Conclusion

To the best of our knowledge, this is the first attempt to explain the prevalence of firms to invest in conflict countries. Numerous authors have pointed out the extent to which political instability deters FDI, and rather fewer, typically from outside the IB or strategy area have commented on particular examples of western firms investing in politically unstable or ethically questionable locations. However, what we have shown here is that the relatively standard models that seek to explain variations in FDI propensity, including size, intangible assets, subsidiaries and age, still explain the marginal decision to invest in a conflict region, even taking into account the decision to invest in a low income country with relatively weak institutions. Our analysis suggests that of some 2509 firms that have chosen to invest in such countries, over 540 have invested in conflict countries. Thus, while existing literature that points out the extent to which internal conflict deters FDI may well be correct, it by no means deters all firms. These findings have important implications for the more general literature concerning the links between FDI and development. We discuss in detail above the literature that has sought to link FDI and institutional quality to post conflict development, but this largely ignores the motivation for such firms to invest. Driffield and Love (2007) have shown that the motivation for FDI is an important determinant of the impact that foreign firms have on a host location, but this work can be extended to consider the prospects for FDI contributing to post conflict development. The results presented suggest some room for optimism as well as a note of caution. In a recent commentary Narula and Driffield (2012) argue that FDIassisted development is based on the transfer of firm specific resources, and their interaction with location advantages. Our results suggest that ownership advantage is an important motivator for FDI in conflict zones, with the expectation that this will improve economic performance improvement in the host country.

However, Narula and Driffield (2012) further point out that multinationals also gain through arbitrage in location advantages and attaining economic rents not available to local agents. The issue of rent capture is clearly an important one in unstable locations, and as Rose-Ackerman (2002, 2008) suggests, may be more destabilising. More work is needed here, but our results suggest that firms from countries with weak institutions are more likely to invest in conflict locations. On the one hand, such firms have potentially a greater likelihood of success, and therefore of longevity, on the other, it suggests that FDI may not be a vehicle for the transfer of good governance, as much of the more optimistic development literature suggests.

Potentially the most important findings from this research relate to the importance of ownership structures and institutions in the home country as determinants of this decision. Firms from countries with relatively strong traditions of CSR are less likely to engage in conflict FDI. This is not perhaps surprising as a growing body of research (Murry and Vogel, 1997; Sen and Bhattacharya, 2001 and Yoon et. al., 2006) indicates that consumer behaviour provides incentives to firms to engage in socially responsible behaviour; to pay more, to switch brands, to buy products from a company because of its charitable donations. Thus the commercial benefits of such socially responsible behaviour are more likely to be undermined within firms engaged in FDI in conflict zones from countries where traditions of CSR are strong. Conversely there is also a growing body of literature asserting the need for CSR to be contextualised (Halme et. al., 2009; Crotty, 2011), to take account of different stages of economic and institutional development. While our data indicates that firms from countries with a weak CSR culture were not deterred from investing in conflict zones, our conclusion is dependent on assuming a western definition, of CSR namely that is voluntary (Carroll and Shabana, 2010), about going beyond compliance (Davis, 1973) and informed by stakeholders (Michell et. al., 1997). Firms from such countries may not have a 'weak' CSR culture, but may in fact have different interpretations of what CSR is and how it should be enacted, which may include regulating for CSR or directing policy to shape the scope of CSR activity undertaken by individual firms. This highlights a potential area of research on the importance of ownership and governance for international business in general. Much of the existing literature focuses on the importance of corruption for international business and international business research, with a focus on the host country. Our research however stresses the importance of both firm level characteristics, and home country characteristics. This therefore highlights the role of home country governance and institutions in explaining FDI decisions. Thus in terms of further work, our paper suggests a need for a better analysis of CSR at the country level, to better understand the motivations of certain countries to invest in such locations, and to appreciate more readily what is understood by CSR in such locations. Beyond this, our findings also suggests a link to possible case study or survey work to determine more about the activities of investors on an individual basis, to understand the commercial trade-offs in investing in conflict zones verses the loss of CSR benefits within existing markets.