. Despite the establishment of an office removed from Lamco's office, it was six months before potential entrepreneurs began visiting PFP's office without suspicion that PFP was directed by Lamco (Ibid.).

There were intensive informational bonds owing to the fact that the local society was the “work-place” of PFP. As relationships were gradually established, a great deal of information was exchanged between both parties in order to obtain knowledge on each other’s resources, abilities and objectives.

The formal relationships and legal bonds, between PFP and the local business actors were characterized by the representatives of the local business community in the governing council of PFP. There were also “working” relationships between PFP and the local community, since PFP’s policy was to concentrate on the projects that were labor, rather than capital, intensive, requiring local raw materials and not requiring unobtainable technical and managerial skills (Ibid.). This approach facilitated the working relationships between PFP and the local community.

The financial bonds were in the form of credits that were awarded to local farmers and entrepreneurs. Regarding technical bonds, PFP assisted local people in providing their own tools, and also lent them various kinds of tools in order to accomplish specific tasks (Ibid.).

In previous sections we noted that, at the beginning of PFP program, the mission of PFP was misunderstood by both Lamco and government officials. The local community was not an exception! Again, in this case, the “target groups” of PFP program were misunderstood by some people. According to the PFP’s Act, the organization was allowed to assist only Liberian citizens. There were occasions when several entrepreneurs who received assistance from PFP turned out to be citizens of neighboring countries and thereby caused trouble with the local authorities for themselves, for PFP, and, indirectly, for Lamco (Ibid.).

However, at the end of this period, there were strong working relationships between PFP and the local business actors. PFP contributed to the creation of rural industries such as charcoal, brick and clay production, woodworking, agricultural tool making, and also started a farmer’s cooperative [PFP 21]. Such activities, which were based on the local society’s resources, established almost day-to-day interactions between PFP and the local business actors.

Owing to PFP’s discussions with other parties, Lamco and government officials, electrification of Camp 4 and other non-Lamco housing were provided [Ibid.], which were examples of how the local society benefited from relationships with PFP. In other words, local society enjoyed benefits from PFP’s relationships with a third party, Lamco.

9.4.2. Relationships During the Second Period (1977-1979)

In 1978, when Lamco was struck by a severe recession in the world market for iron ore, residents of the Nimba County, aware by this time that dependence on mining was precarious, turned, in large numbers, to PFP for assistance in realizing other opportunities {FPM}. During this period, the relationships between PFP and the local society were characterized by a growing demand on PFP to extend its activities over a wider area and increase its services to an ever-increasing number of local people with feasible entrepreneurial proposals [PFP 25, p. 1].

At the same time, as mentioned before, PFP was facing a difficult financial situation. According to a PFP report "… we are having to pull in our horns just when the community has been stimulated to request and respond to more PFP involvement" [Ibid.].

However, during this period, the agricultural activities of PFP increased, and the organization spent a greater portion of its limited resources in assisting rural farmers. The enterprises, which were assisted by PFP, recorded reasonable progress. For example, a former Lamco spin-off, a transport company, showed retained earnings available for reinvestment, and a PFP-assisted bakery showed reasonable net profit [PFP 30].

There were also problems regarding repayments of loans to PFP. According to PFP officials it was the result of the lack of "business discipline" among some local entrepreneurs. A case was reported when a PFP client, a restaurant owner who was a former employee of Lamco, refused to pay back a loan. When efforts by direct relationship failed, PFP tried indirect relationship via Lamco. In a PFP report we can find that "Efforts to get her (the restaurant owner) to start repayments to PFP were not successful. While she does not refuse to acknowledge the obligation, she appears to give its payment low priority. It may become necessary to ask Mr. Wijkstrom, now in Sweden, for help in correcting her attitude toward this debt" [PFP 20, p. 3]. The interesting aspect in this case was that Mr. Wijkström was the former general manager of Lamco who initiated PFP program and had already left Lamco and Liberia. This case indicated the strength of social bonds that existed between the two individuals, the general managers of Lamco and PFP.

9.4.3. Relationships During the Third Period (1980-1983)

The coup of April 1980 also had a significant impact on PFP's strategy in implementing development projects, which in turn affected the organization's relationships with the local society. Up to the coup, a major part of PFP's activities and resources where concentrated on the efforts to create economic activity, employment, and skill training by assisting Liberians with capital, and access to capital, to build viable enterprises {FPM}. But many of the owners of these enterprises, as we mentioned before, fled the country after the coup.

However, as a result of this lesson, PFP tried to concentrate its efforts mainly at grassroots level and to deal with small farmers and entrepreneurs. The first year of this period could be described as "… consolidating PFP's position, reorganizing for a change in development strategy and a major expansion …" [PFP 32, p. 1]. In order to accomplish its new strategy, PFP increased its activities in, and put its resources in, agricultural and integrated rural development, cooperative development, appropriate technology, low cost construction, small-scale enterprise development and credit. As a result, this new emphasis of PFP on small farms and enterprises implied "wider" relationships with the local society. In 1983, PFP was operating with a staff of 36 members, of which 17 members were "extension agents" who operated in Camp 4 and the rural villages of Upper Nimba County, and in this sense also established a "deeper" relationship with the local society. These agents formed the working interface between PFP and the local society. Two female agents of PFP were working with women's group, and their services included income-earning activities, health education, life skills, and rural household technology [PFP 57].

However, the relationships between PFP and local business actors were characterized by the organization's effort to raise the level of productivity of local farmers and improve their quality of life through organization, technical assistance and access to credit. PFP was trying to change the attitude of local people to do things for themselves and not wait for Lamco. For example, PFP's policy was that farm inputs such as seeds or tools were not going to be given away; rather, farmers had access to agricultural credit once they hade made a farm plan which calculated what they were growing and what inputs were needed {CN}. According to a PFP report, "… many farmers have indicated and many have demonstrated a willingness to make changes that offer substantial improvement in economic rewards" [PFP 51, p. 1].

The financial bonds between PFP and local business actors, in the form of granting small loans to local farmers and entrepreneurs, were a very important part of the relationships, since in Nimba County there were no facilities for obtaining credit on a small scale [Ibid.]. There were efforts on PFP's side to open banking services for non-Lamco employees in Yekepa and Camp 4 [PFP 53, p. 9].

In addition, owing to new priorities after the change of government, the importance of knowledge bonds increased at the beginning of this period. Therefore PFP had been engaged in "… communicating new policies and strategies to local village development committees and farmer groups" [PFP 32, p. 3].

Tables 9.5 and 9.6 can serve as indicators of PFP's relationship with the local business actors. The tables show farmers and local businessmen who were PFP's clients and who received various kinds of assistance and services from PFP.

Table 9.5 Agricultural Projects, Aug. 1983

	No.	**No. of farmers**	**Yield**
Paddy rice	57 acres	228	69,200 lbs
Poultry chickens	15 farms	30	4,625
Vegetables 18 "	58		
Plantain & banana	6 "	64	
Fishery	2 ponds const.	2	
Total		**382**	

Source: PFP/Liberia. Statistical Summary, June-Aug. 1983

Table 9.6 shows PFP's emphasis concerning rural business. Only 10 of a total of 72 clients were located in urban areas, Yekepa and Camp 4. PFP was also engaged in 31 village development projects that are not shown in the tables. The figures show only the number of "owners". Several of these businesses had one to three employees, and also many apprentices, that are not included in the figures.

However, there were some businesses that asked for PFP assistance, but PFP rejected their requests owing to its ideological view on business activities that was described when we looked at the background of PFP as a Quaker organization in chapter 6. Those "rejected" enterprises included businesses such as bars, discos and nightclubs and also speculative activities like diamond digging and gold mining. Moreover, PFP did not offer assistance and services to those businesses owned by PFP employees or their immediate family members {FPM}.

According to PFP officials who were involved in relationships with the local community, there were several factors that needed to be considered to form working relationships with local people. Primarily trust needed to be established between both parties before development projects got off the ground. According to the officials, trust could only be obtained by close association with the people, by giving accurate information and by

Table 9.6 Enterprise Development, Aug. 1983

Type of Activities	**No.**
* *Urban Clients*:	
Rice mill	1
Blacksmith	1
Tailor	2
Carpenter	2
Drugstore	1
Tie dye products	1
Farmer's cooperative	1
Market Women's Ass.	1
* *Rural clients*:	
Carpenter	8
Plank maker	8
Sawyer	2
Builder	5
Rice fan maker	1
Mat maker	2
Basket maker	1
Canoe builder	1
Palm oil processor	2
Blacksmith	2
Charcoal producer	1
Block maker	3
Baker	2
Cassava products processor	1
Tailor	4
Rice mill	1
Kerosene wholesaler	2
Cook shop	1
Village store	15
Drug store	1
TOTALS	**72**

Source: PFP/Liberia. Statistical Summary, June-Aug. 1983 being reliable. "Villagers will not work with outsiders if no attempt had been made to get to know them. It means eating with them, drinking with them and talking one-on-one with them. Neither will they work with you if they feel you have lied to them or if you disappoint them often. If you gain their trust you are half-way there" {BC; PK; LP; FP}. Moreover, PFP believed that development proceeded from a conversation where PFP had as much to learn from the local people as it had to teach [PFP 29, p. 3].

As was discussed in chapter 3, relationships have a social dimension characterized by patterns of individual social contacts. Social bonds between PFP and local society were very crucial as relationships between the actors developed over time, and social relations between these two actors were the result of the relations of the individuals involved.

9.5. SUMMARY OF RELATIONSHIPS

It appeared that there existed an understanding of the special and essential resources that each actor had to offer to the network; and there was also a healthy attitude toward the other actors' expectations. As we mentioned in this chapter, there were changes over time, which must be seen as a natural phenomenon that demanded long-term relationships and continuum of contacts between the actors.

Relationships between Lamco and PFP were started and maintained by *mutual orientation* of the two actors. As we discussed in chapter 3, the mutual orientation between organizations was principally a mutual orientation between individual actors, between two persons who were the general managers of Lamco and PFP. This friendly personal relationship was characterized by strong ties and the actors had respect for the interests of the other one's organization. We also discussed types of *investments* in the relationships that consisted of both "hard" and "soft" investments. The former can be exemplified by the financial support of Lamco, and the latter by the time that was spent by the actors in the relationships. We also described the nature of *bonds* in the relationship. *Economic*, *planning/administrative, social, technical, legal* and *informational/ knowledge* bonds were discussed in this chapter. These bonds were very strong at the beginning of the relationships and then weakened at the end of the studied period when the relationships were routinized. As a whole, the relationships were characterized by strong bonds at the early stage of the relationship which was a learning and distance-reduction stage for the partners.

Relationships between PFP and local society had not only economic and technical options, but an important part of the relationships had a behavioral nature. Part of PFP's relationships with the local business actors was the organization's effort to change the behavior of the persons or groups who aspired to take advantage of the opportunities offered by the PFP program. The relationships implied a significant learning effort and behavioral change concerning aspects such as motivation, discipline, skills and ability to work with others to get something done. The change process was not only about the transition involving for example cultivation, but also values about spreading risk, doing things on small versus larger scales, and gaining income through controlled investment rather than through speculative activities. A challenge in the relationships was PFP's efforts to teach its clients how to manage and reinvest profits so that viable businesses could develop. Rural subsistence farmers, for example, were not accustomed to think systematically, and it was a challenge to teach them what the next steps were in a process, or how previous steps affected future ones.

Relationships with the government were also, as discussed above, on a sound basis. Even after the coup of 1980, the new government continued with its involvement in and commitment to the PFP program.

Since bonds are considered as important elements in a relationship, table 9.7 summarizes the bonds between PFP and the other actors in the network for development.

Table 9.7. Summary of Bonds

Partners / Bonds	PFP - Lamco	PFP - Government	PFP – Local business actors
Technical	Very strong at the early stages, then weak	None	Strong
Planning	Very strong at the early stages, then moderate	Strong	Strong
Knowledge	Very strong at the early stages, then moderate	Strong	Strong
Social	Very strong at the early stages, then moderate	Not found	Strong
Economic	Very strong at the early stages, then weak	Weak	Strong
Legal	Strong	Strong	Moderate

PART IV: ANALYSES AND CONCLUSION

10. AN ANALYSIS OF THE CHANGE IN THE NETWORK

10.1. INTRODUCTION

This chapter attempts to analyze the development of relationships in the original network when the intermediary organization enters to fill the gap between responsibilities and performance that Lamco experienced in relation to rural society. The purpose of this analysis is to shed some light on the role of an intermediary organization acting as a catalyst for mobilizing resources for the common objectives of the network. We attempt to describe the nature of relationships that were required for the network to perform effectively, and also those changes in relationships that occurred as a necessary side-effect of the introduction of the intermediary organization.

10.2. AN ANALYSIS OF THE RELATIONSHIPS

In this section we analyze how a dyadic business relationship grew to four actors' relationships, where one actor advanced from an invited intermediary to a change agent in the network. The reason was the experienced need for efficiency in local development, and growing financial independence of the intermediary organization.

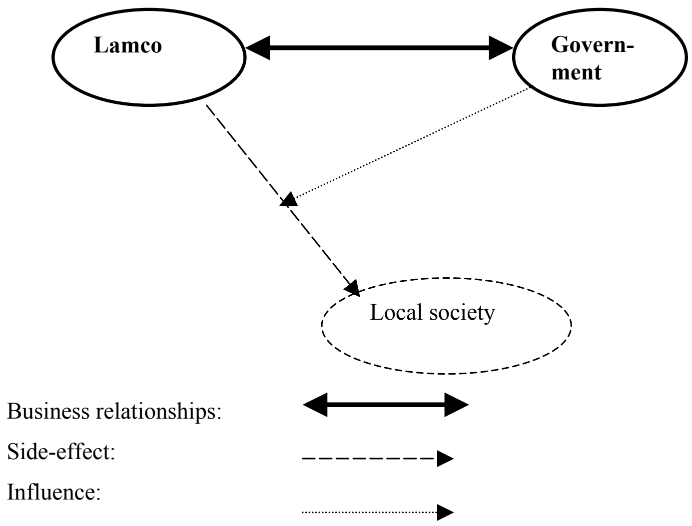
10.2.1. Business Relationships

We begin with the basic dyadic relationships between the host government and the multinational. The relationship between the Liberian government and Lamco was a formal agreement based on a joint venture contract. The relationship was accordingly based on legal, economic and business-related bonds between the two parties.

The exchange process was characterized by the contributions of the two parties. The host government's contribution consisted of the concession area in the form of land and the ore body. Lamco's contributions in this exchange consisted of dividend, provisions and infrastructure, both economic infrastructure (a port, railroad etc.) and social infrastructure (schools, a hospital, recreational facilities etc.).

This dyadic relationship between the government and Lamco, and the exchanges involved in it, had profound effects on a third party, namely the local community at the base of the mining operation. As mentioned before, there was a "Viable Community Clause" in all concession agreements in Liberia. Lamco was then, according to the concession agreement, not only a commercial mining company, but was also responsible for "coping with" the economic development of the local community. As we discussed earlier, development requires changes. It means that Lamco was supposed to act not only as a commercial mining company, but also as a change agent for contribution to local development. In other words, the business relationships between Lamco and the government were supposed to have "side-effects" on a third party, local people. This condition is illustrated in the figure below:

Figure 10.1. Side effects of business relationships



The side effect of the business relationships was thus local development that was prescribed in the joint venture agreement; that is, it was influenced by the government. The viable-community clause in the concession agreements was vague and general in the form of the concessionaire's obligations of usage of local resources and manpower and developing the infrastructure and commercial linkages {JE}.

Lack of operational goals and priorities from the government, combined with lack of the company's know-how and lack of trust from the local community contributed to an unrealized development process. Lamco's developmental efforts until 1974, from a sustainable developmental point of view that was discussed in chapter 4, were therefore costly, inefficient and a waste of resources.

10.2.2. Focusing on the Side-Effect of the Business Relationships

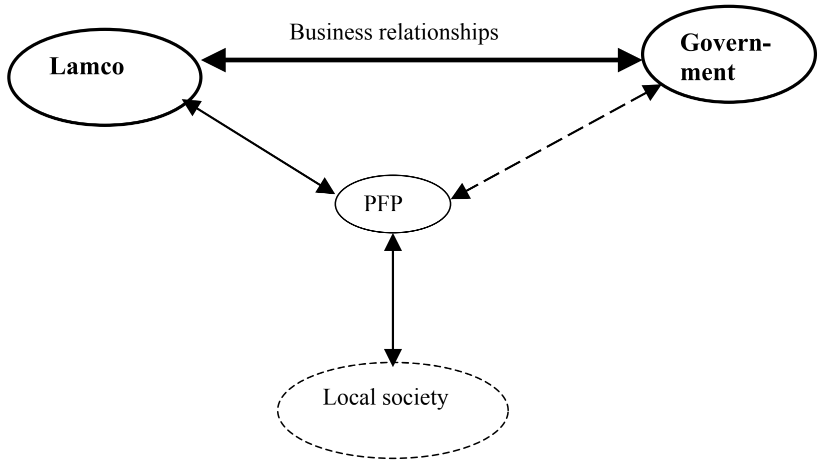
Though Lamco was capable of managing its business relationships with the government, managing the side-effect of the relationships, the development of the local community, was not an easy task. Lamco's initiative in inviting an intermediary organization, PFP, to the area was just a device to manage the side effect of its business commitments. Lamco obviously felt that the effort to establish a new set of relationships would be helpful to it, since it supported the PFP operation financially [PFP 26, p. 21]. Consequently PFP took over Lamco's role for the development of the local area and Lamco could focus more strongly on its business-related priorities rather than local development.

As mentioned in the case, the PFP program was initially considered as an experiment. In early years of its existence, the intermediary's operational goals were vague and it was not quite "institutionalized". As discussed earlier, there were problems in the early years of the organization's existence. However, local people and local government authorities gradually understood its mission. Lamco obtained valuable good will and its reputation improved. Though Lamco supported PFP heavily in the beginning, the intermediary could obtain funds from other sources. The development process in the area was then carried out by an actor who had experience in planning and implementing development projects, a task that was out of Lamco's capabilities. The new situation after the introduction of PFP is illustrated in figure 10.2.

By inviting PFP as an intermediary actor, Lamco was able to fulfill its contractual obligation for local development and at the same time was relieved from the need to bear the responsibility and burden of this task, as it had before the initiation of the PFP program.

The business relationships between Lamco and the government continued to be the basis for the operations. In the side-activity of local development, the relationship between Lamco and PFP can be considered as the core relationship, a relationship that was the base of other relationships with other actors. The relationship between PFP and Lamco was the

Figure 10.2. Managing side effects by a third actor



starting point for the establishment of the network for local development described in earlier chapters.

From Lamco's point of view the relationship could be seen as a device to increase its economic efficiency in production and other mining-related activities. Another outcome of thisrelationship was the good reputation that Lamco gained. In other words, the company adapted a "network-policy" towards local development instead of a one-direction development activity.

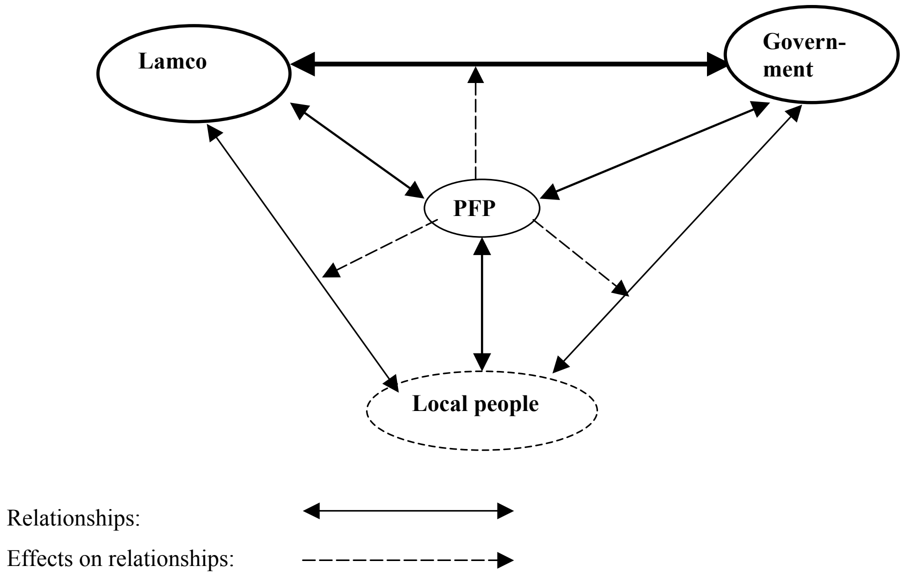
10.2.3. The Intermediary as a Change Agent

In 1980, after a period of 6 years of initialization and transformation, PFP had established itself as a more or less independent actor. Owing to a grant from USAID, the intermediary organization was economically less dependent on Lamco, and also less dependent on the government. The goals of PFP became clearer for itself, and for the other actors.

As we described earlier, PFP began more and more to function as a change agent. After the new political situation emerging from the coup of 1980, PFP tried to interest the new government in more rural development in the form of grass-root efforts and orientation towards small farming and business projects. The intermediary tried to change local people's attitude from total dependency on Lamco to a self-help mentality. As we mentioned in earlier chapters, PFP affected the relationships between other actors too.

The role of PFP as both an intermediary organization and a change agent is illustrated in figure 10.3. PFP's effects on the relationships between other actors are discussed in the next section.

Figure 10.3. PFP as an intermediary actor and a change agent

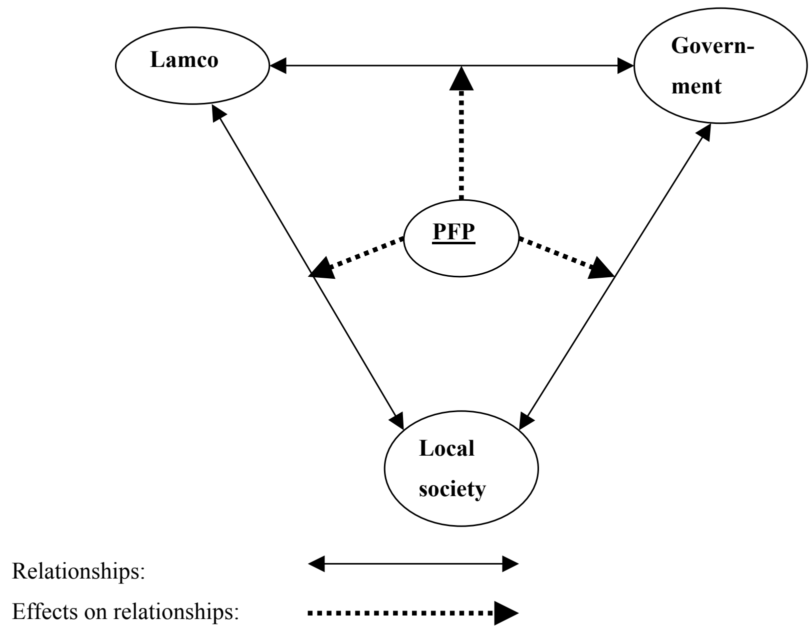


10.3. THE EFFECTS OF PFP ON THE RELATIONSHIPS BETWEEN OTHER ACTORS

Up to now, we have considered relationships between the focal organization, PFP, and other actors, Lamco, government and local society. We continue our discussion by analyzing the effects of PFP on the relationships between other actors. The framework is illustrated in figure 10.4.

As we discussed earlier in chapter 3, a relationship is a set of mutually oriented interactions between two reciprocally committed parties. A relationship develops over time as a chain of interaction episodes, a sequence of acts and counteracts. A relationship links the activities and ties the resources of two actors. The activity links affect the outcomes of the relationship for the parties, and resource ties make various resources accessible for the actors.

Figure 10.4. Effects of PFP on the relationships between other actors



There are also actor bonds in a relationship that affect how the actors perceive, evaluate and treat each other. In sum, a relationship between two actors has a profile in terms of activity links, resource ties and actor bonds discussed earlier in chapter 3, and each relationship is different from any other one because each relationship has its unique features of actor bonds, activity links and resource ties.

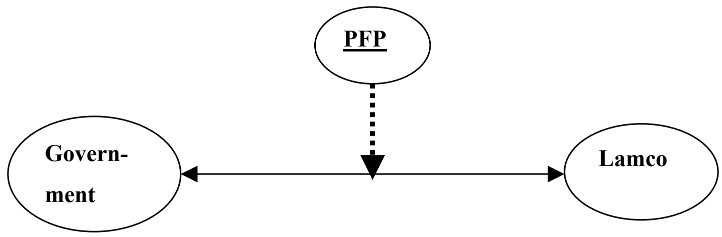
However, as relationships are connected, what is produced in a relationship can haveeffects on other relationships and thus on actors other than those directly involved, and a certain relationship between two actors is thus subject to effects from a third actor in the network. In the rest of this chapter, we consider the effects of a third actor, PFP, on dyadic relationships between the actors in the network. The effects of PFP were more profound, since PFP was introduced as a "new" actor in a network to "change things".

The effects were of three kinds. One kind followed from PFP as a new actor, taking over some responsibilities, activities, ties and bonds from other actors. The second kind followed from PFP's work to change the relationships between the other actors, in order to improve the efficiency in rural and community development. The third kind was the unforeseen and unplanned changes in relations that PFP's work created. These three kinds of changes were not equally distributed in all relations between actors; that is, the relations between the government and Lamco were dominated by the first kind of effects.

10.3.1. The Effects of PFP on Lamco – Government Relationships

What were the effects of PFP on the relationships between Lamco and the Liberian government? As partners in LAMCO Joint Venture there were legal relationships between the government of Liberia and Lamco. The two actors' orientation, commitment and obligations were specified in the joint venture contract. Lamco was also responsible for local development in the form of providing training opportunity for Liberians, and developing infrastructure and commercial linkages. After years of unsuccessful attempts, Lamco asked PFP to enter the scene and contribute to the development of the area in cooperation with the company, the government and the local people.

As we mentioned, a third party affects the dyadic relationships between two actors, as illustrated below. Here we try to explore the effects that PFP had on the relationships between the government and Lamco.



One effect that PFP, with its resources and activities, had on the relationships between Lamco and the government was Lamco's release from some obligations and commitment that were regulated in the business relationships between the government and the company. Lamco was relieved from parts of its "developmental" commitment since PFP took over developmental projects and began to assist Lamco's spin-off ventures. According to an act, which was signed by the President of Liberia in 1974, PFP's main objective was to provide assistance to promote economic development in the area, and act as the main actor for establishing educational and training centers for promoting rural development [PFP 3, p. 4]. In an informative letter from the Ministry of Justice to the general manager of PFP in 1974, the minister declared "This is to be a non-profit foundation established for the purpose of fostering Liberian owned and managed rural agricultural and industrial enterprises in and around the Lamco concession areas, end eventually in other parts of Liberia" [PFP 10].

Furthermore, in a PFP-report it stated that one of the PFP's primary objectives was "… to encourage and assist in broadening the economic base of the Lamco concession area in order to reduce the area's dependence on iron ore mining" [PFP 17, p. 1].

The objectives and activities of PFP mentioned above had an important effect on Lamco's commitment that was included in its relationship with the government. Lamco was relieved when development requests from the government were passed on to PFP, and the government began to deal directly with PFP, not with Lamco, in fulfilling its developmental requests.

A good example of PFP's effect on the relationships between the government and Lamco is found in a letter from the general manager of Lamco to the Deputy Minister of Agriculture in November 1978, and parts of the letter are cited here [PFP 24]. The letter was about

> "*... what the Ministry requested Concessionaires to do*".

At the beginning of the letter the deputy minister was reminded about the objectives and activities of Lamco:

> "*... Lamco has iron ore mining, processing and transport know-how. Lamco does not have agricultural and rural development expertise*".

Then the general manager mentioned the commitment of the company:

> "*... Lamco has assumed considerable community development responsibility*".

And then PFP entered to the picture:

> "*We invited an agency called Partnership for Productivity (PfP) to establish a headquarter in Nimba and undertake a program of rural and diversified enterprise development*".

The letter continued by mentioning financial support of the project by the company:

> "*Lamco provided the initial funds for PfP's Program*", and "*... PfP recommended that a loan fund from which small loans could be obtained should be established ... Lamco provided this fund on a long-term, interest free basis*".

The general manager also mentioned the non-financial support of Lamco:

> "*... Lamco responds to PfP requests to build and maintain farm-to-market roads, to use Lamco earth–moving machinery for agricultural clearing and land irrigation projects, and to provide civil engineering and mechanical expertise*".

The general manager explained then Lamco's involvement in the success of the program:

> "*Lamco considers that its extensive participation in the PfP program is producing satisfactory results …*".

According to Lamco the PFP project was the right strategy:

> "*We would be reluctant to alter this strategy*".

Lamco's general manager continued with "promoting" PFP's "grassroots" strategy to rural development:

> "*While we are not opposed to large-scale, mechanized farming, we believe that a greater and more lasting increase in Liberia's food supply will come via increasing the output of the small farmer because he represents such a large portion of the nation's population*".

The general manager then listed a number of PFP-assisted projects:

> "*… which Lamco supports intensively …*".

The general manager emphasized the company's commitment in its relationships with the government and stressed that:

> "*Lamco considers that it is supporting a creative approach to local agricultural development and it thereby assuming a major share of its responsibility for the present and future welfare of the people involved in, and affected by, the company's mining activities*".

The general manager finalized his letter by:

> "*We hope the Ministry of Agriculture will agree with our approach and allow us to continue it until it has achieved its purpose*",

… and reminded the deputy minister of the common objectives of the two parties:

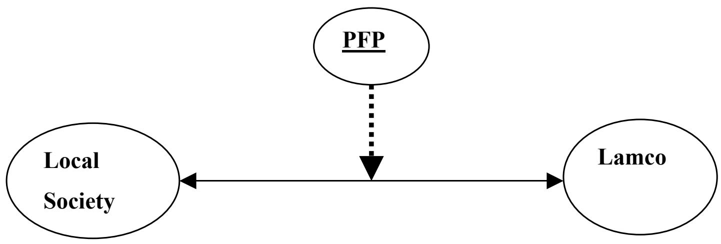
> "*Certainly the objectives of Lamco's participation in this program are in harmony with the objectives of the Ministry of Agriculture and the National Development Plan*".

The content of the letter shows clearly the effect of PFP on the relationships between Lamco and the government. We may refer to actor bonds that are defined as results of mutual commitments around priorities that may alter their way of seeing and interpreting situations. PFP apparently altered actor bonds between Lamco and the government, and more importantly, "helped" the company in its relationships with the government.

The same might be true regarding activity links and resource ties. By referring the government's developmental requests to PFP, these ties and links between the company and the government were also altered.

10.3.2. The Effects of PFP on Lamco - Local Society Relationships

What were the effects of PFP on the relationships between Lamco and the local society? The relationships between the company and local society were that the company shaped the life of the society by being the major employer and also major provider of various services. As we mentioned earlier, Lamco was also obliged to promote local development in the form of providing training opportunity for Liberians, and developing infrastructure and commercial linkages, and the attitude of "Let Lamco do it" was prevailing in the local society. In other words, the relationships between local society and Lamco were characterized by total dependence of local people on the company. As was mentioned in chapter 6, Lamco tried to contribute to local development by its spin-off policy, but whenever those spin-offs faced financial or administrative problems, Lamco was always there to shore them up and the sense of dependency remained. After about 10 years of such relationships PFP was established in the area, and here we analyze the effects of PFP on the relationships between Lamco and the local society as illustrated below.



During his visits to Upper Nimba County in Liberia, the author spoke to many clients of PFP, those farmers and local entrepreneurs who received various kinds of assistance from PFP. Several of them replied to the question of "What do you think about Lamco?" by answering "Lamco is good, because it brought PFP here!" The answer indicated the effect of PFP on the relationships between Lamco and the local society, and as in the case of relationships between Lamco and the government, it seemed that a better "image" of Lamco characterized the company's relationships with the local society. The attitude of "Let Lamco do it" altered to "Let's do it together with PFP". According to Taylor, community development requires *changing the relationship* between local people and the institutions (Lamco in our case) that shape their lives (Taylor, 1992, p. 2). The change is required in order to ensure that local people are recognized as *partners* rather than the objects of decisions and policies made elsewhere. With local people as partners, the local community may release energies and ideas that lead to new kinds of enterprises and service deliveries (Ibid.).

By inviting PFP to the area, and supporting it, the company obtained better relationships with local people, especially those who were not employees of Lamco. Since PFP got its financial support from several sources, the local society could regard it as a neutral party that urged self-reliance in a way Lamco could not do.

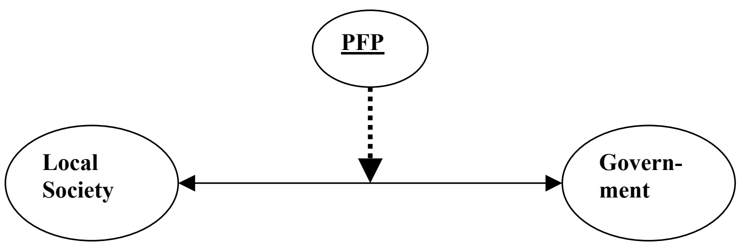
The most important effect of PFP on the relationships between Lamco and the local society was a gradual change in the dependency of local people on Lamco. In chapter 4 we discussed the role of a change agent in the change process. The main objective of PFP at the early stages of the program was to change the local attitude from dependency on Lamco to self-reliance. According to Butler (1978, p. 67), the relationships between Lamco and local society were also characterized by an unintentional paternal management style of Lamco, which PFP tried to change, and to stress a rebuilding of local people's faith in their own capabilities [PFP 8].

Activity links and resource ties between Lamco and the local people were also affected by PFP. PFP tried to involve Lamco as much as possible, especially in awarding new and increased service contracts to those businesses created/assisted by PFP. Lamco also began to provide electrification of Camp 4 and non-Lamco housing.

According to the statistical summaries, in 1983 PFP was assisting 382 farmers and 72 rural and urban entrepreneurs [PFP 55] which had a clear effect on the relationships between the company and the local business actors. From being totally dependent on Lamco, some businesses in the local society began to see the company as a customer.

10.3.3. The Effect of PFP on Local Society – Government Relationships

What were the effects of PFP on the relationships between local society and the government?



In countries such as Liberia, in which the rural population comprises a major proportion of the whole, increasing the productivity of rural areas would be a proper way to strengthen the national economy. As we discussed earlier, the task of rural development in Upper Nimba County was put on Lamco. We discussed also that the effect of Lamco's efforts on local development was unsatisfactory. Rural development requires "rural technology", "rural managerial skills", and "rural entrepreneurs" which were out of the domain of a large MNC {FPM}.

The relationships between the government and the local society were also based on the operation of Lamco. Local people paid income taxes to the government. Some of them were employed by Lamco, and some of them earned money thanks to Lamco, such as local restaurants, fruit shops and also those who had businesses in Camp 4. The tax-revenues, however, were not expended in Nimba, since it was Lamco that was responsible for providing the area with all services such as hospital, schools, fire brigade etc. {JE}.

The situation was changed after the introduction of PFP program. Since the government supported the organization and had close relationships with it, PFP operated rural projects as a branch of the ministry of agricultural, and its staff were formally employees of the government of Liberia, not Lamco. Thus, the "affairs" of the rural society in the area, in a sense, became a matter of the government's domain and not Lamco's.

The general objectives of the PFP program were to promote processes by which local people could take control of their own development by increasing income via agricultural development, Liberianization of local commerce and industry, and diversification of economic activity {NR}. It is obvious that the nature of the relationships between the government and a "company town" was affected by PFP when the organization aimed its effort towards a changing process from a mining society to a society with none-mining activities such as farming and private, small-scale enterprises.

10.4. SUMMARY

Change is a central feature of networks, which are concerned with relationships. As was discussed in chapter 3, networks are stable but not static. The continuing processes of interaction between actors are stabilized since they take place within the context of existing relationships. These "stable" relationships change also because of those events that are external to the relationships (Axelsson & Easton, 1992, p. 21-22). Any actor, however apparently powerless, may initiate change if it can draw upon the resources of other actors by virtue of the acceptability of the change. It means that any change in a network requires mobilization of resources, and also the will and interest of actors to deploy them (Ibid., p. 24).

In this chapter we made an attempt to analyze the changes in a network. These changes became necessary when a new intermediary actor, PFP, joined the network. This new actor, small and apparently powerless, made profound changes regarding relationships between the original three actors, an MNC, a government and a local society. Since other parties accepted the entrance of the new actor, the changes that this actor brought about were also in a way "legitimate" changes.

We focused on the side effect of business relationships between Lamco and the government and discussed the effect of PFP on the relationships. From being initially an intermediary actor, intermediating between Lamco and local society, PFP began to assume more and more a role of a change agent to influence not only other actors, but also the relationships between the actors.

One important step towards a viable society was PFP's efforts to change passive local community clients to active local business actors, working in the network and increasingly establishing its own new contacts outside the Lamco-PFP-local society network.

11. CONCLUDING REMARKS

11.1. INTRODUCTION

The purpose of this study was to investigate how an MNC could fulfill its contractual commitment for local development in a way that it benefited the MNC and also the involved parties. The MNC benefits from efficient local services established by its help, but more importantly, from an improved competitive power when fighting for new concessions in LDCs. Also, an MNC with a good reputation for developing a viable society could strengthen a project seeking finance from the World Bank and other donors. If these benefits are achieved at a reasonable cost, the efforts devoted to viable development are profitable to the MNC.

Since many attempts to get a viable development have been made and failed (see the cases in section 1.3), MNCs may have an interest in finding better methods to approach a fulfillment of this commitment in concessions. We focused on one such method that seemed to be promising. Thus we aimed to investigate if the use of an intermediary PVO is an efficient means for an MNC to reach this goal. To do this, we studied an intermediary organization, which was established with the task of realizing the potential benefits of an MNC operation in participation with the MNC, the host government and the local community.

We recapitulate the problem of viable development as described in figure 1 in section 1.3.5. Given no goals or commitment, no know-how, unbalanced resources, a top-down approach and a profound distrust between actors, especially from the local population, the prospects for building a viable development together are weak. An intermediary actor facing this kind of state has much to do. It has to become a bridge to interconnect the local and foreign actors. It has to change partners' attitudes and interest, and to establish the trust necessary for co-operation to approach better defined goals, and more. To engage a PVO with knowledge and experience in the field, working independently from the other partners, but integrated in co-operation, might be one method to change the passive attitudes to an active effort for development. Then such a way would support an MNC's profitability.

We adapted the network approach and focused on the role of a PVO as an intermediary actor and as a change agent in a network. We found that the network approach can be considered as a device which community development programs can rely on, where all actors, both business and non-business actors, in the network can be thoughtfully designed and deployed to sustain and add to the success of each other.

As illustrated in our case, a partner in a network (e.g. PFP) can become more active and influence the other partners' goals, as well as the relations between other partners. This is especially true if this active member performs a task not in the core of the other partners' businesses. An actor in a network can find a niche to take over responsibilities that are necessary, but that are not the core business or competence of its partners. This is usually the case of service or repair firms, for example. Obviously, rural development is such a niche open to the actors, specializing in the task. This is actually an important essence of the network theory; that is, relationships between different actors who are "specialists" in different areas.

In this study, insights into the nature of the problem, home opinions, and the personal conviction of an MNC's managing director, led to an approach, to engage a non-profit PVO, that gave higher efficiency to local development and reduced the "development-related" costs for the MNC. This was not without problems. Being both new and different created some problems for the new organization and the original actors, consisting of the host government, the MNC and the local community, who could have various thoughts about the new partner and its role. The new partner could be considered as just another instrument that the MNC or the government used for other purposes than community development.

The task of the new partner, the PVO, was twofold. The direct task was to act as an intermediary to develop the local community and the surrounding areas, to create and develop small enterprises in farming, services and rural industries. The other task was to work as a change agent within the original network. The PVO altered each partner's developmental goals and also its attitudes, and it affected the relations between these partners.

The nature of the relationships in our case illustrates an approach that differs from the traditional ones. The traditional approach for MNCs in rural areas can be described as a single company in isolation that carries out all of its contractual commitments alone, with no strong relationships with other parties for mobilizing resources. The network approach, on the other hand, presents a cooperative approach that implies efforts from several parties. This approach also implies changes in a *status quo* in order to move towards some common objectives shared by all involved parties.

In this chapter we present theoretical and empirical contributions of our study. We shed some lights on the strength of the network approach in planning and implementing community development projects at the sites of mining MNCs.

11.2. THEORETICAL CONTRIBUTIONS AND SUGGESTIONS FOR FURTHER RESEARCH

One common perspective in studying business networks is their concentration just on business actors (see for example, Håkansson, 1992; Håkansson & Johanson, 1992; and Håkansson & Snehota, 1995). Business actors limit the boundary setting of the network and the rest stands in the environment. The assumption is that the actors in the environment do not have much impact on the relationship between business actors. No matter if the researchers wish that non-business actors made no impact on business relationship, actors like government, bureaucrats or other non-business actors are there and want to play their roles. In spite of the fact the business world is always confronted with other types of actors, the business network studies neglect those actors by stating their low or short-term impacts. Against this stream, the contribution of this thesis was to develop a conceptual frame to integrate business and non-business actors in the network. Following some studies in this vein, the theoretical framework of this study infused intermediary actors to connect business and non-business actors. It is true that infusion of intermediary and non-business actors into a business network creates theoretical problems as these types of actors belong to different systems and have their legitimacy on different grounds, but the real business life of MNCs, specifically in LDCs, encompasses all these actors. For the shortcomings of studies in this field further research for new knowledge and understandings is an urgent need.

The view of intermediary actors is discussed by studies like Anderson & Narus (1990), Gadde & Håkansson (1992) and Havila (1996). But in those studies, intermediaries are business actors and have business goals. This study, however, changes the view and considers intermediaries that have non-business goals. The infusion of an intermediary is necessary because of the problems in direct interactions between business and non-business actors with different goals, needs and resources. The intermediary actor is needed in order to manage the side-effects or infrastructural activities of the business actor. A net of relationships between business and non-business actors may demonstrate a promising way for the MNC to contribute to local development while at the same time improve cost-effectiveness in its operation and enhance its image in the host country, in its home country and in the "market". More research is needed to explore the roles of "non-business" intermediaries in networks.

As stated in the first part of this study, there are a large number of studies that put their emphasis on MNCs behavior in LDCs with no consideration of their impacts on these countries (see for example Root, 1968; Baranson, 1979; Hood & Young, 1979; Banks, 1987; and Caves, 1996). Their standpoint is a project oriented time-limited contractual agreement and the matter of if and how the projects are finalized do not come under major attention. Another group of studies observe these contractual agreements as a means for economic and social development of LDCs and do not touch on the matter that these industrial activities are to be performed by business firms. Their economic or social points of view miss the view that these activities are to be managed by business firms. They do not touch on the issue that the main group of firms are MNCs and have their own economic interest. MNCs on the other hand, are concerned with their short-term profit perspectives and presume that their social and economic benefits are to be planned by local organizations. These two groups of studies stand at two extremities, which are far from each other. Their theoretical views have influenced the empirical world of businesses in LDCs. The six cases (McPhail, 2000; Choshi, 2001; Moser, 2001) in the first chapter highlight the dramatic effect of the projects and the disappointing results. Despite the fact that these cases were conducted in the beginning of this century, business management seemed to lack profound theoretical and managerial perspectives. The latest investigation of the World Bank (McPhail, 2000) reveals major problems in the interaction between the MNCs and LDCs. In line with this criticism, there are seldom efforts to integrate the business management perspective to such interactions. There is a serious need for an analytical framework which can unify the goals and resources of MNCs and local units in LDCs. In line with this shortcoming, one main mission of this thesis was to develop a theoretical framework which can integrate these two into one and preserve the goals and mission of these different groups. Such a perspective can enhance our understanding of MNCs and business and non-business actors in LDCs. Development of new perspectives can increase not only our analytical views but also can improve the ability of those involved in such projects. It stands on the view that MNCs' activities in these societies are based on a long-term interaction and are not short-term project based activities (See for example, Ring *et al.*, 1990; Boddewyn, 1988, 1993; Hadjikhani, 1996a). This can open new perspectives in understanding how MNCs manage the cooperation with these units. More research is needed to integrate partnership between MNCs and local societies.

While most studies in the field of international business regard the business activities of MNCs in LDCs, this study has its focus on a "side-effect" of business relationships between an MNC and a host government. This side-effect seems to be important, but is quite neglected in research in international business. Those studies focus on MNCs' efficiency in managing their relationships with local business actors or with local political actors. However, it seems that without managing this side-effect, the operations of MNCs could be in trouble. In our case, managing this side-effect did not disturb the profound business relations between the powerful actors, but indeed supported it at a very low cost. More research is needed to study this side-effect of, and its impact on, international business.

Another contribution is the development of the network approach for studying this side-effect. The side-effect, site development, is to be considered as a joint effort that requires investment and presupposes long-term commitments by all the parties involved. In this network a "division of labor" is required between actors, and each actor will depend on the performance of other actors. The nature of relationships in the network can be interpreted as an important device for the dynamics of rural development. In the network theory, actor bonds, activity links and resource ties are usually studied in relation to business actors. Our study, however, shows that bonds, links and ties are equally important in relations between business and non-business actors. This study also sheds some light on how an actor can influence the relationships between other actors in a network. It seems, however, that more research is required to investigate the function of networks consisting of both business and non-business actors.

Finally, a contribution to both community development theory and network theory might be the fact that viable development seems to demand an involvement of the local community to furnish local business actors, not to be a passive partner living on aid and business imposed by other partners. A local community seldom has reason to trust the foreign business actors, or the local political actors. A PVO, that the local community can regard as independent, may be able to win the trust necessary for local actors to dare to take the brave step forwards, a venture that breaks old traditions and the way of living. The involvement of the local community, and the change from passive partners to active local business actors, seems to be able to be incorporated in the network theory. The hope is that development studies and development practices could find a path for improvement as a result of this study, and by further research into this area.

However, MNCs in their business activities in LDCs need actors to create a bridge between the MNCs, host governments and host organizations. In this study one crucial aspect was the infusion of an intermediary actor. An intermediary actor is needed as a partner in a network in order to manage the side-effects of business relationships. Long-term community development project is a collaborative action. The task challenges the experience and capability of even the most altruistic MNC. An intermediary actor, with the ability of mobilizing and directing the necessary resources of various actors, can play an important role in carrying out the task. In order to manage the side-effect of business relationships, the cooperative network can be established at the start of the MNC's operation rather than later when the local community has become totally dependent on one company. Managing the side-effects of the business relationships implies change; that is, to do things in a different way, and to think in a different way. Since changes are essential in the development process, the role of an actor as a change agent will be obvious. As was described in our case, the intermediary actor changed the attitudes of involved partners towards new directions and priorities. This seems to be the most feasible way to manage the side-effects of the business relationships and to shape a viable post-project community. The intermediary actor can push and pull and furnish know how, network contacts and resources.

11.3. EMPIRICAL CONTRIBUTIONS

11.3.1. Implications for MNCs

MNCs operating in LDCs confront several factors: local people, host government, housing, public services, an alien culture, society and economy. It may be wise to consider these factors early in the planning stage, together with the desire of supporting and cooperating with other parties to handle these factors. Sooner or later, an MNC faces the sensitivities and attitudes of the society, culture, government and also the economy of the area of its operation.

Primarily, MNCs are concerned with return on investment, repatriation of profits, tax incentives; and their attention to change is naturally so directed. MNCs are not naturally inclined to make changes that are required for local development, and they are not equipped to deal with the complexities of indigenous community development. But it has become apparent to most MNCs that unless they begin making substantive changes, their operations are in trouble.

The network approach described in this study could be considered as a solution for MNCs to make *indirectly* the necessary changes, demanded by the host governments, through relationships with other partners. The approach may help MNCs to make a planned investment in developing the economic and social infrastructure of regions where they do business, and in a way give assurance to the host LDCs that their presence creates a lasting beneficial impact on the locale in which they operate.

Involvement in a network of relationships with other actors does not mean a high cost for the company. If properly executed by an intermediary actor, the main part of the financial requirements for development programs could come from other sources, which leads to increased trust from the local society. The main resource of an MNC is not only "cash", but also part of its technical and managerial know-how, which in combination with other actors' resources, can be of a substantial importance for community development.

In our case, Lamco was obliged to operate a large portion of the Yekepa community services like employee housing, a good part of formal education, town police and plant protection, a hospital, a water purification system, sewage treatment and disposal plants, and also recreational facilities. These "not-mining-related" activities cost the company 5,6 million dollars per year at times {JE}, a substantial burden for the company that could be reduced by a "viable" community. An intermediary organization, serving as a link between a company and the local society, could design and initiate productive enterprises and services which would make the region's economy more productive, diversified and self-reliant.

For an MNC, this approach would be a way to remain autonomous within the confines of its core commercial activities. As mentioned in the case, after cooperation with PFP, when local requests for assistance were presented to Lamco, the company referred them to PFP. This applied to the host government's requests also.

Another implication of this approach is that an MNC receives more trust from the local society at the same time as the company maintains its necessary control of its local employees. It helps also an MNC to involve the government more in local and not business-related affairs and also to depress the conflict of interests with the host government that was discussed in chapter 2 of this study. The network approach to development may serve to draw MNCs directly into supporting development work and improve the psychological climate between themselves, the host governments and local population.

The mere existence of a PVO in a network, and an MNC's relationships with it, could bring about a good "image" for the MNC that might be considered as an intangible but valuable advantage for the company. Good public relations foster the type of climate needed to start operations in other countries or to expand the existing operations. Thus, MNCs can learn that they can earn some good results and money through cooperating with PVOs, and above all get a reputation from their good efforts in rural development. PVOs can be considered a low-cost and trusted partner since they are small actors with other objectives than MNCs and do not "compete" with them.

11.3.2. Implications for Host Governments

Rural populations comprise a major portion of the population in LDCs like Liberia. Increasing the productivity of the rural population would strengthen the national economy. It would be beneficial to the national economy if rural populations could subsist more efficiently, become more productive, generate greater income, and improve their own living standards.

The host government sees advantages in that parts of its national territory are not totally dominated by foreign companies. Often it lacks, however, a natural channel to take part in the development of remote areas. Cooperation in a network may open such a channel. As an important partner of the network, the host government could support development programs in order to satisfy the needs of the local population, using local labor, material resources, and managerial skills, and within the area's own social and cultural context.

As pointed out earlier, in the case of Liberia, there were "viable community clauses" in contracts between the Liberian government and MNCs. This meant that the host government expected the MNCs do the task of local development, and the government did not support financially the development projects within the concession areas of MNCs. For example, as table 7.2 shows, during 1976-1980 alone more than 20 million dollars were paid to the government in the form of royalty, not to mention other revenues. Not a single cent of this money was invested in any rural projects, the money invested elsewhere (Edlund, 1989). The host government's commitment and responsibility is very important in the cooperative structure exemplified in our case. Long-term indigenous development strategy is a backbone of successive local cooperation.

Host governments learn that the development process has to be locally administrated, through the indigenous population, entrepreneurs and trustees. An MNC furnishes a local area with infrastructure that often serves the company's immediate needs. The government also has a role in furnishing the infrastructure that serves the local population's long-term developmental needs, such as economic infrastructure in the forms of financial institutions in rural areas that could supply the rural population with the required credits and loans for starting up indigenous businesses and farming ventures.

The government ultimately benefits from the cooperative approach. The success of such an approach not only brings income, but also gives an air of trust in the local areas. Local people may feel that their government really tries to do things better for them, and does not let foreign companies do it in a "foreign way". The intermediary PVO does not cost the host government too much either. The political independence of PVOs may not be desirable from the host government's point of view, but on the other side PVOs have no inclination to dictate terms to a host country and do not demand that the host government undertake certain economic policies.

11.3.3. Implications for Local Communities

The PFP experiment illustrated that one of the most difficult obstacles to development was somewhat psychological. To change the attitude of local community from "Let Lamco do it" to self-reliance was not an easy task. That is why the PFP experience was that the implementation of projects was easier in remote rural villages than in the urban community of the mining town. {FPM}.

As discussed earlier, local people are the most important partner in the development process. "Development from below" has no chance without an active participation of local people. They must be considered as "actors", not "objects" for help. Initiatives for local community development must stem from local entrepreneurs (from below), not from some government officials in the capital cities or from foreign officials of MNCs (from above). Local people may have strong relationships and a rewarding cooperation with a partner that they can trust. They usually do not trust foreign companies, and they also mistrust central governments. On the other hand, they may trust a "neutral" partner, an intermediary PVO with the only objective to help them, and which is not a part of the company or an agent of the central government.

PFP program was designed to create a viable community after depletion of iron ore (which was projected to occur in 2020). The economic base for this community could be production of foodstuffs, needed in the capital and in other urban areas. Small firms serving the farms could eventually develop to market their goods or services in other areas. As mentioned above, a cooperative effort for development of the local community has a better chance to succeed if it is planned and implemented at the very start of the MNC operation.

Total dependency of a large community on a single company could have a catastrophic impact on the area if the company closes its doors.

Our network approach to development implies that a local community can enjoy the resources of an MNC in the area and at the same time avoid total dependency on the company.

11.3.4. Implications for PVOs

The intermediary actor in our case acted in a way that is unusual for most PVOs. PFP was an intermediary organization, and most PVOs are not. They usually offer services in their own right and collect resources in their own right in order to support these activities.

In order to be effective in this intermediary role, a PVO not only has to have knowledge, skills and expertise for rural development, but also familiarity with the needs and objectives of a large MNC. Therefore intermediary PVOs must learn that MNCs are not only "self-interested" and bring rather short-term benefits, but they also bring blessings to the host country and to the rural population, not just problems. Intermediary PVOs have to understand the business conditions and that MNC managers personally may be eager to facilitate development.

PVOs may see why MNCs are keen to get help: a good reputation opens new markets! PVOs then find that they have some strength in a bargaining position.

The PFP project was an experimental effort. Nothing like it had been tried before in Liberia and each step was tentative. Out of this process other PVOs may learn about relations with an MNC, about the capabilities to mediate between an MNC, a host government and the people of a local community, and other institutions impacted by the MNC operation.

One important factor selects PVOs as suitable for this intermediary role: trust. Above all trust from the local population and local entrepreneurs, but also from MNCs and host governments, deeming it not to have competing goals, and being small enough not to be a threat. A PVO learns that trust from partners is necessary if its task should be successful.

Moreover, the United Nations, other development agencies, and also donor organizations can learn that PVOs are not expensive, but that their possibility to influence other partners grows with the degree of financial independency they get through grants from such organizations.

As for the MNCs, this approach could bring about a good image for PVOs too. PVOs are also competing with each other in the "donors' market". A successful intermediary PVO would have less difficulty in raising funds for its activities. By being a partner in a network of actors, a PVO can use its partners' influences and position in other networks. For example, by being a partner of Lamco (Gränges International Mining), PFP could receive funds from Swedish donor agencies too. For example, according to PFP's general manager, "Lamco considers that Gränges' executives persuaded SIDA and KFUK/KFUM to participate in PFP program" [PFP 13]. And when an intermediary PVO receives funds from many donors, not mainly from an MNC, it would be considered as a more neutral party in the eyes of local people and the host government.

11.4. LAMCO PROJECT – POST PROJECT SITUATION

When the original joint venture agreement was signed in 1953 it was projected that the mine would run out in the year 2020. According to the contract the joint venture would last for 70 years, until the year 2032. Lamco was supposed to live a long time. But the political instability of the host country combined with the economic reality of the world market for iron ore made a continuation of mining operation impossible for Lamco. Lamco's visions from the 1960s about the economic development of the Nimba County crash-landed in the severe economic climate of the 1980s, when the "steel crises", combined with new powerful actors in the world market, put an end to Nimba's mines. Both Brazil and Australia opened giant mines with a production cost that Lamco could not compete with. There was still a lot of ore to mine in Nimba, but the weak world market was not a motivational factor for Lamco to invest some 400 million dollars for developing other mines in the area (Holm, 1988). And the last general manager of Lamco stated that the company did its best to promote local development in the area, but in an undeveloped country like Liberia 25 years is not enough, not even 100 years (Ibid.).

At last, in November 1989, Lamco's last shipment of Mount Nimba's iron ore left Liberia, and the "Lamco adventure" was over. There were negotiations between Lamco and the Guinean government for mining operations on the Guinean side of Mount Nimba (which was located only 15 kilometers from Yekepa) and in this way to continue the usage of Lamco-built infrastructure for transporting and shipment of the ore (Edlund, 1989). But only about one month after Lamco's last shipment a long and bloody civil war broke out in the country. A war that destroyed much of the Lamco-built infrastructure, or made it useless.

However, in 1989, the Liberian government took over Lamco, and renamed it LIMCO (Liberian Iron Ore Mining Company). Despite the internal conflicts in the country, mining and shipping of iron ore continued by LIMCO to a limited extent until autumn 1992 when the intensive fighting made the operation impossible. In November 1992 LIMCO was formally closed down, and the destruction began {BV}.

The civil war in Liberia and the anarchy that followed the war ended activities of all organizations, among them PFP. The economic and social infrastructure built by Lamco was destroyed and would be of no use to the local people when peace comes back to the area. The current situation in Liberia shows clearly that the bases of community development in LDCs could not consist only of material infrastructure like houses, bridges, railroads etc. provided by an MNC (development from above). Such infrastructure could be destroyed by human and/or natural causes. Knowledge, on the other hand, could not be destroyed, and that was the philosophy behind the PFP experiment; that is, not to build a bridge for local people but teach them *how* to build a bridge by themselves using locally available resources (development from below).

The recent evidence discussed in the first chapter of this study shows that after more than 30 years since the PFP-experiment in Liberia started, the problem still exists to a great degree. Nowadays, along with globalization, concepts such as "Corporate Citizenship", "Cause Related Marketing", "Corporate Social Responsibility" etc. occupy a great deal of research and also in practice. It seems, however, that these concepts are important for companies in a competitive market in order to earn competitive advantages. When the competition is low or not present, the companies may only pay lip-service to their social responsibility.

The fact is that while mining concessions frequently bring short-term benefits in the form of employment, skill acquisition, housing, education and medical care to residents of the concession area, the continuation of these benefits is typically dependent on the continued operation of the concession. If for some reason, the concession abandons the project, the people attracted to the region by employment opportunities are left with few alternative means of support, and have often been separated from their traditional support mechanisms. This is especially disturbing in situations where the local residents might have achieved more sustainable development if their progress proceeded at its own pace rather than at the accelerated rate generated by an outside factor, a mining company. Therefore it would be wise for mining MNCs to give serious attention to the sustainable development of concession areas.

It is necessary to consider community development as a human process, involving cooperative effort among many actors, and mobilizing the cumulative resources of a cooperative body (network). The process is slow, sensitive and long term in reaching its achievement. The cooperation will be more effective if it is initiated at the earliest stages of an MNC operation. As we mentioned above, the cost to the MNC of being involved in the cooperation does not need to be large.

The returns to an MNC from successful "developmental networking" can be significant. Some are intangible like local "good will", greater stability, less local dependence, etc., not to mention a good international reputation. Financially the cost of sustaining social services and amenities in support of its operation can be reduced as a result of local self-sufficiency.

This approach could be applied, *with modification*, to any major MNC in LDCs involved in extraction operations. The modification would be necessary owning to differences in the geographical areas, in the culture of local people, in the nature of the MNC operation, in the host government, in the local land use patterns and farming system. All these differences would be factors requiring flexible adaptation that is central to the network theory. While this approach cannot completely prevent problems from developing, it can lay a basis for positive and more profitable relationships. In LDCs, which are often troubled with instability, sound cooperation among MNCs, host governments, local communities and development agencies can prove to be constructive. It could also be an approach to furnish an effective insurance for the sustained life of an MNC operation.

The participative network approach presented in this study may be considered as a possible and a promising device for MNCs for their "developmental" contractual commitments. This approach might also be encouraging for host governments to implement similar cooperative schemes for their concession areas. However, the success of this approach will heavily depend on commitment from all interested parties, especially of the two main actors: the MNC and the host government.

The Lamco experience continues to capture interest among different people. In 2000 a book was edited by the persons involved in the Lamco project (Ardelius *et al*., 2000). The book contains more than a dozen articles describing the history and background, hopes, reflections and outcomes of the Lamco adventure. Different people, including the former general manager referred to in this study, give their personal view on the impact of Lamco on Liberia's economy and on the people. We find a good picture of the "good" years of Lamco with its programs for local education, medical care etc., and also the last years of Lamco and the destruction and vandalization following the civil war. Owing to the destruction and damage it was highly unlikely that mining in the Nimba area would ever be restarted.

According to the authors, power-hungry local leaders and conflict between various tribes put an end to the “injection” of development by Lamco. All Lamco-build infrastructure has been destroyed, and Yekepa is back to its pre-Lamco conditions; that is, the region is populated by people engaged in traditional agricultural activity and hunting, wholly without modern infrastructure or services, and with very little money or market contacts outside their own small villages (see section 6.4.1).

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PFP 5: PFP/Liberia – Consulting Guidelines and Procedures (undated):

PFP 6: PFP/Liberia – Loan Policies and Procedures, Enterprise Development Loan Program (undated).

PFP 7: PFP/Liberia – Record Keeping for People Who Cannot Read or Write (undated).

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PFP 16: Letter from PFP's General Manger (George Butler) to the Governing Council Members regarding "1975 Progress Report & Program for 1976", dated February 27, 1976.

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PFP 18: Brief Progress Report for First Quarter of 1977 and Progress Projection for Second Quarter of 1977.

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PFP 24: Letter from Lamco's General Manager to Liberia's Ministry of Agricultural regarding PFP's progress in Lamco's concession area, dated November 8, 1978.

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PFP 52: Six Month Report, December 31, 1982.

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PFP 54: Enterprise Development Section, Quarterly Report, June 1st – August 31st 1983.

PFP 55: PFP/Liberia – Statistical Summary June – August 1983.

PFP 56: PFP/Liberia – Enterprise Development Service, September 1983.

PFP 57: PFP Agricultural Extension Program, Progress Report, October/November 1983.

PFP 58: Minutes of the PFP/Liberia Governing Council Meeting, November 4, 1983, Lamco Conference Room, Yekepa.

PFP 59: PFP/Liberia – Budget, June 1983 – May 1984.

PFP 60: PFP/Liberia – Performa Balance Sheet 1983/1984.

C. List of Interviewees

** References to interviewees in the text are made by their initials in { }*

(PB) *Mr. Pat Bengford*, American, Commercial Development Coordinator, PFP, Yekepa, Nov. 1982, Dec. 1983.

(BC) *Mr. Buxton Cooper*, Liberian, Head of Agriculture Section, PFP, Yekepa Nov. 1982, Dec. 1983.

(JE) *Mr. John-Erik Eriksson*, Swedish, Head Manager of Accounting Department, Lamco, Yekepa Nov. 1982, Dec. 1983.

(KG) *Dr. Kand Golafale*, Liberian, Physician of Lamco's Hospital, Yekepa, Nov. 1982.

(VI) *Mrs. Victoria Ireland*, Liberian, Head Teacher of Lamco's International School, Yekepa, Nov. 1982.

(CJ) *Mr. Corny Johnson*, American, Superintendent of Lamco's Training Program, Yekepa Nov. 1982.

(PK) *Mr. Preston Karr*, Liberian, Agriculture Extension Supervisor, PFP, Yekepa, Nov. 1982, Dec. 1983.

(JK) *Mr. Jura Kromah*, Liberian, General Manager of Monitco, Yekepa, Nov. 1982.

(AMC) *Mr. Alexander McClean*, British, General Forman of Lamco's Locomotive Shop, Yekepa, Nov. 1982.

(FPM) *Mr. Frank P. Manley*, American, General Manager of PFP, Yekepa, Nov. 1982, Dec. 1983.

(FM) *Mr. Fritz Massaquoi*, Liberian, Head of Lamco's Recreation Center, Yekepa, Nov. 1982, Dec. 1983.

(TM) *Mr. Tom Meyer*, American, Village Development Coordinator, PFP, Yekepa, Nov. 1982, Dec. 1983.

(AM) *Mr. Antony Morgan*, Liberian, Legal Consult of Lamco, Yekepa, Nov. 1982.

(CN) *Mr. Charles Nagbe*, Liberian, Credit Section Field Officer, PFP, Yekepa, Nov. 1982.

(RO) *Mr. Rune Österlund*, Swedish, Controller, Lamco, Yekepa, Nov. 1982, Dec. 1983.

(LP) *Mr. Lawrence N. Paye*, Liberian, Agricultural Extension Field Supervisor, PFP, Yekepa, Nov. 1982, Dec. 1983.

(FP) *Mrs. Frances Potter*, Liberian, Women's Program Supervisor, PFP. Yekepa, Nov. 1982, Dec. 1983.

(NR) *Mr. Nick Ritchie*, British, Head of Commercial and Cooperative Development Section, PFP, Yekepa, Nov. 1982, Dec. 1983.

(LR) *Mr. Llewellyn Roberts*, British, Head of Appropriate Technology Section, PFP, Yekepa, Nov. 1982, Dec. 1983.

(AS) *Dr. A. Sio*, Liberian, Dean of College of Agriculture, University of Liberia, Monrovia, Dec. 1983.

(RS) *Mr. R. Stanly*, Liberian, owner of Stanly's Restaurant, Yekepa, Nov. 1982.

(JT) *Dr. James Tarpeh*, Liberian, Vice President for Academic Affairs, University of Liberia, Monrovia Dec. 1983.

Correspondence via e-mail:

(BK) *Mr. Bernt Karlsson*, Swedish, Former Community Intendant of Yekepa, various occasions in 2000-2001

(BV) *Mr. Björn Vieweg*, Swedish, Former Harbor Master of Buchanan, 2001.

(OW) *Mr. Olle Wijkström*, Swedish, Former General Manager of Lamco J. V. Operation Company, 2001

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Names, Organizations, Places

APPENDICES

Appendix A: Examples of the Topics of Interviews

**** An example of the topics of an interview with a Lamco official (sent to her/him in advance)***

1. Please tell me about Lamco's developmental efforts before 1974 (i.e. before PFP's involvement).
2. Why did Lamco invite PFP. The philosophy?
3. Relationships between Lamco and PFP since 1974?
4. Lamco's contribution to PFP (financial, "in-kind", other)?
5. The effect of PFP on the company's business efficiency, if any?
6. The impact of PFP on Lamco's relations with the local society, if any?
7. The impact of PFP on Lamco's relations with the host government, if any?
8. PFP has closer contacts with "the environment" than Lamco. Could this fact have any importance for the company, which has close relations with PFP?
9. What are future plans regarding relationships between Lamco and PFP?
10. The impact of Lamco's current cash crisis on the company's overall social activities?
11. Further viewpoints.

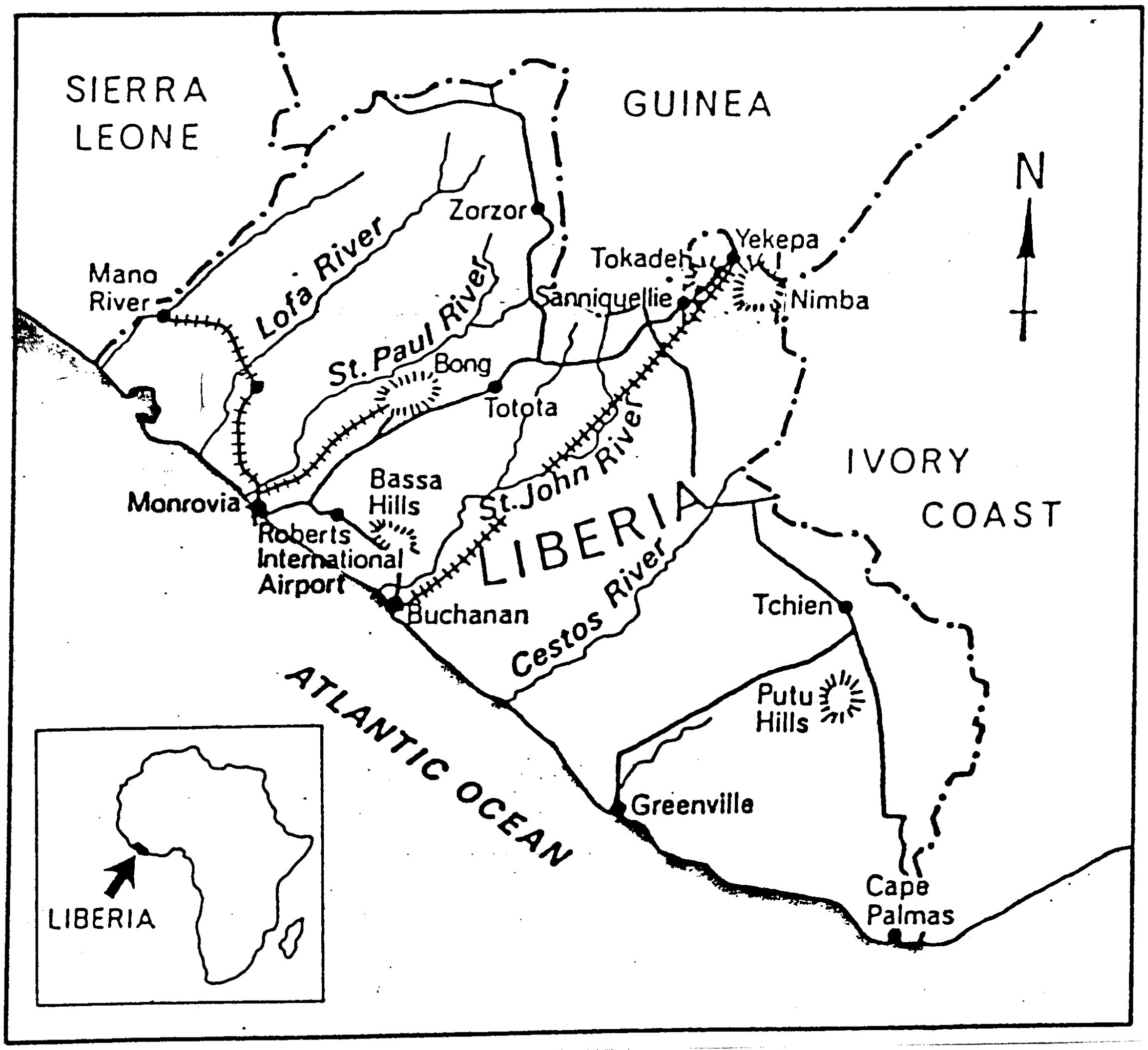
**** An example of the topics of an interview with a PFP official (sent to her/him in advance)***

1. What is your job?
2. The problems regarding your job?
3. The approach for solving them?
4. The attitude of local people toward your projects.
5. Reasons for eventual failures of some projects?
6. The impact of your programs on rural people?
7. What is the nature of PFP's cooperation with Lamco?
8. What is the nature of PFP's cooperation with the Liberian government?
9. Do you believe that your programs have had decreasing effects on local area's dependency on Lamco? If yes, please explain.
10. Do you think that Lamco could do the job you are doing now? Please explain.
11. Further viewpoints?

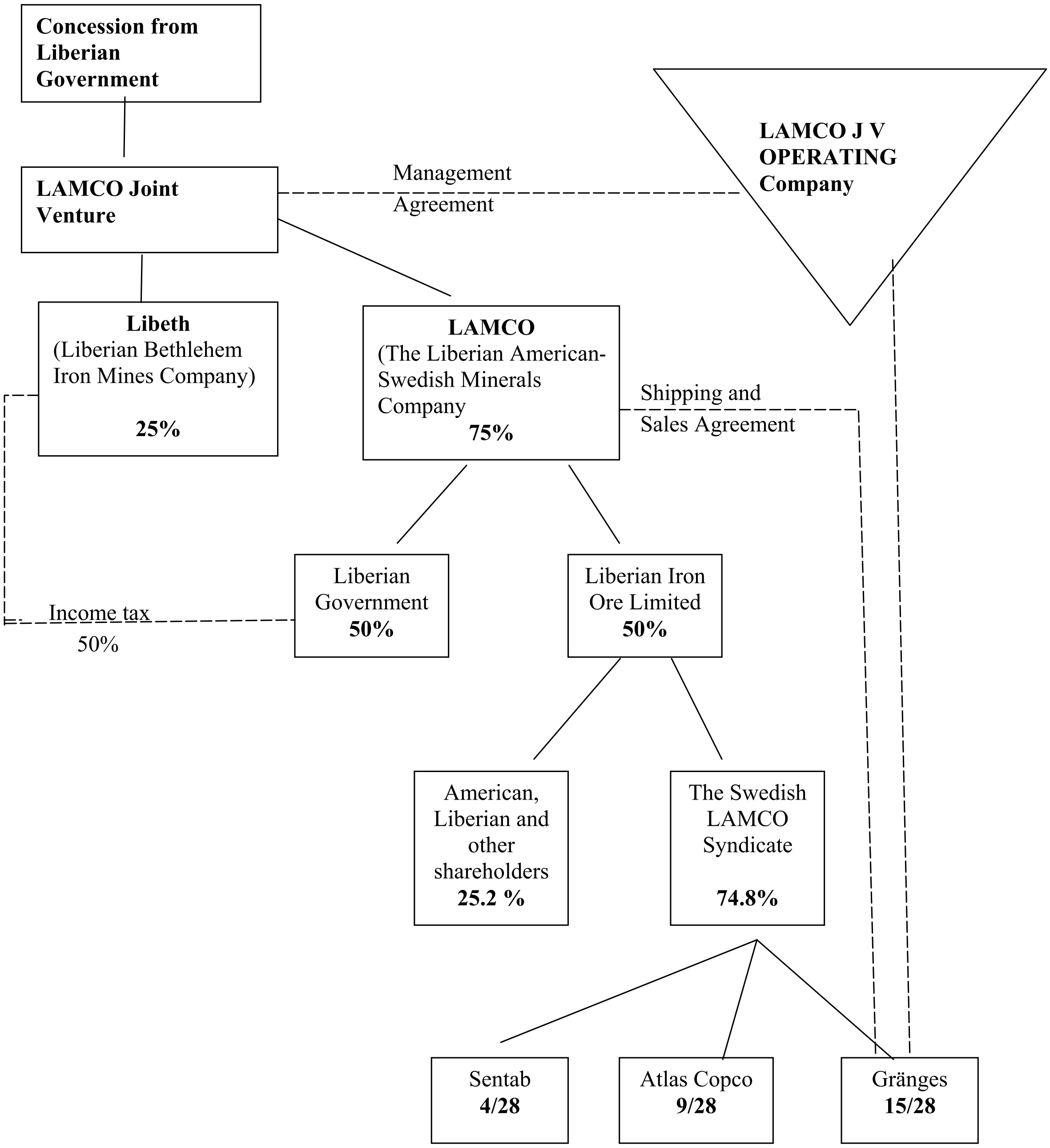
**** An example of the topics of an interview with a local businessman and a PFP-client (sent to her/him in advance)***

1. Type of business activity (production or service)?
2. When did you start your business?
3. Your occupation and income before starting your business?
4. Why and when did you start as a PFP-client?
5. Type of assistance you received from PFP?
6. What have you learned from PFP?
7. Loan from PFP? Repayment per month?
8. Do you work elsewhere?
9. Your practical experience?
10. Do you have any employees?
11. Your business' costs, gross profits and net profits/loss?
12. What do you do with the surplus?
13. Your future plans for your business?
14. Do you keep records?
15. Markets, marketing problems and competition?
16. Further viewpoints?

Appendix B: The Map of Liberia



Appendix C: LAMCO Joint Venture Ownership Structure



Source: Liberian Iron Ore Limited Annual Report 1980, p. 2

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