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Effectiveness of the Kimberley Process and Corporate Social Responsibility in the U.S. Jewelry Industry

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September 2016

Abstract

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Dissertation Submitted in Partial Fulfillment

of the Requirements for the

Degree of Doctor of Philosophy

Applied Management and Decision Sciences

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Abstract

The United States jewelry industry recognized that the illegal import and trade of conflict diamonds is a matter of serious international and national concern, leading to human rights abuse. As such, human rights and conflicts became the primary impetus for establishing the Kimberly Process (KP) and corporate social responsibility (CSR) policies. The purpose of this quantitative study was to investigate the effectiveness of the KP and CSR policies in deterring the use of conflict diamonds in the U.S. jewelry industry. This study was an investigation as to whether conflict diamonds are entering the U.S. jewelry supply chain and a review of the ethics of the U.S. jewelry industry in light of the conflict diamond issue. Conflict theory provided the theoretical framework used to gather data on conflict diamond protocols and on corporate social responsibilities within the U.S. jewelry industry. The sample was composed of 59 randomly selected participants from the U.S. jewelry industry whose opinions were indicative of that industry. Data were analyzed descriptively and inferentially. Multiple statistical tests were used for the data analysis that included regression and the Mann-Whitney U test. The overall results indicated that the KP and the CSR policies were insignificant in deterring the use of conflict diamonds in the U.S. jewelry industry; therefore, the null hypothesis was retained. This study contributed to a better understanding of the ethical dimensions of conflict diamonds and the committed management practices of the U.S. jewelry industry. Positive social change can be realized when respect for fundamental human rights is achieved by the global diamond industry and becomes a requisite foundation for every society to bring an end to the flow of conflict diamonds.

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Dedication

This work is dedicated to all those who have and are suffering from the immoral and corrupt effects of conflict and the compulsory illicit acts forced upon those to generate funds to support conflict. My hope is to shine a brighter light on the inhuman events that the alluvial miners have suffered and must continue to endure under.

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Chapter 1: Introduction to the Study

Competition for control over natural resources can lead to conflict (Le Billion, 2014). The term conflict diamond was defined by the World Diamond Council (2013) as follows: “Conflict diamonds are rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant resolutions by the UN Security Council and UN General Assembly” (para 6). Social responsibility is defined as the obligation of an organization for the effects of its actions and decisions on the community’s social order and the environment. This is influenced by the transparency and behavioral conduct that contribute to sustainable development, which includes the wellbeing and the prosperity of the society. It accounts for the expectations of the stakeholders, and it is compliant with legislation and amenable with international behavior. A corporate social responsibility (CSR) policy outlines a company’s social responsibility.

The Kimberley Process (KP) was created in response to United Nation (UN) General Assembly Resolution A/RES/55/56 to ensure that international transport and trade of diamonds is not used to fund conflict among nefarious groups or between them and legitimate governments (U.S. Department of State, 2002). The KP was instituted to combat conflict funds and acknowledge and condemn the human rights injustices inflicted on the indigenous populations of the regions where diamond rough is alluvially mined.

UN resolution A/RES/55/56 was endorsed and further supported by the UN Security Council’s Resolution 1459, which was passed in January 2003 and has been

endorsed every year since its inception. The Kimberley Process Certification Scheme (KPCS) is an international monitoring control process made up of international governments (IGOs), nongovernmental organizations (NGOs), and private sector stakeholders to certify that the diamonds being transported are acquired from ethical and legitimate mining sources and remain conflict free throughout the global supply chain (Grant, 2013a; Hale & Held, 2011; Bieri & Boli, 2011; Smillie, 2011).

An international collaboration of IGOs, via their import/export departments under the guidelines of the UN General Assembly and the membership mandates of the KP, are required to ensure that all the diamond rough, as well as cut and polished diamonds, reach their destinations certified to be conflict free (Smillie, 2011). Through global collaboration the KPCS has reduced the threat of terrorism and conflict generated by the illicit diamond trade (Bieri & Boli, 2011). A significant gap exists in the current literature on corporate management “from the perspective of business policy makers and their role in managing their responsibility” (Sekajipo, 2010, p. 7,) particularly in ethical supply chain sourcing.

Background of the Study

Diamonds were first discovered in India around 1000 BC. In the 1700s, diamonds were also discovered in Brazil (Smillie, 2011). In both of these regions, the diamonds in rough form were gathered via alluvial means. In 1860, diamonds were discovered in Kimberley, South Africa, deep within the Earth in Kimberlite ore. These Kimberlite mines are named for the region they were initially located in. In 1880, the De Beers Mining Company Ltd. was founded and acquired the mining rights in the Kimberley

region. De Beers then began a marketing campaign to increase the perceived value and desire of diamonds (Smillie, 2011).

In the early 1900s, De Beers, owning the majority of diamonds mines in South Africa, began to consolidate its control of the diamond market through wholesale selling of diamonds through select groups known as sightholders (Spar, 2006). De Beers dictated the volume and quality of goods that the sightholders could and must purchase to participate in the distribution of diamonds to the marketplace (Spar, 2006). The distribution of diamond rough is all transacted through a De Beers controlled subdivision known as the Diamond Trading Company out of London (Spar, 2006). This subdivision is the premier diamond consolidation organization for the diamond mining, marketing, and sourcing industry still to this day.

The sub-Sahara regions of Africa, including Angola, Burundi, Central African Republic, Côte d'Ivoire, Democratic Republic of Congo, Ghana, the Republic of the Congo, Rwanda, Sierra Leone, South Sudan, Tanzania, Uganda, and Zambia, are fraught with illicit alluvial mining operations by artisanal miners (Bieri, 2010; Bieri & Boli, 2011; Harsch, 2007; Le Billion, 2008; Smillie, 2011). Artisanal mining is defined as “mining by individuals, groups, families or cooperatives with minimal or no mechanisation, often in the informal (illegal) sector of the market” (Ojukutu-Macauley & Keili, 2008, p. 519). These regions force their indigenous citizens to surface mine, also known as alluvial mining, for diamond rough washed up along river beds. The diamonds recovered are sold to the local warlords and militia for a fraction of their marketable value (Dias, 2005; Harsch, 2007; Van Wyk, Cronje, and Van Wyk, 2009). This ensures a

captive work force that is continuously in debt to the local warlords for their room, board, and survival. Falls (2011) stated that psychological terror is used as a strategy to cower and control the alluvial population with bodily harm used as a last resort. Any attempt to resist the authority is met with an arsenal of terror warfare including, starvation, torture, community destruction, sexual abuse, and murder to intimidate others (Falls, 2011; Harsch, 2007).

The UN has enacted sanctions against the nefarious activities in the sub-Sahara continent to keep the illicit diamond rough from being transported and sold in the international markets. Borders are long and difficult to patrol. Illicit diamond rough can and does get smuggled into the global supply chain, as was the case in 2005 when Ghana transported some \$23 million worth of conflict diamonds smuggled from neighboring rebel-held regions (Hilson & Clifford, 2010). However, when enforced by the parties concerned, the KPCS makes it difficult for illicit diamond rough to enter the global supply chain (Hilson & Clifford, 2010).

The term *resource curse* has been applied to the natural wealth of various regions for their geographical resources such as diamonds, gold, lumber, oil, platinum, silver, and a variety of precious stones (Harsch, 2007; Le Billion, 2008; Wilson, 2010). Conflict diamonds represent a resource curse for the Sub-Sahara regions of Africa. Conflict diamonds fall under the international category of conflict resources. Conflict resources are defined by UN Department of Public Information (2011) as natural resources that are exploited for their value to be used to fund conflict. The conflict encompasses human

right violations, international humanitarian law violations, funding of terrorism, and conflict against legitimate governments.

Referencing the UN Department of Public Information (2011), Global Witness (GW) and Amnesty International (AI) are both NGOs who uphold the value of human rights internationally and promote the beneficial use of natural resources throughout the world for all to use. GW and AI work directly with IGOs and businesses, exposing the role natural resources play in intensifying and extending the conflict. GW and AI work to develop international frameworks and advocate standards that counter natural resource funded conflict. By working directly with IGOs and businesses, GW and AI provide guidance to intervene and ensure conflict is not directly or indirectly supported or funded and that human rights violations are not inflicted on individuals.

In addition, GW and AI are proponents of the demilitarization of natural resource exploitation for the purpose of conflict reduction and advocate that governments utilize their natural resources for the long term benefit of their respective provinces, citizens, and environments by equitably distributing the financial gains of their natural wealth and eliminating the resource curse. GW and AI have fought long and hard and have made great strides in getting their message out and breaking the connection between natural resources and conflict by investigating international human rights violation., conflict, and terrorist acts and by using true-life acts as evidence to impact international, regional, and national policies in support of a global system of trade unencumbered by natural resource related conflict (UN Department of Public Information, 2011).

In support of these goals in regard to conflict diamonds is the KP. As with GW's and AI's goals, the KP defends human rights and expends its efforts to deter the use of natural resources in support of funding conflict. The KP (2013) incorporates governments, industry, and civil society efforts to actively curtail the flow of conflict diamonds, which are used by rebel forces to fund conflict against legitimate governments. The KPCS was developed in December 2000 through the efforts of the UN General Assembly and was instituted by the international diamond and jewelry industry as the preferred method to transport diamonds globally. The objective of the KPCS is to monitor and control the exporting and importing of diamond rough by member nations as a means to standardize the transport of diamonds and to ensure, through certification, that conflict diamonds are not contaminating the global diamond supply chain via their respective ports of call (Hilson & Glifford, 2010).

The certification process was developed through the efforts of the UN Security Council under Chapter VII of the United Nations Charter. The efforts of IGOs, NGOs, and civil society groups each take responsibility for sections of the KPCS with overlapping categories. The U.S. Jewelry Industry is responsible for the final facet of the assurance process that conflict diamonds are not contaminating the diamond supply chain for jewelry fabrication in the United States. Companies need to develop, implement, communicate, and operationalize CSR practices that address the conflict diamond issue. Companies then need to continuously manage their CSR programs to ensure the legitimacy of their practices. Corporate responsibility is a crucial component of good management practices in order for companies to ensure their legitimacy.

The KP (2013) advocates a voluntary self-regulated system of certification for transported diamonds though many believe that self-regulation is a conflict of interest by those legitimately profiting from diamond sales. Boge, Fitzpatrick, Jaspers, and Paes (2006) argued that coregulation by industry and government is preferred and must be supported by legislative penalties of criminal parties. Boge et al. contended that economic factors are at play and stated that “close linkages between local conflict actors and external economic actors have developed” (p. 9). Claasen and Roloff (2012) also asserted that “many stakeholders assume that information published by multinational enterprises is biased and should not be entirely trusted” (p. 394), thereby questioning the legitimacy of a self-regulated system of verification and certification of the diamond supply chain.

Problem Statement

The U.S. jewelry industry’s legal compliance, ethical commitment, social consequences, and code-of-conduct in management of conflict diamonds is in question (Connolly, 2012). Manufacturing wholesalers, including jewelry Internet sites, assure the public that the diamonds being purchased are conflict free (Falls, 2011). Global Witness (2004c; 2014) has stated that the jewelry industry is failing to deliver on its commitment to address the conflict diamond issues. Connolly (2012) noted that the voluntary approach by corporations through CSR policies is the dominant and preferred method of addressing conflict diamond issues. Companies have resisted CSR behavior, management (Wood, 2010), or implementation of CSR practices for a variety of reasons from short term profit positions (Carroll & Shabana, 2010; Connolly, 2012) to marketing applications (Harrison, Bosse, & Phillips, 2010; Wood, 2010) and do so only to satisfy

legislative rulings. The general problem is from the perspective of decision-making and corporate management in managing supply chain activities on CSR, little is understood (Aguinis & Glavas, 2012). The specific problem being addressed is whether the U.S. jewelry industry is proactively abiding by the KP in their CSR programs and managing their diamond supply chains, ensuring that conflict diamonds are not being used in their respective products (Aguinis & Glavas, 2012; Connolly, 2012; Sekajipo, 2010).

Purpose of the Study

The purpose of this quantitative study was to investigate the effectiveness of the KP and CSR policies in deterring the use of conflict diamonds in the U.S. jewelry industry. The aim was to assess the monitoring and auditing practices of the U.S. diamond supply chains and U.S. jewelry industry attitudes toward the effectiveness of the KP and CSR policies concerning conflict diamonds as outlined in UN Resolution A55/56.

Dias (2005) contended that voluntary self-regulation is the preferred method of the jewelry industry in implementing the KP and verifying supply chain certification, which is implied under the rubric of CSR. I conducted an industry specific, close ended survey investigating the monitoring and auditing practices of the U.S. jewelry industry's diamond supply chain and U.S. jewelry industry attitudes concerning conflict diamond CSR programs and the effectiveness of the KP program. Management of these CSR policies, guided by KP protocols, is intended to ensure conflict diamonds have not entered the U.S. diamond supply chains. A U.S. jewelry industry-wide pattern emerged

establishing current behavior and attitudes in relation to conflict diamonds, the KP, and provided direction for improvement, change, and further study.

Research Questions

I used the following research questions (RQs) to examine the U.S. jewelry industry's proactive management of CSR efforts of monitoring, auditing, and verifying that conflict diamond contamination is not occurring in the U.S. diamond supply chain.

1. What effect does the KP mandates have on deterring conflict diamonds contamination in the U.S. jewelry industry as measured by the KP survey?

H1₀: The KP mandates have no significant effect in deterring conflict diamond contamination.

H1_A: The KP mandates have a significant effect in deterring conflict diamond contamination in the U.S. jewelry industry.

2. What effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry?

H2₀: The KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry.

H2_A: The KP mandates have a significant effect on the CSR policy development in the US jewelry industry.

3. How transparent are the verification processes concerning KP policies in the U.S. jewelry industry?

H3₀: The verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry.

H3_A: The verification processes concerning KP policies are significantly transparent in the U.S. jewelry industry.

The independent variable was the voluntary self-verification guideline of the KP in the supply chain; the dependent variable was the transparency processes reported to all stakeholders and concerned partners.

Theoretical Foundation

The issues of conflict diamonds and conflict resources fall within the construct of conflict theory. This is illustrated by theorists of the past half century in conjunction with business and management attributes as outlined in sustainable marketing orientation theory. Durkheim (1982) claimed that conflicts arise from within deliberations manifested from organic states and are inherited tendencies. Socially inherited conflicts of the community are ingrained habits that people are unaware of as with tribal issues and cultural attributes that have carried forth over the generations and cause hostility between contending groups. These differences have generated factions of power, authority, and economic necessities in the African culture, causing one group to dominate another. The variables of economic conflict, conflict of interests, authoritative control, the misuse of natural resources, destruction of the environment, and the exploitation of the powerless was explored as it related to human rights violations creating a need for resolution by external forces.

Dahrendorf (1959) contended that there are two primary theories concerning conflict: the utopian position of integration theory as supported by Drucker and Mayo (as cited in Dahrendorf, 1959) wherein Drucker and Mayo speculated that acceptance and

cooperation constitutes the basis for society. The rationalist position of coercion theory supported by Marx (as cited in Dahrendorf, 1959) stated that society must be forcibly controlled and constrained in order to maintain a viable social structure. Coercion theory is applicable to the issues of conflict diamonds through intimidation and the threat of abuse, as with the alluvial miners who are held captive in their social environments. The conflict issues of state versus rebel authority have contributed to conflict. The utopian theory is applicable to Western civilization in their complacency and ignorance of alluvial mining conditions (Smillie, 2011), yet a utopian society can abide by laws and legislation within their respective society parameters.

Economics is a motivating factor in societal structures whether via a monetary structure or a barter system (Dahrendorf, 1959). According to Mills, power does not serve society as a system, but rather supports the wants and desires of those in power, *the holders*, to attain what is desired while preventing others, *the outs*, from attaining what they desire (as cited in Dahrendorf, 1959, p. 39). According to Durbin, conflict between groups can become institutionalized to the point of becoming the societal norm (as cited in Dahrendorf, 1959, p. 226). The issues of conflict have arisen over generational periods of time and, for effective conflict resolution to be possible, all conflict parties must acknowledge the conflict and the causes of their opponent (Dahrendorf, 1959).

Dahrendorf defined the word *interest* as “intentions or directions of behavior associated with individuals rather than with their positions” (1959, p. 174). In Sub-Saharan Africa, the economic pursuits and the social issues are clouding the differing party’s vision from resolving their issues, thereby perpetuating increased aggression in the alluvial regions.

Economic strength and authority perpetuate the foundations and the cause and effects of conflict. Marx outlined four conditions that conflict occurs under: (a) absence of mobility, (b) superimposition of authority, property, and general social status, (c) superimposition of industrial and political conflict, and (d) absence of effective conflict regulation (as cited in Dahrendorf, 1959, p. 245).

The conditions outlined by Marx exist in the alluvial conflict diamond mining operations in the Sub-Saharan African Continent. AI and GW have lobbied the UN and numerous IGOs to recognize, acknowledge, and address the conflict diamond issues. IGOs, NGOs, and businesses are combining their efforts through legislation, restrictions, and programs, such as the KPCS, thereby opposing the interests of rebel conflict groups with the intent of ending conflict funding. Deutsch (1977) stipulated that conflict is waged when something of value is desired by more than one group. Conflict ensues when the beliefs and perceptions of vying groups are in contention for the item of value. Smillie (2011) stated that the alluvial miners in Sub-Saharan Africa exist in a life of subordination under the threat of harm as Dahrendorf (1959) proposed in coercion theory.

Maslow (1943) classified this life of subordinated living under threat of harm as dynamic theory, wherein an individual or group is faced with a threat of harm. Such threatened individuals, or groups, have little hope of realizing *life chances*, which Horowitz (1985) determined is when a society acquiesces to a power that has no stake in its welfare and, therefore, puts it in jeopardy, as is the case with the alluvial miners. Horowitz's phrase *life chances* can be seen as analogous to Maslow's theory of catastrophic conflict. Catastrophic conflict occurs when there are no choices in a society,

which can lead to pathogenic results. Maslow argued that under catastrophic conflict theory, any chance at escape, defense, revolt, demonstration, or alternative action is nonexistent. Marx claimed that a structured social environment was physiological rather than psychological and this physiological structure is needed to provide the human necessities of nourishment, shelter, and clothing; these requirements cannot be waived (as cited in Horowitz, 1964).

The individual or *self* (Gerth & Mills, 1953) born into a social structure that is bound under controlled experiences has limited alternatives and limited life choices. Gerth and Mills (1953) stated that the self-image is influenced by its social expectations. An individual adopts an acceptable behavior as the individual becomes aware of the expectations and appraisals of the authority.

In monistic theory, Gerth and Mills (1953) stipulated that all institutional orders are governed from a base principal of human behavior to the desires and demands of the authoritative power. Behavior counter to authoritative expectations are punishable. Le Billion (2008) identified three criteria for conflict: vulnerability, risk, and opportunity. Vulnerability undermines governance and economic performance generating violent conflict to control a resource. Le Billion labeled the criteria as the *resource curse*. Dependency on a resource, for example, diamonds, is vital to the economy of the authoritative power and to their control. Risk motivates conflict for control of a resource. Poor governance enables nefarious groups, who are willing to risk a confrontation with regional law enforcement, to control the diamond rich territories. The nefarious groups are able to support their territorial control and population/workforce via the illicit conflict

funds obtained from conflict diamonds. The control of regional populations has a detrimental effect on voting patterns and elections when the controlled population is prohibited from exercising their right to vote freely or at all. Finally, opportunity allows actors to receive the rewards of the resource under their control. Exploiting the illicit diamonds to fund the existence of rebel groups is crucial to sustaining the conflict (Le Billion, 2008).

At times, the UN has stepped in and imposed embargoes on regions identified to be conflict prone such as in Cote d'Ivoire, the DRC, and Sierra Leon where the UN has prohibited commodity trading in diamonds. Despite the embargos conflict, diamonds still find their way into the diamond supply chain smuggled through neighboring countries.

Government, Society and Business Interactions

The megacommunity (Gerencser, Kelly, Napolitano, & Van Lee, 2008) is a concept wherein three global factions must interact on the global stage according to their common interests. The three factions are government, civil society, and business. All three must interact based on their respective self-interests, finding common ground to solve conflicts that are too great for any one faction to solve alone. Overlapping vital interests is a consideration where multiple stakeholders are involved, each with their own respective views and interests in the final resolution. The balance between these factions is critical to its operational success. An imbalance occurs when one faction dominates, affecting the functionality of the entire community negatively. The threatened factions can react, thereby providing feedback redirecting the negativity back to the abuser. Factions of the government, business, and civil society use their dynamic tension

(Gerencser et al., 2008) to address issues from each of their respective perspectives. The challenge for the factions in the megacommunity is to find a way to manage and channel this tension effectively. When properly managed, the megacommunity is able to address its overlapping interests cooperatively.

The megacommunity attempts to function simultaneously within the same space where the dynamic tensions are created between government, business and civil society who are all working in unison to maintain the balance within the community while pursuing their own interests. Dynamic tensions are an effective way to categorize the interactions between global sectors (Gerencser et al., 2008). For example, regulations act as a lever of influence between government and business, boycotts act as a lever of influence between civil society and business, voting acts as a lever of influence between civil society and government all working within the functionality of the community (Gerencser et al., 2008). These factions come together forming the global community working toward effecting international change, addressing human injustices and monitoring society in regard to ethical behavior. The order is created via the functionality of the megacommunity and its ability to continuously monitor, effectively interact, and implement adjustments to restore a community balance (Gerencser et al., 2008).

Sustainable Market Orientation Theory

The sustainable market orientation theory encompasses external and internal strategies of an organizations management objectives and performance. External orientation incorporates a lens toward customer and market applications. Internal orientation focuses on strategic orientations of CRS strategies, standards of operation,

CSR management in regard to policy development, implementation, and communication, and top management code of conduct, influences, and support (Isaksson, 2012). CSR occurs when organizations either comply with governmental legislation, are faced with societal forces, or when focused in supporting and contributing resources to the benefit of society. Corporations worldwide have implemented CSR policies in response to legislative pressures, industry standards, global watchdog groups, community demands, and self-esteem reasons such as improved brand recognition and to project a positive corporate image (Carroll & Shabana, 2010) as well as increasing company financial performance (Melo & Garrido-Morgado, 2012). Vogel (2005) reported that 70% of CEOs felt that CSR practices were critical to profitability (as cited in Isaksson, 2012, p. 16).

In a recent study, Moratis (2011) identified the three foremost problems in developing CSR programs in business as “managers had too little knowledge about the overall concept (38.6% of respondents), too little knowledge of the CSR implementation process (43.2% of respondents), and that 56.8% of responding managers lacked a clear action plan” (as cited in Isaksson, 2012, p. 18). CSR is still a vague concept to many managers, and CSR strategies must be clearly communicated both internally and externally to all stakeholders with clearly stated definitions and intentions (Ramchander, Schwebach, & Staking, 2012).

CSR strategies must be aligned with corporate objectives and supported by top management in order to be effectively operationalized and structured. Aligned strategies benefit the company’s image and satisfy legislative requirements and societal needs. Too often managers lose sight of the stakeholders and focus too much on financial concerns,

whether that be profits or expense of the CSR program therefore, companies have difficulty implementing CSR programs and linking these programs with their long term performance objectives. Long term benefits of CSR implementation can foster competitive advantages in any industry (Carroll & Shabana, 2010; Porter & Kramer, 2011) and increase stakeholder awareness of the *doing good* concept for managers and this can provide positive feedback and support for management's intentions (Isaksson, 2012, p. 18). Management needs to structure a CSR program like any other strategic initiative, with managerial disciplines, using proper strategic planning techniques and organizational tools, conducting due diligence, and empowering knowledgeable managers targeting company objectives both long term and short with greater emphasis on the long term view (Lou & Bhattacharya, 2009; Porter & Kramer, 2011; Ramchander et al., 2012).

Theoretical Framework

The theoretical framework for this study is through the lens of CSR. The CSR policy of a company is the primary method of businesses in addressing human rights issues and identifies the stakeholders, what their ethical positions are, and how stakeholders wish to be perceived by the global community (Connolly, 2012; Maon, Lindgreen, & Swaen, 2008). Boge et al. (2006) posited that "it aims to align business operations with social values" (p. 68). Defining corporate objectives through the lens of CSR allows a company to contribute to society as well as its own image, strengthening financial endurance while satisfying cultural requirements, societal demands, and global partnerships. Top management that demonstrates a code of conduct that positively

influences ethical behavior filters down to the management groups that develop, implement, and operationalize CSR programs (Isaksson, 2012). However, how businesses place a priority on human rights over profit is a concern (Connolly, 2012).

Seven institutional stakeholder classifications that effect CSR are (a) civil society actors who are agenda setting actors, (b) media avenues that are opinion shaping actors, (c) IGOs who are law making actors, (d) accountability and quasiregulatory actors who are arena setting actors, (e) ethical investment actors who are financing actors, (f) customer and supplier actors, normally of a large scale, who are bargaining actors, and (g) consumer actors who are consuming goods. (Richter, 2011, p. 262-264).

1. Civil society actors, or as Richter (2011) refers to them, agenda setting actors, generally made up of various NGOs, try to influence their initiatives and set the agendas on CSR policy to create corporate change by applying media pressure and public debates on issues of concern. In creating new cognitive frameworks, global governance gaps are identified and addressed (Mena & Palazzo, 2012).
2. Media actors, or as Richter (2011) refers to them, opinion shaping actors. Global interactive communication via cell phones, the Internet, satellite TV, instantaneous conveyance of photos, videos, news, and events as they occur have provided NGOs the opportunity and ability to give a voice to the plight of the unheard group. People who are oppressed and have their human rights violated, environmental issues of destruction, acts of terrorism as they transpire, global warming, melting glaciers, and much more have

communication instantaneously today. The media can change global opinions quicker than at any previous point in time. Referring to the work of McNair (1995) Richter stated, “Media might thus be regarded as an institutionalizing force exercising cognitive influence on the public” (2011, p. 262).

3. IGOs react to public opinion and enact policies and legislation to influence and direct corporate responsible behavior. This was evident in the United States with the Sarbanes-Oxley Act of 2002 in response to the Enron, Tyco International, and Worldcom unethical financial behaviors, allowing the U.S. government to levy substantial fines and criminal actions against those responsible for the financial failures. Moreover, the European Commission published a green paper in 2001 developing a framework for CSR, providing political guidance and legislative insights to the European Union. Richter (2011) referred to this as law making.
4. Discursive areas have been involved in effecting change in CSR policies worldwide. NGOs and stakeholders have joined forces to address accountability and quasiregulatory guidelines for multinational companies (MNCs) through UN resolutions such as the UN Global Compact, the Global Reporting Initiatives, the Forest Stewardship, and the Kimberley Process. Mena and Palazzo (2012) commented on multistakeholder initiatives as a “corporate move into the political process of public policy making through the creation of a collaboration with global institutions of political governance” (as

cited in Richter, 2011, p. 263). All of these actions have impacted CSR policy making. Richter (2011) referred to this as arena setting.

5. Ethical investment has grown in popularity over the past 3 decades in that businesses need to emphasize ethical management of their supply chains, establish transparency of their businesses and social functionality, and demonstrate appropriate use of their profits (Griffin, Lont, & Sun, 2014). A primary cause for this focus has been the issues concerning global warming. The Carbon Discloser Project was developed to monitor for responsibility in climate changes and to identify the polluters addressing accountability. Richter (2011) referred to this as financing.
6. Customers and suppliers influence CSR practices through their purchasing and bargaining power. Tiffany & Company exemplified how pressure is exerted through constant inquiry, vendor auditing, and using their purchasing power with their business partners requiring companies to conform to and implement ethical polices and behavior to maintain and remain in good standing with the Tiffany & Company supply management team (Richter, 2011). Good ethical practices can only enhance branding images to society. Richter (2011) referred to this category as bargaining.
7. Consumers are the final segment of the institutional entrepreneurs. Consumers can boycott products, stage demonstrations, write to the organization of concern, and voice their opinions via social media outlets. There are also consumer organizations that can represent large segments of the consumer

population base presenting a powerful method to lobby entire industries for change. Richter (2011) referred to this category as consuming.

Through sustainable marketing orientation, theories of management can focus on long term corporate strategies that when properly managed produce healthy constructive managerial attitudes and positive ethical behavior that can be continuously built upon and improved (Maon et al., 2008).

Nature of the Study

In this study, I examined the U.S. jewelry manufacturing CSR lens on the KP and how it configures in relation to the U.S. jewelry industry as a whole. Factors that attribute to managerial performance and managerial conduct concerning intent and interests in the KP program and the attitudes as to the effectiveness of the KP parameters were reviewed. Also to be ascertained was the effectiveness of the jewelry industry's CSR policies as related to conflict diamonds. Note that investment diamonds were not considered in this study as they represent less than 0.001% of the globally mined diamonds.

A review of the jewelry industry's CSR policies and attitudes on conflict diamonds determined from responses to the survey provided the data for analysis. Further details concerning the design of this study are provided in Chapter 3.

Definitions

The following terms are significant to this research:

Alluvial mining: "The results of millions of years of erosion which brought these gems into vast areas, usually along riverbeds" (Bieri, 2010, p. 17). This allows for surface

mining of gems deposited by water rising up through the earth's crust and is the impetus of the KP UN resolution.

Artisanal mining: "Mining by individuals, groups, families or cooperatives with minimal or no mechanization, often in the informal (illegal) sector of the market" (Ojukutu-Macauley & Keili, 2008, p. 519).

Conflict: "The clashing of interests over national values of some duration and magnitude between at least two parties that are determined to pursue their interests and win their cases" (Heidelberg Institute for International Conflict Research, as cited in Resource Conflict Monitor, 2009, p. 7).

Conflict diamonds: "Conflict diamonds are rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant resolutions by the UN Security Council and UN General Assembly" (World Diamond Council, Mission Statement, 2013, para. 6).

Conflict minerals: "Minerals that can fund conflict and violence when sourced from high risk areas" (Global Witness, 2013, p. 1).

Conflict resources: "Natural resources whose systematic exploitation and trade in a context of conflict contribute to, benefit from or result in the commission of serious violations of human rights violations of international humanitarian law or violations amounting to crimes under international law" (Global Witness, Conflict, 2013, para. 3).

Corporate social responsibility (CSR): "It aims to align business operations with social values" (Boge et al., 2006, p. 68). A CSR policy of a company identifies the

stakeholders, what their ethical positions are, and how they wish to be perceived by the global community (Maon et al., 2008).

Kimberley Process (KP): “Established to find a solution to the international problem of conflict diamonds, was inclusive of concerned stakeholders, namely producing, exporting and importing states, the diamond industry and civil society” (U.S. Department of State, 2002, p. 1, para. 8).

Kimberley Process Certification Scheme (KPCS): “An international certification scheme for rough diamonds, based on national laws and practices and meeting internationally agreed minimum standards, will be the most effective system by which the problem of conflict diamonds could be addressed” (U.S. Department of State, 2002, p. 1, para. 10).

Legitimacy: “The moral legitimacy of a stakeholder’s claim is an assessment by managers of the degree to which a claim exceeds a threshold of desirability or appropriateness within some personally, organizationally, and socially constructed system of ethical norms, values, beliefs and definitions” (Neville, Bell, & Whitwell, 2011, p. 369).

Resource governance: “Describes the way in which governments regulate and manage the use of natural resources as well as the redistribution of costs and revenues deriving from those resources” (Bonn International Center for Conversion, as cited in Resource Conflict Monitor, 2009, p. 1).

Sightholders: “An elite group of dealers—handpicked by DeBeers—that would gather at Central Selling Organization (CSO) headquarters” (Spar, 2006, p. 198). CSO is

the diamond selling division of the De Beers Mining Company Ltd. authorized to distribute globally their diamond rough.

Social responsibility: “Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through the transparent and ethical behavior that contribute to sustainable development, including health and the welfare of society; takes into account expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships” (International Organization for Standards, 2010, p.3).

Stakeholder: “Those groups who can affect or are affected by the achievement of an organization’s purpose” (Spar, 2006, p. 49).

Sustainable market orientation theory: “Synthesis of market orientation, macro-marketing, corporate social responsibility, and sustainable development management concepts” (Mitchell, Wooliscroft, & Higham, 2010, p. 161).

U.S. jewelry industry: Comprised of several segments: manufacturers are companies that fabricate with precious metals and precious stones into articles of jewelry; metal suppliers are providers of various forms of metal to use in jewelry fabrication (e.g., casting grain, findings, rod, flat sheet, solders, tubing and wire); refiners are companies that recycle metal and stones, including diamonds for reuse; retailers are stores that sell jewelry to the public; stone suppliers are companies that distribute various precious and semi-precious stones including diamonds; wholesalers are companies that sell jewelry to retailers for resale to the public (Karo, 1968, p. 50-51).

Assumptions

An assumption of this study is whether the U.S. jewelry industry is conducting verification of their supply chains in reference to the KP position on conflict diamonds. GW (2015) stated that not all companies are doing their part and due diligence. There is evidence that conflict diamonds have been smuggled into the licit supply chain previously and that it most likely is continuing (Hilson & Clifford, 2010; Ojukutu-Macauley & Keili, 2008). GW (2014a, 2014b) estimated that roughly 1% of all diamonds supplied through the licit supply chain using the KPCS are made up of conflict diamonds. Though this is a positive reduction from pre-KPCS implementation, it is still unacceptable.

An additional assumption is that industry-wide CSR programs based on voluntary self-regulation presupposes that the U.S. jewelry industry is diligent in abiding by KP mandates and complying with UN Resolution A/RES/55/56, as well as the Dodd-Frank Act and the Clean Diamond Trade Act. Voluntary ethical measurements of voluntary self-regulation practices are difficult to verify without corporate transparency on the issue. It presupposes that companies are behaving socially responsible based on their CSR claims.

Another assumption pertains to the ethical code of conduct that the U.S. jewelry industry portrays as being credible. Positioning the industry as virtuous and being good global citizens supporting human rights issues when in fact it is merely an illusion to increase brand awareness, sales, and protect market share. Without verifiable transparency, accountability cannot be measured.

Scope and Delimitations

In this scholarly work, the focus pertained to CSR in regard to the KP program on conflict diamonds. Although references may be made to conflict minerals and conflict resources, the theme of this paper was CSR efforts and the KP.

In this research, I focused on the U.S. jewelry industry, specifically those who process diamonds in their business and purchase them for resale or jewelry fabrication within the U.S. jewelry industry and market for sale to the public. Investment diamonds were not included in this study as investment diamonds represent a different end user. Although the conclusions generated in this study are applicable to the global jewelry community, access to foreign jewelry operations are difficult to acquire and were not represented here.

A concern in conducting this study had to do with the veracity of the responses given to the survey questions due to this volatile subject. The issues of conflict diamonds was spotlighted by Hollywood in the movie *Blood Diamond* (Zwick, 2006), depicting the horrors of alluvial mining in Africa. In light of this negative illustration and the news media publicity that ensued, it was expected that the U.S. jewelry industry would shy away from honestly responding to inquiries for fear of the implications this study could create unless assured of their anonymity. Concerns regarding honesty were considered minimal but could still have arisen. Acknowledging CSR policies in regard to the KP provided a foundation that companies are cognizant of the conflict diamond issues and are operationalizing their efforts to address conflict diamond concerns. Conflict diamonds have been under U.S. legislative scrutiny for the past decade and in order to gain access

to the most ethical and honest responses, interviews and face-to-face interactions were avoided. Protection of participant identity is a critical factor in obtaining trustworthy, honest responses and thereby useful data to analyze. This is the reason why a quantitative nonidentifying participant survey instrument was the preferred data gathering process.

An unconscious bias may result from my personal 30-year involvement in the jewelry industry; however, it is from my personal knowledge of the conflict diamond issues in the jewelry industry that makes this scholarly work of importance and of personal interest to effect positive change for the good of society and the industry.

Limitations

The population of this industry-specific study was focused on the jewelry industry. This study was concentrated on the U.S. jewelry industry where the majority of diamonds are used for jewelry fabrication. The research findings can benefit the global jewelry industry.

CSR is an intricate conceptual framework of the U.S. jewelry industry's legitimacy and is key in determining the effectiveness of the U.S. jewelry industry in their efforts in combating conflict diamonds.

The practice of self-regulation in the U.S. jewelry industry without direct oversight by the government has been a concern expressed by GW and AI. Governmental legislation by the U.S. Government is indirectly validated through the Patriot Act and the Dodd-Frank Act in relation to money laundering. Diamonds can provide an easy means for raising funds for conflict supporting international terrorism. Without governmental oversight, duplicitous transactions can occur and are easily hidden. CSR policies act as

guidelines for organizations to manage their affairs ethically and lawfully. There is little information about the ethical behaviors in the U.S. jewelry industry concerning conflict diamonds and this is an issue, which requires attention.

Significance of the Study

Dias (2005) highlighted the practices of CSR programs and corporate self-reliance to be the safeguard in ensuring the public is protected from conflict diamonds. Dias illustrated that stronger intervention and regulations are needed. The findings of this study advance the understanding of how conflict is perpetuated through funding acquired from the illicit sale of natural resources and determine whether the U.S. jewelry industry's CSR efforts and practices in relation to the KP on conflict diamonds are diligent and effective in addressing conflict diamond contamination in the U.S. diamond supply chain.

There are social, economic, legislative, and environmental consequences that are impacted globally, and knowledge has been advanced by understanding the attitudes and practices of the U.S. jewelry industry as a whole. The advancement of knowledge provides direction for positive social change within the jewelry industry as a whole, guiding industry policy applications to better develop, manage, and govern conflict diamond issues. The implications of the data collected provide insight on CSR strategies that can influence legislative actions. I offer insights for the jewelry industry on how a focus on managements' code-of-conduct impacts corporate management and decision makers in their performance and attitudes toward being socially responsible. Sustaining the social commitments made and practiced in a CSR policy is mandatory in a successful

program to address conflict diamonds. The results are of significant benefit to realizing positive social change in the Sub-Sahara's governance of territories; to the environmental conditions of deforestation, pollution, and wildlife preservation; to the economics of the mining regions; to socially addressing the plight of the alluvial miners, and to combating terrorism (Le Billion, 2009).

Summary and Transition

In Chapter 1, the issues concerning conflict diamonds were reviewed in relation to the various parties who are impacted by or from IGOs, NGOs, businesses, and society. The theoretical framework of conflict theory was viewed from the lens management through sustainable marketing orientation theory encompassing management, environmental issues, and social conditions. CSR is the focus of the conceptual framework, highlighting the elements of the economy, legislation, consumerism, and corporate citizenship. Researchers have focused on the significance of conflict diamond contamination in the licit diamond supply chain. In addition to providing information on the background of this subject, a problem statement and purpose statement were outlined, and key terms were defined. The nature of the study was delineated with assumptions and delimitations, and the significance of this study was detailed.

In Chapter 2, I provide a review of existing literature along with an expanded explanation of conflict diamonds in relation to social, economic, and environmental concerns and criteria. The effects of conflict diamonds are examined in regards to CSR and management focus and the involvement of concerned groups from IGOs, NGOs, and businesses. Finally, an outline of the KPCS is discussed.

In Chapter 3, I present the study outline generating data with a survey instrument focused on CSR operationalization, leadership, and management policies in reference to the KP and conflict diamonds.

Chapter 2: Literature Review

This chapter includes literature in reference to CSR, management of CSR applications, conflict diamonds, and support of the benefits of the KP and the KPCS. In the literature review, I explored and identified issues related to conflict diamonds and the organizations dedicated to addressing these issues on a global scale. The methodologies that I examined here span a range from legislation, human rights issues, and societal positions on conflict, corporate positions, management, and legitimacy of the critical factors surrounding conflict diamonds through a conceptual framework lens of CSR.

Literature Search Strategy

The sources of information for this chapter are referenced from articles, assorted journals, books, documents, legislation, publications, studies, and websites concerning CSR, ethical corporate behavior, management, and conflict diamonds as well as the close analogous categories known as conflict minerals and conflict resources, available over the past decade. In addition, I included material pertinent to how conflict diamonds are sourced and reviewed from NGOs who are diligently lobbying for UN and global legislation to organize and supervise the global diamond supply chain both externally and internally for the jewelry industry. NGOs and the UN combine their efforts to eliminate conflict diamonds and their adverse impacts on global economies, the environment, and society as a whole.

I also reviewed literature and documentation on corporate efforts to implement and manage CSR practices, human rights violations, UN resolutions, U.S. legislations,

NGO activities, and the KP requirements. In my examination of these constructs, I provided a complete review of the scope of the literature on CSR, conflict diamonds, and the issues surrounding the management of these constructs through the lens of sustainable marketing orientation theory. I focused on three critical regions surrounding the specific tenets of CSR: CSR constructs, corporate management objectives pertaining to CSR policies, and managing CSR in regard to conflict diamonds. All three of these issues extend to the global community in their reach.

There is a lack of knowledge and transparency on the legitimacy of the U.S. jewelry industry's voluntary self-regulation verification process that needs examination in confirming the nonexistence, or existence, of conflict diamonds in the U.S. diamond supply chain. Dias (2005) contended that voluntary self-regulation is the preferred method of the jewelry industry in implementing the KP and verifying supply chain certification, which is implied under the rubric of CSR. Voluntary ethical measurements and self-regulation are useful methods of aligning with stakeholders to assure them that companies are socially responsible and in compliance with regulatory and societal demands. Claasen and Roloff (2012) stipulated, "Many stakeholders assume that information published by multinational enterprises is biased and should not be entirely trusted" (p. 394). This statement supports the need for this examination.

Theoretical Foundation

In this section, I provide an explanation of the theoretical foundations of the model (see Figure 1). The theoretical foundations of CSR are addressed through the lens of conflict theory.

Corporate Social Responsibility and Conflict Theory Tenets

CSR is an attitude, a philosophical management position that corporations are implementing worldwide in response to stakeholder concerns (Carroll & Shabana, 2010). In this study, I examined the management of CSR policies of the U.S. jewelry industry in relation to voluntary self-regulation as outlined by the KP. To this point, CSR represents the potential for companies and their management to represent their commitment and dedication to social issues and in doing so can ultimately result in a positive perception by stakeholders (Schrempf-Stirling & Palazzo, 2013). Kolk and Lenfant (2010) contended that CSR policies are strategic and that a company can implement actions in their CSR program to enhance their competitiveness and reputation. Therefore, there can be numerous reasons why companies incorporate CSR programs into their respective environments. Social responsibility encompasses several principals: accountability, transparency, ethical behavior, stakeholder interests, rule of law, international norms, and human rights (Claasen & Roloff, 2012, p. 381).

Marketing orientation theory (MO) and sustainable market orientation theory (SMO) provide the foundation of the framework from theorists such as Carroll and Shabana (2010), Hitt, (1990), and Van Wyk et al. (2009). Stakeholder theory falls under the classifications of MO and SMO. Stakeholder theory requires addressing the needs of shareholders and other stakeholders. Other stakeholders consist of customers, suppliers, employees, competitors, regulatory agencies, and consumer advocacy groups to name a few (Freeman et al. 2010; Mannetti, 2011). By addressing stakeholder needs, a company can strengthen their long-term prosperity, competitiveness, and survival position

(Ehrgott, Reimann, Kaufmann, & Carter, 2011). Stakeholder consideration and satisfaction are the principal forces behind management's code of conduct and a company's ethical practices (McKinney, Emerson, & Neubert, 2010).

Conflict theorists such as Dahrendorf (1959, 1967, 1968, 1975), Deutsch (1977), Durkheim (1982, 1993), Gerencser et al. (2008), Gerth and Mills (1953), D. L. Horowitz (1985), I. L. Horowitz (1964), Le Billion (2009), Maslow (1943), and others provide insightful theories on conflict. I demonstrated how these tenets relate to CSR and conflict diamonds by examining the impacts of global conflict and reviewing how CSR can and has impacted conflict.

MO is a concept that emphasizes on the customer and/or suppliers (Lee, 2010). Expanding upon this, Isaksson (2012) stated, "Despite the natural link between CSR and stakeholders, few studies explore the interaction with customers or suppliers" (p. 26). MO infuses a microeconomic and short term profit scenario on internal functional management constructs focused on stakeholder needs. Therefore, attention needs to be expanded to a broader lens and not just focus on the stakeholders or short-term prospects (Wood, 2010).

SMO takes the principals of MO and incorporates a macromanagement lens to integrate the synthesis of MO, macromarketing, CSR, and sustainable management development concepts into a sustainable management theory for long term results (Mitchell et al., 2010). Mitchell et al. (2010) contended that by expanding the CSR lens corporations can

- Anticipate and meet customer needs through the effective integration of comprehensive environmental intelligence with operational and marketing systems;
- Use marketing strategies that anticipate and meet customer needs through the effective integration of comprehensive environmental intelligence with operational and marketing systems;
- Generate positive, long-run outcomes in economic, social, and environmental terms that are acceptable to primary stakeholders who derive direct financial benefits from the firms and secondary stakeholders who gain indirect economic, social, and environmental benefits (Mitchell et al., 2010, p. 161).

MO alone provides little incentive for businesses to meet the expectations of stakeholders socially and environmentally, and it was noted that a gap between social requirements and corporate profit existed. Functionally, corporate profits and social performance are closely interlinked. The synthesis of MO and the theory of sustainability go hand-in-hand, allowing management to develop CSR programs that can achieve long term goals and benefits for a wider range of stakeholders and a greater number of parties concerned (Mannetti, 2011).

Conceptual Framework

From a lens of conflict, integration theory is where cooperation and acquiescence are the societal norm (Dahrendorf, 1959). Dynamic theory stipulates a society that exists under the threat of harm (Maslow, 1943a). Marx's coercion theory is a social structure held in place by force and constraint (as cited in Dahrendorf, 1959). Monistic theory

corresponds to when an authoritative force is in place controlling the social structure whether orderly or informally. These theories provide insightful concepts and applications to the current state of affairs in the conflict diamond dilemma in relation to performance, authority, subversion, economics, and ethical behavior. The tenets of the conflict stem from the concepts of economics, interests, authority, resource wealth, and power (Le Billion, 2009).

Literature Review

For this literature review, I conducted extensive research on the Walden University Library website, Google Scholar, various public libraries, and the Internet. Pertinent documents from NGOs, applicable U.S. Legislation, and UN Resolutions were consulted, as well as relevant jewelry organizations and jewelry industry articles.

Conflict has long been associated with natural resources, on a global scale, causing economic conflict, interest conflict, and authoritative conflict on multiple levels from the local society and the local environment to the international society and international environment. The primary terms used to conduct the literature search were *alluvial mining, artisanal mining, blood diamonds, conflict, conflict diamonds, conflict minerals, conflict resources, corporate management, corporate social responsibility, diamonds, Dodd-Frank Act, human rights, human rights violations, Kimberley Process, Kimberley Process Certification Scheme, marketing orientation theory, resource curse, Sub-Saharan African civil wars, sustainable marketing orientation theory, terrorism,* and others. In order to properly address all the aforementioned issues, CSR concepts need to incorporate.

Management Focus on Corporate Social Responsibility

Stakeholders are constantly seeking strategic competitive advantages. The jewelry industry is no different and prior to UN actions pertaining to conflict diamonds one competitive advantage was acquiring diamonds that provided a cost savings. Conflict diamonds provided that advantage for many years. Sen (2009) contended that a company that facilitates a CSR program benefits from the program's attributes. Boge et al. (2006) stated, "CSR aims to align business with social values" (p. 68). Sen (2009) identified the following positive consumer benefits of implementing a CSR program:

- Cognitive - beliefs, attitudes, attributions, identification
- Behavioral – loyalty, even during the product harm crisis. (p. 158)

However, unless the consumer is made aware of the CSR program, it can go unrealized.

Current literature on CSR focuses on organizational culture and the value of attitudes of the firm. Implementing CSR policies demonstrates responsible behavior to (a) improve the business and (b) increase legitimacy perception in society and with stakeholders (Richter, 2011). Three factors that influence CSR implementation standards are the following:

1. Civil society's influence on consumers' perception,
2. Direct attacks by civil society, agenda setting organizations, and legislators, and
3. Pressure from large customers and legislators. (Richter, 2011, p. 261)

A gap exists in the understanding of the relationships between ethical climates and CSR implementation (Joyner & Payne, 2011; Waldman et al., 2010). Ethical climate is defined by Victor and Cullen (1987) as "the prevailing perceptions of typical

organizational practices and procedures that have ethical content” (as cited in Blome & Paulraj, 2013, p. 569). Despite this gap, there is sufficient evidence supporting the influences of stakeholder management that is an effect of community oriented ethical climates (Blome & Paulraj, 2013).

Ethical climate can be categorized by codes of conduct, decision-making processes, leadership, reward systems, socialization mechanisms, and structure policies (Bregman, Peng, & Chio, 2015). These constructs must be supported through measurements, policies, and verifications to legitimize and promote ethical behavior. Ethical literature constructs focus on categories such as ethical codes of conduct, supplier/sourcing codes of conduct (Preuss, 2010), and industry-specific overarching codes of conduct as outlined in the UN Code of Global Compact. In addition, unethical constructs are also pertinent and include unethical purchasing in buyer-supplier relations, purchasing supplier initiatives in specific industries, and ecological and social constructs (Saini, 2010).

Ethical behavior is influenced by (a) communicating expectations regarding ethical behavior, (b) providing encouragement and support for ethical behavior, (c) operationalizing a valid ethics strategy, and (d) providing guidance for ethical behavior (Preuss, 2010). Extant research has revealed that the effect of code-of-conduct on ethical behavior is ambiguous at best and is merely for show (Duh, Belak, & Milfelner, 2010). Poorly implemented ethical practices as a strategy to quiet stakeholders creates negative social legitimacy issues, which intensifies stakeholder attentions. Poorly implemented ethical practices are costly, providing no financial benefits to the firm.

In the long run, poorly implemented ethical practices impact an organization's reputation negatively (Godos-Diez, Fernando-Gago, & Martinez-Campillo, 2011; Hitt, 1990). Major issues in CSR practices are managers that behave merely for the appearance of being socially responsible while having no real substance in their efforts. This is a focal point of this study on CSR policies concerning conflict diamonds and counters what ethical management embodies. Demand for ethical management standards is advocated by external groups such as NGOs, government, and the media (Mansouri & Rowney, 2014; Smillie, 2011).

Strong organizational identification can define the terms of membership within an organization to allow employees to develop an emotional bond permitting them to internalize organizational goals and values (as cited in Alfaro-Barrantes, 2012). Unfortunately, organizations fail to overlook or ineffectively communicate the strategies of their ethical practices. Alfaro-Barrantes (2012) contended that stakeholders who partake in CSR initiatives aligned with the organization's principles are likely to recognize the initiatives as legitimate. Effective stakeholder communication is enforced through providing CSR images in documented communications, improving stakeholder association with an organization due to common issues and promoting stakeholder participation in CSR behavior and activities on a broad scale (Mannetti, 2011).

The literature on CSR focuses on two primary concepts, ethical constructs and supply chain management constructs (Blome & Paulraj, 2013). Supply chain literature constructs focus on categories such as global sourcing, CSR performance, sustainability risks (Foerstl, Reuter, Hartmann, & Blome, 2010), supply chain network modeling

(Turker & Altuntas, 2014), purchasing social responsibility, supplier selection (Bai & Sarkis, 2010), optimal CSR allocation (Ni, Li, & Tang, 2010), and CSR parameters.

Richter (2011) identified seven stakeholder classifications that affect CSR: (a) civil society actors, (b) media actors, (c) IGO actors, (d) accountability and quasiregulatory actors, (e) ethical investment actors, (f) customer and supplier actors, and (g) consumer actors (pp. 262-264). These actor classifications require specific attention by managers when developing and operationalizing CSR programs. They are a guide to incorporating all the required aspects of a sound CSR program.

Codes of conduct are highly regarded in CSR practices (Duh et al., 2010). Blome and Pauljaj (2013) asserted that “codes of conduct are considered one of the most intensely used formal measures to achieve CSR” (p. 572). Codes of conduct demonstrate (a) that a firm values ethical behavior and signals ethical reputation, (b) an established or changed ethical climate in the firm; and (c) influence ethical behavior in others (Preuss, 2010). Effective codes of conduct must be firmly established, supported by top management, thoroughly understood by all in the organization as well as with stakeholders, implemented, enforced, and practiced. Properly exemplified, over time, they can strengthen the ethical position of the company (Duh et al., 2010).

This ethical behavior is supported by stakeholder and stewardship theories wherein top management, acting as responsible guardians of their organizations also act as stewards for their stakeholders (Bonnafeous-Boucher & Porcher, 2010). Godos-Diez, Fernandez-Gago, and Martinez-Campillo (2011) stated, “There cannot be socially responsible corporations without socially responsible managers who are occasionally

willing to sacrifice corporate objectives, interests and the needs of the firm in favour of socially responsible actions” (p. 531). When organization leaders and top management espouse a positive ethical position the organization’s members tend to adopt the demonstrated code of conduct. It is important that top management guarantee that the organization’s constituents behave and make decisions ethically perpetuating the positive ethical climate (Duarte 2010; Hitt, 1990; Mayer, Kuenzi, & Greenbaum, 2010; McKinney et al. 2010). Individuals are influenced far greater by observing role models than by following formally documented guidelines. Andrews (1989), Bandura (1986), and Godos-Diez et al. (2011) contended that “the ethical norms of top management supersede the effect of formal codes of conduct” (as cited in Blome & Paulraj, 2013, p. 580).

Organizations are encountering increased pressure from external stakeholders to initiate sustainable ethical practices in their organizations and that the ethical posture filter down into their supply chains (Kolk & Lenfant, 2012; Sarkis, Gonzales-Torre, & Adenso-Diaz, 2010). Companies need to govern their supply chains through effective management. According to Accenture (2010), “While 93% of CEOs considered supply chain-wide CSR activities as decisive for future success of their firm, only 54% believed that they have successfully addressed CSR issues in their supply chains adequately” (as cited in Blome & Paulraj, 2013, p 567). Transparency and full disclosure of CSR policies throughout an organization and an organization’s understanding of the policy is imperative to properly communicating it. Dubnick (2003, 2005) contended that accountability and transparency are inter-related in that accountability and transparency

engender responsibility and answerability (as cited in Mansouri & Rowney, 2013) and this makes an organization responsive to their stakeholders. However, accountability and transparency are not always evident in the corporate world creating suspicion and concern about ethical behavior. Conflict diamonds is a component that is difficult to identify once mixed in the supply chain and easily hidden. Legitimacy gaps can be the result of poor communication between an organization's staff and management and with stakeholders presenting a false portrait of actions and/or intentions (Claasen & Roloff, 2012).

Claasen and Roloff (2012) posited that often stakeholders contend that transparency and published information by multinational organizations are biased and cannot be completely trusted. Claasen and Roloff (2012) suggested that companies can minimize social responsibility risk by reporting honestly and comprehensively on their activities, programs and policies, by participating in collaboration with all stakeholders and interested shareholders, and assume responsibility for actions taken and the effects generated by their actions. Managers that behave responsibly understand that their actions influence company legitimacy in both its core business and its community outreach programs.

Top management initiatives into CSR directives are critical to operationalizing a successful CSR program to address management cooperation and contribution. Claasen and Roloff (2012) contended that companies too often overstate socially responsible achievements and understate the challenges and failures encounter. This management style has a tendency to induce high and unrealistic expectations by stakeholders that in

turn weakens legitimacy prospects. Responsible management needs clear objectives, complete with transparency, and accountability requirements (Aguinis & Glavas, 2012). Many U.S. jewelry companies have CSR policies that are stated on their respective websites and practiced within their organizations but lack the transparency necessary to demonstrate compliance. Mansouri and Rowney (2013) concluded that their research demonstrates that scrutiny of the decision makers whose organizations have implemented effective control mechanisms for accountability and transparency are still difficult to challenge and ensure ethical behavior. The reasons for this include un-programmable tasks, immeasurable outcomes, and power asymmetry of managers, inadequate resources devoted to oversight, and difficult to monitor and control managers who are experts in their fields (Mansouri and Rowney, 2013, p. 49). There is a distinct need for developing a better management concept geared to supporting accountability and organizational transparency (Mansouri & Rowney, 2013). Dubnick and Yang (2010) contended that there is no all-encompassing accountability theory that can address the complexities of the various relationships encountered in accountability scenarios. This is the reasoning behind the need for external pressures by stakeholders and oversight by the government.

Several U.S. jewelry companies have implemented conflict diamond policies that go beyond the requirements of the KP protocols. Helzberg Diamonds, Sterling, and Tiffany & Company all have implemented strong measures to combat conflict diamonds (Global Witness, 2007). Jewelry businesses at all levels are encouraged to heighten their voluntary self-regulating efforts to ensure conflict diamonds are not contaminating their supply chains. Brammer, He, and Mellahi (2014) stated that an organizations' CSR

position must be ingrained upon employees in order for the organization to be effective in delivering their products and services as expected by their stakeholders. Employees are influenced by organizational activities that project an *authentic reflection* of the company's commitment to ethical behavior, however, when an organization's code-of-ethics is questionable the employees perceive insincerity on the part of their leaders and react accordingly (Brammer et al., 2014, p. 5).

Global Witness (2007) recommends that jewelry businesses applying *meaningful assurances* that their products are conflict diamond free need do the following:

- Implement a code of conduct to prevent the buying or selling of blood [conflict] diamonds.
- Implement a system of written warranties requiring that all invoices for the sale of diamonds and jewelry containing diamonds include a written warranty that the diamonds being sold are conflict free; keep records of the warranty invoices given and received; and ensure that the system is “audited and reconciled on an annual basis by the company's own auditors.”
- Educate company employees about the industry's policies and government regulations to combat the trade of blood [conflict] diamonds. (Global Witness, 2007, p. 3)

By implementing these guidelines into a CSR policy a well formatted CSR policy can be developed and implemented with corporate strategies for sustainable growth. The U.S. jewelry industry, according the Global Witness (2007), has an ethical obligation to

develop and implement CSR policies to ensure that the diamonds entering the U.S. market are conflict free.

Companies want to be seen as being socially responsible though motives are generally for improving reputation and increasing brand awareness, consumer patronage and sales. Social identity theory stipulates that CSR is a significant driver of a company's attractiveness not only for product consumption but also for employment and investment purposes. Social identity theory attempts to explain the impact group membership has on an individual's social behavior in relation to social responsibility (as cited in Alfaro-Barrantes, 2012). This is relative to CSR managers and corporate leadership pertaining to corporate codes of conduct (Sanchez, Sotorrio, & Diez, 2011). Employees are more effective when a company's CSR policy is understood and perceive it to be sincere and aligned with a company's values and mission. When employees are not strongly identified with a company due to weak CSR values employees lose trust in the organization and not take risks, expand their curiosity, increase their cognitive potential, or exhibit greater task persistence (Brammer et al., 2014). From a management perspective overall corporate effectiveness is reduced.

As businesses attempt to place greater emphasis on social responsibility issues, whether due to public or stakeholder demands or legislative requirements, the more blame can be received for social disasters. The managerial implications of weak or nonexistent CSR values perpetuate poor judgment and management decisions in response to social concerns and issues, trust is diminished (Brammer et al., 2014). Porter & Kramer (2011) posited "the legitimacy of business has fallen to levels not seen in recent

history” (p. 64). Legitimacy and CSR are constructs that are extremely complex to quantify in the real world. (Surroca, Tribo, & Waddock, 2010; Castello & Lozane, 2011; Puncheva-Michelotti & Michelotti, 2010; Sonpar, Pazzaglia, & Kornijenko, 2010).

Legitimacy factors are assigned by external stakeholders who view an organization and determine whether its operational CSR efforts are true to its intentions. Companies can only enact what is interpreted to be their responsible role and react to what is being assessed by their external stakeholders (Claasen & Roloff, 2012).

Global Issues of Conflict

Conflict has been waged since the beginning of humanity over food, water, land, agriculture, and basic survival. The literature on conflict provides a wide spectrum of global issues over the centuries. Specific to Africa are issues concerning natural resources. Examples of extractive natural resources are diamonds, gold, lumber, oil, platinum, tantalum, tin, tungsten, uranium, and many others materials. Le Billion (2009) suggested that the most significant resource in Africa is the land. Control of the land controls the natural resource located in or on the land.

Conflict over land focuses on political and economic realities. Le Billion (2012) postulated that spiritual considerations, tribal population, settlement locations, food, and water availability all compound communal conflict further exacerbated by refugee emergencies. Weak governmental policy and control are a major contributor to the continuation of conflict and resource wars in Africa. As Berdal (2009) stated “What explains the level and intensity of natural resource-related conflict is, ultimately, the defectiveness or the selective efficiency of the apparatus of natural resource governance”

(p. 627). Berdal (2009) realized that poor governance is a major factor in creating the conditions of conflict that currently exist in the Sub-Sahara regions of Africa and in turn requires funding to support such conflict. Poor resource management of the extractive processes by the government is evident in the conflict regions throughout Africa.

The control by rebel groups of the North and South Kivu regions is an example of many of the conflict theories outlined in this paper. Integration theory is a society that acquiesces to the social norms. In the conflict regions the alluvial miners and their families have little to no choice but to acquiesce to the power factions in charge (Dahrendorf, 1959). In addition, the dynamic theory is evident by the constant threat of harm, both bodily and psychologically, that the alluvial people exist and must survive under (Maslow, 1943). Coercion theory, where a culture is held together by forceful means and military restraint is a means commonplace in the alluvial mining society where militants brandish weapons to intimidate control and discipline, as depicted by Marx (as cited by Dahrendorf, 1959). Finally, the monistic theory is also applicable to the alluvial society in that authority uses forceful means to control the social structure of the population (Gerth & Mills, 1953).

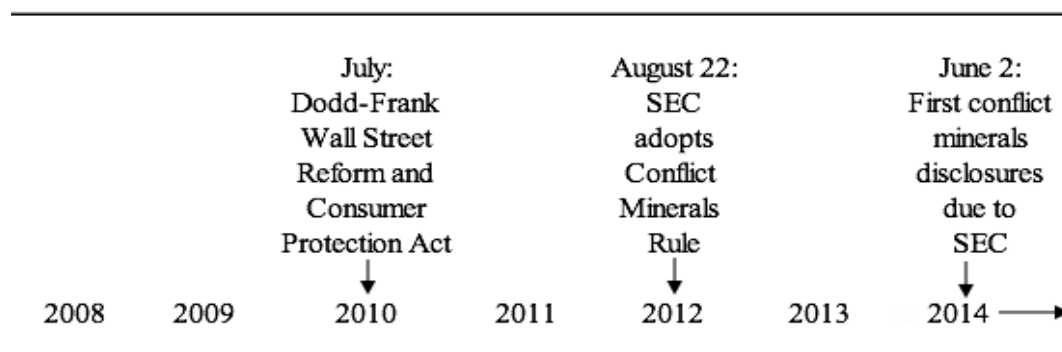
The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) passed in 2010 was specifically aimed at the Democratic Republic of the Congo (DRC) in regard to human rights (U.S. Government Accountability Office, 2014). The DRC is rich in a variety of resource commodities in demand globally and has a population of 75 million people that rely on the global marketing of these commodities. The political climate in the DRC is highly unstable and the region has experienced long

civil wars and suffered in both resources and human life. Rebel groups in the eastern part of the DRC, North Kivu and South Kivu, and the bordering countries of Uganda, Rwanda, Burundi, and Tanzania are under scrutiny by the UN for smuggling DRC conflict resources out for export. Corruption in these neighboring countries is significant.

Various IGO efforts have been enacted to help alleviate the human rights violations being perpetrated along with UN support. NGOs who monitor and report their findings hope to lobby IGOs and gain global sympathy to facilitate broader international attention and action. Influential NGO's effecting positive social change are AI and GW. Table 1 illustrates initiatives taken since 2008 to counter conflict activities.

Table 1

Timeline of the Starting Dates of Stakeholder-Led Initiatives



(U.S. Government Accountability Office, 2014).

All the noted aspects of conflict theory exist in the DRC regions where conflict resources are extracted. Poor governance is cited for the existence of and continued control by rebel groups (Berdal, 2009). UN member nations and global communities are enacting initiatives to address the resource wealth in the DRC and neighboring countries

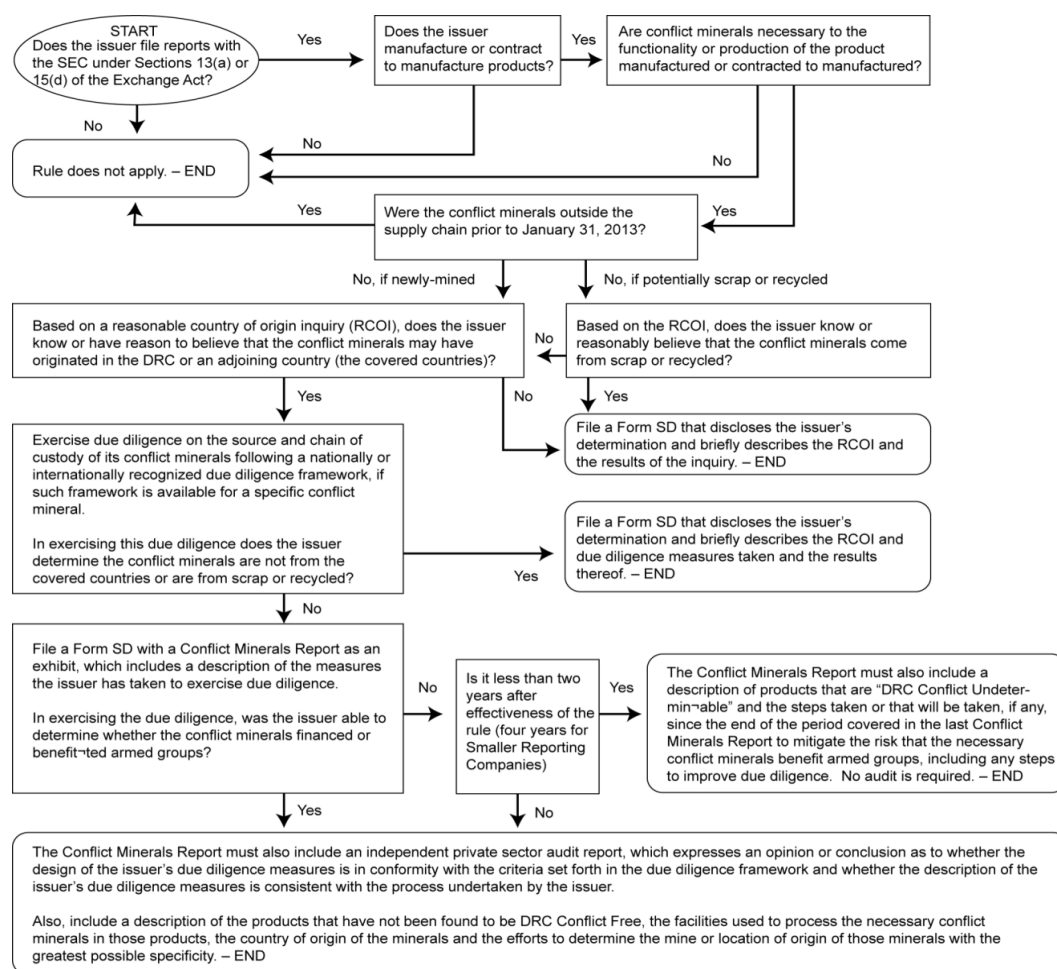
supporting conflict funding (U.S. Government Accountability Office, 2014). Conflict actors, both internal and external, are promoted by financial gain and greed and because of the financial opportunities conflict is often escalated and prolonged.

Boge et al. (2006) cited the pursuit of wealth as a significant ingredient to engage in conflict and stated that “war as a means, resources as an end” in making and maintaining profits and getting rich (p. 9). Causes of conflict can change in the course of the conflict from economic facets to political overthrow but often it is a combination of multiple facet issues. External actors, businesses, civil society, NGOs, and IGOs need to pull together in their efforts to stem the conflict. Boge et al. (2006) stated that “efforts aimed at crisis prevention, conflict management, termination of conflict, and post-conflict peace building” is the responsibility and obligation of multinational enterprises of the extractive industries in conjunction with all concerned actors (p. 7).

Cooperation between NGOs, IGOs and businesses is needed to facilitate the conflict elimination battle. Business can best advocate support for elimination of conflict activities by developing, implementing and operationalizing programs to address conflict resources through supply chain management programs that monitor for certification and validate the resources purchased and consumed are conflict free. CSR management is the vehicle corporations can use to effect positive action in the battle against global conflict. Further to incorporating CSR programs is the need to continue, improve upon, and implement a sustainable strategy for continuous CSR growth and the strategies operationalized need a tactic incorporated in the CSR strategy to address conflict issues. Good corporate citizenship needs to be mandated by top management and supported

down through an organization with a focus on doing the right thing by all in the organization and supply chain (Schrempf-Stirling & Palazzo, 2013). Organizations with positive feedback from stakeholders benefit.

The Securities and Exchange Commission (SEC) developed a flowchart of the Conflict Minerals Ruling to aid in understanding how to identify conflict minerals and what steps are required to report mineral extraction sources (see Figure 1).



Source: SEC. | GAO-14-575

Figure 1. SEC flowchart summary of conflict minerals rule. Adapted from U.S. Government Accountability Office GAO-14-575, 2014, p. 46.

The process for reporting outlined in Figure 1 illustrates what should or should not be done and outlines which path to take based on the particular issues of the mineral supply route. The tracking and auditing is confirmed through third party verification of each certified entry. Cooperation by U.S. companies that abide by the SEC requirements must demonstrate that the minerals required are not from one of the conflict regions of the DRC where,

-the UN reported that as of December 2013, illegal armed groups in eastern DRC continue to pose a threat to security, to be responsible for human rights abuses and displacements of people, and to derive funding from illicit production, trade, and smuggling of conflict minerals. (U.S. Government Accountability Office, 2014, p. 1)

The U.S. SEC implemented the Conflict Minerals Rule in August 2012, which requires U.S. companies to:

1. Determine whether its manufactured products contain conflict minerals.
2. Determine whether conflict minerals are necessary to the functionality or production of the product and if it originated in the DRC or an adjoining country.
3. Possibly conduct due diligence and potentially provide a Conflict Minerals Report (U.S. Government Accountability Office, 2014, p. 45).

Failures to comply with the SEC requirements carry severe fines and U.S. government enforcement under criminal activities as outlined in the Dodd-Frank Act. U.S. operating companies realize the seriousness of this legislation and have implemented CSR programs to satisfy these legal requirements. Ballentine and Nitzschke (2004) stated,

“CSR has been associated with human rights and conflict prevention” (as cited in Boge et al., 2006, p. 68). This has been the calling cry of the jewelry industry whether substantiated or not. But CSR must go beyond the minimum and basic legal requirements.

Business management must take full responsibility for managing their supply chains and CSR responsibilities (Blome & Paulraj, 2013). Motivating factors for companies to implement CSR policies are top management leadership, people oriented organizational culture, employee initiatives, customer pressure, and government regulations. In relation to these motivating factors Friedman (1970) posited that good corporate management can benefit from financial gain, competitive advantage, and greater brand recognition (as cited in Blome & Paulraj, 2013). On the dark side ethical behavior has been very low on the corporate managerial priority list (Glasbergen, 2013). In 1973 Davis portrayed CSR as “the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm (as cited in Blome & Paulraj, 2013, p. 596) and many large companies today have gone beyond the narrow view and have implemented management strategies and departments focused on CSR management including constructs on the environment, human rights, safety, and philanthropy.

The U.S. Government is actively partnering with global stakeholders engaging in various activities to coordinate information and technical assistance regarding responsible sourcing of conflict minerals fostering CSR motivation (U.S. Government Accountability Office, 2014). However, weak governance in various parts of the world is still a major

factor and weak governance is perpetrated by countries that are so reliant on their natural resources for revenue that these countries have no need to have *intrusive bureaucracies* and no need to tax their citizens, which in turn provides little leverage by the population to effect political change (Humphreys, 2005, p. 10). The inability to influence the political faction causes poor social cohesion and causes fragmentation of the population and the economy, which creates the risk of conflict. Humphreys (2005) categorized six *mechanisms* for natural resource conflict.

1. *Greedy Rebel mechanism* is when rebel groups gain control of the natural resource and profit from it without regard for the government.
2. *Greedy Outsider mechanism* illustrates third party actors who have vested interests in influencing and exploiting the natural resources thereby contributing to the conflict.
3. *Grievance mechanism* can be made up of numerous and various issues, many of which are legitimate from economic issues, negative impacts on the environment, unequal distribution of wealth, injustices amongst different groups within a country/region, and many other concerns.
4. *Feasibility mechanism* is when the natural resource provides an opportunity rather than a cause for conflict. The conflict group gains from the resource by pursuing other goals.
5. *Weak States mechanism* occurs when states derive their revenues from their natural resources and have no need to tax their citizens causing the citizenship to have little to no electorate power to influence state policies that benefit the general population.

6. *Sparse Networks mechanism* focuses less on entrepreneurship and more on the state's economic structure. This mechanism diminishes internal trade opportunities, which minimizes a county's social cohesion and interregional interdependence. This can lead to unrest and conflict. (as cited in Schure & Kantel, 2007, p. 12).

Table 2 illustrates Humphreys (2005) mechanisms highlighting characteristic effects linked to natural resources.

Table 2

Mechanisms That Link Natural Resources to Conflict

Mechanism	Characteristic: Effects linked to natural resources
Greedy rebels	~ Non-state taxation ~ State capture ~ Secession
Greedy Outsiders	~ External influences
Grievance	~ Transitory inequality ~ Terms of trade shocks ~ Extraction-induced grievances ~ Unjust distribution
Feasibility	~ Natural resource as a permissive cause
Weak state	~ Powerless citizens, because untaxed ~ Lack of incentives to create viable institutions
Sparse	~ Weak trade, weak cohesion and interdependence, structure of the economy

Note. From "Governing the gift of nature resource conflict monitor: The links between governance, conflict and natural resources" by Schure & Kantel, 2007, *Bonn International Center for Conversion*, p. 13.

The six mechanisms identified by Humphreys (2005) illustrates that there are numerous underlying factors associated with natural resources and conflict. However, all these mechanisms can be effectively addressed through good governance, which can negate these issues and implement actions that address all the needs outlined by Humphreys (2005).

Resource dependence and violence are interrelated. Global markets drive commodity demand and control of the commodity resource provides funding for control of the resource region. Effective supply chain management can influence and diminish the opportunity for conflict to continue. Humphreys (2005) purports that “countries whose wealth is largely dependent on the exportation of primary commodities, categories that includes both agriculture produce and natural resources, are highly prone to civil violence” (p. 5). Greed theory, as noted by Humphreys (2005), is the foundation for rebel greed in their efforts to control regions and the natural resources therein. By controlling commodity resource regions rebels can maintain their control and secure the funding needed for continued control from other rebels and also from the governing state. Loss of the funds from natural resources to the state weakens the state’s authority and ability to retain control.

External actors and influences can be just as detrimental to state control as regional rebel forces are. Verschave (2000) refers to how the French oil company ELF, through its actions escalated rebel conflict with the state in the Republic of Congo and in another example Verschave (2000) refers to the Belgian firm, Union Miniere du Haut Katanga and their actions in support of the secessionist bid in Katanga in Congo (as cited

in Humphreys, 2005, p. 7-8). External actors, primarily businesses, can influence ethical behavior either negatively, as illustrated above or positively. Proper corporate management of the supply chain can lead to positive relationship building with suppliers improving overall performance, reputation, brand recognition, and goodwill with stakeholders providing sustainable competitive advantages. Multi-stakeholder partnerships can be effective in this cause and can be further strengthened when interacting with IGOs, particularly in the conflict regions of the world. The World Economic Forum is an organization that promotes multi-stakeholder partnerships and emphasizes its efforts on conflict issues where human rights violations occur and environmental structures are in jeopardy. Finally, actions and influences from neighboring states attempting to gain control of border resources threaten conflict while maintaining a safe haven within their own borders. In many cases conflict is a function of multiple causes of governance, economy, and rival issues.

Le Billion (2009) noted that countries that have become industrialized and exercise good business practices are less prone to be engaged in internal regional violent conflict. Commerce, trade, and partnerships in business help to advance beyond the need for conflict where instead rivals negotiate their differences to mutually beneficial outcomes. A contrary example of this was evident in Sierra Leone where their endowments of oil and gems were insufficient to stage off conflict because Sierra Leone did not go through the process of industrialization, a process that supports and includes society and its wellbeing (Humphreys, 2005). In Table 3 Le Billion (2008) provides an analytical framework outlining aspects of conflict.

Table 3

Analytical Framework of Conflict

Conflict factors	Key concepts	Relations between resource & conflict	Major geographical dimensions	Potential variables and measurements
Vulnerability	Resource curse	Resource sector undermines governance and economic performance, making violent conflict more likely	Peripheralization and uneven development: resource dependence shaping political economy and mode of governance	<ul style="list-style-type: none"> *Evolution of resource abundance and dependence (annual variations in export and fiscal revenues) *Ownership structure and mode of exploitation (private vs parastatal, artisanal vs industrial) *Socioeconomic indicators (spatially vs disaggregated measure of poverty; capital flight and foreign direct investment)
Risk	Resource conflicts	Resource sector motivates disputed processes of allocation, making violent dispossession and resistance more likely	Territorialization: spatial control of resource central to cost-benefits allocation and identity mobilization	<ul style="list-style-type: none"> *Conditions of access to resources (legal status and practices) *Instances of conflict and violence (population displacement, demonstration, repression, homicides) *Process of identity formation and mobilization (sectarian institutions and voting patterns)
Opportunity	Conflict resources	Resource sector rewards belligerents, making the escalation and prolongation of violent conflict more likely	Interconnection: ease of access to resource revenues crucial in sustaining conflicts	<ul style="list-style-type: none"> *Characteristics of the resource (price and weight) *Regulatory environment (level of illicit trade, strength of regulatory institutions) *Proximity to transport and marketing infrastructures (borders, airports, buying offices)

Note. From Diamond wars? Conflict diamonds and geographers of resource wars, *Annals of the Association of American Geographers* (Le Billion, 2008, p. 348).

Industrialization, trade, and business provides for diversification and business expansion to the benefit of society. Le Billion (2008) identifies the intricate aspects of the conflict factors by identifying the key concepts for each and then explain the relationship between the resource and conflict. He further breaks down the geographical parameters identifying the divide between the need for societal development and the need for good governance. The economic advantages of controlling the resource, and recognizing the

fact that the conflict resource, in this case diamonds, contributes to and expands the conflict issues when controlled by the wrong group.

In reference to the conflict factor of vulnerability Le Billion (2008) concurs with Humphreys (2005) position that weak governance prevents a state from commanding and controlling the regions under its jurisdiction. Weak governance provides the atmosphere for conflict by rebel factions seeking power and control, civil unrest by citizens demanding social programs such as education, medical care, sanitation, welfare, economic support, prosperity, and safety through law enforcement and legislation. Businesses from the local merchant to the multinational corporation may not engage in setting up facilities and conducting business in the absence of good governance. Corporate responsibility is an indispensable component of good management practices in order for companies to guarantee their legitimacy with local IGOs. Finally, influences from external actors promoting their own interests can sway existing governance favoring the external needs without regard for the societal impacts, which can be negative and unfavorable.

Le Billion (2008) addressed the conflict factor of risk citing the loss of revenue unrealized from not controlling the natural resource. Here again the effects of lost revenue inhibit governmental ability to support its constituency and undermine the societal needs. The results were population repression, demonstrations and displacement, lack of spatial control of the resource, slanted distribution of existing governmental revenues used for the defense of the state. This creates an atmosphere that prohibits

business initiative, investment, and growth. All these risk factors can create conflict with the citizenship banding into rebellious groups and even supporting rebel groups.

Finally, Le Billion (2008) alludes to opportunity as the third factor of conflict. Those in control of the natural resource reap the rewards of their belligerence escalating and prolonging the conflict to support and maintain their position of power and resource control. Whether the controlling factions are internal or external actors, the result is the same. The rebel control of the natural resource places strains on the state's burden to expend finances to contend with the conflict not only for the military budget but also due to the cost to patrol borders, and increase security in import/export efforts to prevent illicit shipment of any conflict resources.

The World Economic Forum presented several attributes for multi-stakeholder partnerships with NGOs that benefit businesses and stakeholders. These included: (a) adherence to companies values and polices, (b) protection of corporate brand and policies, (c) secure and operating environments, (d) demands made by investors can push strategic partnerships, (e) entranceway into untapped and undeveloped markets, and (f) need to respect the hosts government regulations policies and wishes (Boge et al.,2006).

Properly operationalized CSR programs address all the factors presented with management's focus on CSR attributes with business acumens in mind. Using the attributes that Boge et al. (2006) as a foundational map, business can build and strengthen their identity across multiple facets from societal to legislative to industry-recognized requirements. This portrays leadership and demonstrate an understanding of the impacts of CSR programs and policies.

Global conflict issues are now a *transnational* dilemma in the light of globalization (Boge et al., 2006, p. 74). The World Economic Forum is focused on the role of businesses involved in concerns over conflict watching and reviewing to verify that the partnerships are based on “critical but healthy and open relationships and that measures are in place to prevent co-optation of the ‘partnering’ party by business” (Boge et al., 2006, p. 70). Corporate managers need to focus on CSR strategies that require open relationships, communication, transparency and accountability for successful partnerships. However, critics of NGOs argue that NGOs bring nothing to the partnership to benefit the business and have everything to gain. NGOs bring no technical or market expertise that a business needs to profit. Counter to this is the NGO position that business is not interested in the NGO cause and pose a threat to the NGOs neutrality and existence as an advocacy organization (Boge et al., 2006).

Epistemology of Conflict Diamonds

The current state of knowledge on the issues of conflict diamonds, and in conjunction with conflict minerals and conflict resources, is derived from years of research conducted on these topics. In support of the research are the concluding findings of the UN, various NGOs, IGOs, and civil society groups all reviewing, comparing, and investigating the facts, to finding the truth of the matter for themselves on issues supporting conflict. Partnership Africa Canada stipulated that in the early 1990’s 15% of the world’s \$10 billion annual rough diamond exports were made up of conflict diamonds (as cited in Shaw, 2010; Smillie, 2011, p. 104). That roughly equals \$1.5 billion in conflict diamonds being sold to fund conflict from local to global aspects. By 2010 that

number dropped to less than 1% due to the efforts of the KP (Shaw, 2010). The KPCS currently regulates 99% of all global diamond rough being extracted for transport globally (Bieri, 2010).

There are many positions as to why there is conflict in the Sub-Sahara regions of Africa especially in areas where *natural wealth* and resources are found in abundance and considered a *curse* (Harsch, 2007; Le Billion, 2009). Collier and Hoeffler (2000) contended that the two main considerations are *greed* and *grievance* (as cited in Schure and Kantel, 2007, p.11). Harsch (2007) contended that valuable natural resources are a *curse* that creates conflict. Insurgent forces are motivated by greed for the funds generated by the natural resource, not political grievances. The greed theory is also supported by Collier and Hoeffler (2000) as the foremost reason for civil war and control of the natural resource (as cited in Schure & Kantel, 2007). However, scholars such as Ballentine and Sherman (2003) and Ballentine and Nitzschke (2005) differ citing concerns that the greed theory does not account for *individual motivations* that can change over time (as cited in Schure & Kantel, 2007, p. 11). Additionally, Ballentine and Nitzschke (2005) contended that greed theory is misleading in projecting rebel factions and noted that it is not state actors but rebels who cause conflict thereby implicating a *pro state bias* (as cited in Schure & Kantel, 2007).

The world's largest diamond conglomerate, De Beers Diamond Mining Group (De Beers), contends that the governments of the Sub-Sahara region incorporate poor management practices in governing their natural resources and their inability to prevent corruption within their own ranks prevents good governance from being implemented

and effecting positive change (Harsch, 2007). In contrast to this Hamann and Kapelus contended that DeBeers uses CSR for *greenwashing* its reputation in South Africa (as cited in Claasen & Roloff, 2012, p. 380). That for over a century De Beers has controlled the diamond mining in South Africa and only recently have De Beers begun addressing the effects on local community welfare, labor welfare as well as economic and environmental impacts (Coetzee & Van Staden, 2011; Dansereau, 2010; Slack, 2011; van Wyk, Cronje, & Van Wyk, 2009). This is not relegated only to a country's government but extends to the global interests of stakeholders and multinational companies.

The Mammoth Tusk Gold (2008) policy in Canada contends that in many regions of the world conflicts are fueled by border disagreements, land tenure, illegal mining activities, and competing land use for various resources, negative environmental and socioeconomic impacts, and the interference by direct stakeholders. These factors cited by the Mammoth Tusk Gold (2008) organization encapsulate the practices that have transcended the extraction industries over the centuries to where the extraction industries are today. Whether considering government or business the management strategies to address these issues of conflict diamond contamination in the supply chain need to progress. This need can be addressed through sound CSR strategies providing long term sustainability.

Over the past two decades global governance has taken a stronger position on diamond mining by developing regulations and processes for controlling the mining conditions and transport of diamonds and thereby attending to the plight of the human factor of the alluvial miners, their families, and their communities (Shaw, 2010). Anthony

McGrew provided the following definition on *Global Governance*, in which he stipulated that Global Governance is an “evolving system of political coordination” (2005, p. 24). It evolves at all levels, from local governance to globe activities interacting with public and private sectors working toward resolution of issues of concern in “the common affairs of humanity” (McGrew, 2005, p. 25). In doing so the UN resolutions enacted are used to develop international regulations, programs, policies and affirmative action’s all working in unison with each other through global coalitions. These regulations and resolutions provide inducement for multinational corporations to enact CSR strategies responding to the legislative mandates.

In 2000, NGOs Partnership Africa Canada and GW advocated for the human right interests of the African alluvial miners, and with the support of 38 governments worldwide and various international businesses, met in Kimberley, South Africa to begin the fight. Global governance has made a significant impact through UN efforts and the federation of UN member states, in conjunction with IGOs, NGOs and civil society groups to formalize the KPCS in 2003. The KPCS has since been sanctioned by 74 governments and in doing so acknowledges on an international scale that human rights injustices are being perpetrated in the alluvial diamond mining regions (Global Witness, 2014d). The transnational effort has the intention to develop a systematic process for controlling the transport of diamond rough. The goal was to eliminate the connection of conflict funds that were being used to support conflict (U.S. Department of State, 2002).

Partnership Africa Canada – Year in Review 2006 contended that the KPCS was the most major accomplishment made to the diamond industry in over a century (as cited

in Shaw, 2010). Past civil wars in the Sub-Sahara regions has generated increased awareness and pressure by NGOs to lobby the UN to take action implementing the KP protocols (Smillie, 2011). The KPCS is instrumental in deterring the ability of rebel group's to transport large volumes of illicit diamonds to raise funds. It is through such efforts and coalitions made up of independent watchdog groups such as Partnership Africa Canada (PAC), GW, AI, Fatal Transactions, Human Rights Watch, World Vision, Earthworks and others, in cooperation with IGOs and businesses that have deterred unethical practices and reduced the quantity of conflict diamonds and minerals entering their respective global supply chains. CSR strategies that businesses have implemented create a tight-knit, self-regulatory process of auditing, verifying compliance of KP protocols and ensuring a global conflict free diamond supply chain. The combined efforts of this megacommunity in conjunction with UN resolution shave detrimentally affected the nefarious rebel powerbases and reduced the ability to fund the conflict groups in the Sub-Sahara regions of African and throughout the world.

Phenomenology of Conflict Diamonds

To eliminate human rights violations from extractive mining operations global stakeholders are increasing their efficacy by tightening the noose on the conflict communities. Shaw (2010) called the stakeholder actions, "private transitional governance" (p. 94). A heterogeneous force of IGOs, NGOs and multinational corporations have joined forces and are innovatively working to uphold the principles of the KP and the Extractive Industries Transparency Initiative, although doing so with a

focused eye on their own special interest and needs. Global coalitions create an international presence that brings to light the common affairs of good global citizenship.

Murphy and Yates (2009) contended that private transitional governance compliments the ideals of contemporary democratic theory (as cited in Shaw, 2010). Private transitional governance coalitions funnel the direction for setting policies and practices for certifications, norms, processes, social responsibility, and standards, to the civil community. McGrew (2005) described the nefarious acts of conflict groups and commented that the gauge has shifted in the scale of social organizations in numerous facets of society from transcending international economics to global security. Global security has become an increasing concern due to the efforts of Al-Qaida, Islamic State of Iraq and Syria (ISIS) and Islamic State of Iraq and the Levant (ISIL) all pursuing illicit funds through any means at their disposal. Terrorism is no longer a localized Sub-Sahara issue as evidenced by recent terrorist acts in France, terrorist cells in Germany and throughout Europe as well as the recent beheadings of Japanese and British citizens in the Middle East. All are examples of the global expansion of conflict threatening countries throughout the world.

It is possible that the coalitions of global civil society are more interested in their own corporate positions rather than the good and welfare of those in harm's way. The desire to ameliorate the atrocities associated with conflict diamonds is strong and must address the stockpiling of weapons, terrorist acts, unresolved abandoned landmines, drug trafficking, health concerns, money laundering, corruption, the enlistment of child laborers and child.

Le Billion (2008) depicted the process and connections required to turn conflict diamonds into monetary funds for conflict. Clearly there are many participants, whether aware or unaware of their involvement in supporting funds for conflict. The KP is designed to address these loopholes and with the support of IGOs and NGOs working in unison these illicit operations are minimized with the intent of being shut down altogether as well as addressing the human rights violation issues (Smillie, 2011).

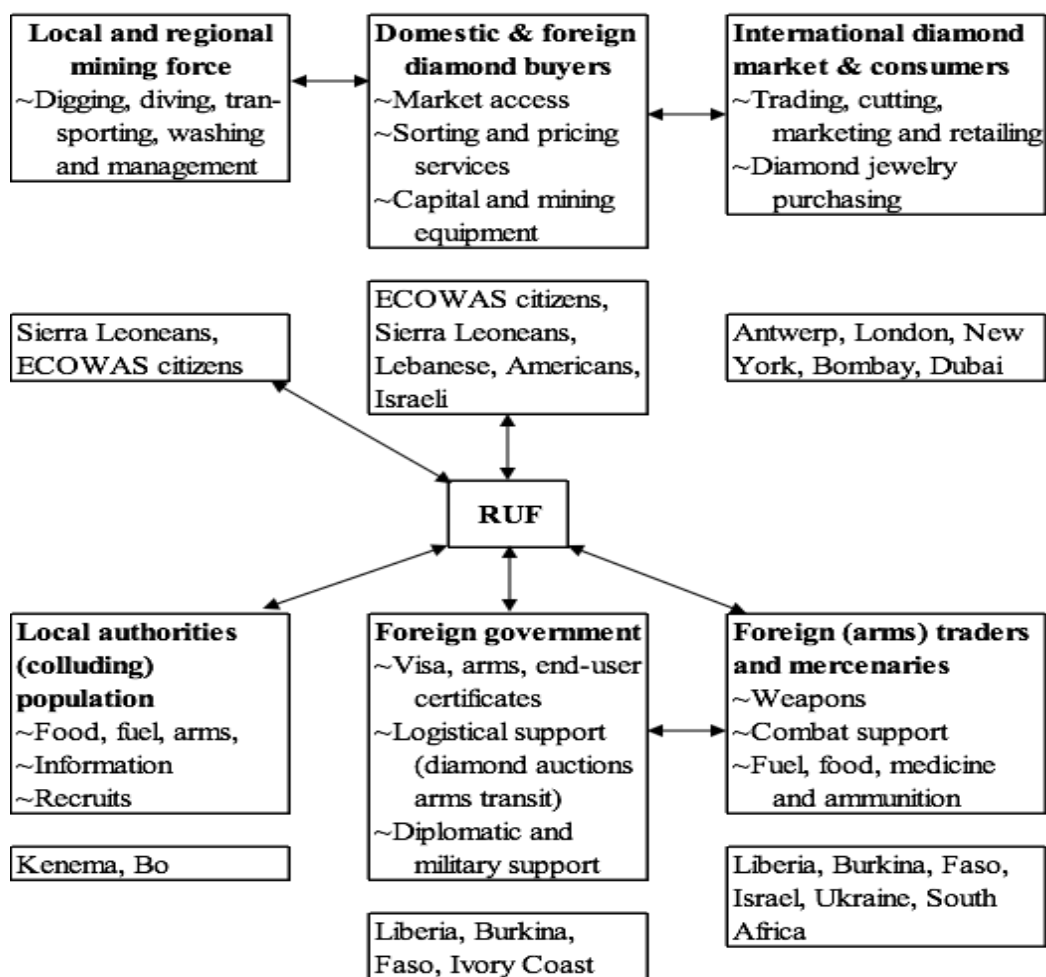


Figure 2. Diamond funded support network. From *Diamond wars? Conflict Diamonds and Geographers of Resource Wars*, (Le Billion, 2008, p. 363).

Figure 2 illustrates how the RUF processed their illicit diamond rough to fund their nefarious operations and spheres of influence. The monies from the sale of conflict diamond rough not only support the RUFs control over the area but these funds also contribute to global issues of terrorism and war (Le Billion, 2008). Shaw (2010) called the emerging mixed-actor coalition necessary in response to human rights violations. This is a continuous evolving group of actors of both formal and informal structures. This mixed actor coalition works to influence and contribute to the global efforts being formulated and implemented for humanitarian needs as well as protecting the environment and preserving natural resources for use by the entire global community. Conflict diamond rough is difficult to trace back to its mining origins. Mixed with licit diamond rough from the same regions it can easily blend into the rough mix being transported.

However, in the attempt to address the illicit networks and ongoing human rights violations the alluvial miners are not being served by the humanitarian efforts of the UN and the KPCS directly. The sanctions, mostly through international boycotts and nonmembership status in the KPCS prevent the transaction of business with conflict diamonds, as it was designed to do. The alluvial community suffers even greater dangers and threats of injuries and violations from the conflict controlling groups and the alluvial community is not ultimately being served by the international community's actions and policies (Smillie, 2011).

The issue today is whether the global political agenda can focus on the ongoing humanitarian atrocities being committed in the name of conflict diamonds, or are the

transnational issues of economics, terrorism, geopolitical concerns, ecological devastation, oil production, nuclear threats and health issues overshadowing it. Clearly human rights are a significant part of this overshadowing but are human rights issues enough to continue to address the conflict diamond question? In this regard actions by independent companies using diamonds are required to act in an ethical manner. Through CSR programs the business community can act independently enhancing their brand and market presence and industry reputation while addressing their CSR concerning the human rights violations occurring in support of conflict.

Social Issues Related to Conflict Diamonds

The issues related to conflict diamonds include deforestation and pollution of the mining environment, funding global terrorism and regional conflict, poor governance, economic misuse, human suffering and more (Boge et al., 2006; Janse, 2007; Le Billion, 2008; Schure & Kantel, 2007; Shah, 2011). Artisanal miner atrocities occur daily in mining regions as punishment and to serve as examples of the power of nefarious groups in control. The KP was developed and implemented to eliminate conflict diamonds from contaminating the licit supply chain. The intent was to choke off the ability of conflict regimes and terrorists groups from acquiring funds to wage conflict (Le Billion, 2009). A proactive CSR program geared directly at the KP can increasing influence awareness of the conflict issues and positively effect change for the betterment of the alluvial mining community. UN Resolution A/RES/55/56 makes a political statement condemning the human rights injustices inflicted on the indigenous populations of the alluvial mining regions and CSR programs do the same for businesses.

Conflict diamonds, like conflict minerals and conflict resources, are plagued with the same human rights violations and environmental issues for the same reasons, wealth and power (Le Billion, 2008). The conflict regimes employ brutal and inhuman tactics in order to control and constrain the indigenous forced labor groups. The indigenous forced labor groups known as alluvial miners are made up of both children and adults with both male and female laborers. The alluvial miners must endure a continuous daily volley of hardships from, but not limited to starvation, beatings, dismemberment, sexual abuses and even death all designed to intimidate and control the overall alluvial workforce (Le Billion, 2008). These laborers were paid extremely little for their mining efforts, less than a dollar per day while being charged for their food, clothing, housing and essentials by the same controlling factions that pay them for their labor at rates that keep the alluvial miners and their families in continuous debt to their employers (Maconachie, 2011; Smillie, 2011).

Not all the blame is to be placed on the conflict groups and leaders. In too many cases the African governments, from the federal to local levels, are contributors to the hardship factors through poor governance, corruption, and mismanagement of their respective country's regional resources of natural wealth (Schure & Kantel, 2007). Resource dependence creates an environment of economic underperformance, which weakens governing institutions (Le Billion, 2008). Governmental corruption is out of control and rampant in many of the Sub-Saharan governments. The governmental corruption is not limited to diamond mining, but also applies to oil reserves, timber, metals mining, and all extractive operations all abusing the indigenous populations and

depleting the environmental support structure necessary for continuous natural development of society, wildlife and the environment.

When government is supported by the natural resource of the country, that government, a *rentier state* can have less focus on their citizenship and their social needs, ignoring health issues, education, and community wellbeing and become autonomous from their societies. Mahdavi (1970) stated that the theory of the *rentier state* exists when a state derives all or most of its revenues from its natural resource operations and has no need to tax its citizenship (as cited in Schure & Kantel, 2007). Progress and social venues can be nonexistent when the citizenship has no say or recourse in the governing affairs giving cause for riots and rebellion by the indigenous population.

Armed clashes and civil war between factions and government forces are prevalent throughout the Sub-Sahara border regions that are hard to reach and control. The clashes erupt for a variety of reasons, from the control of the natural resource wealth, to inequitable distribution of wealth from the funds generated by the resource. Poverty, pollution, and strong arm tactics - whether from government authorities or rebel forces, poor to no sanitation, lack of schools, public health and safety issues, and abuse of tribal sacred lands are all due to poor governance (Le Billion, 2008). The inadequacies realized cause the affected people to rebel and fight for the rights they perceive they should have and require to raise themselves and their families above a life of poverty living. This is especially evident when people see evidence of a select few living an elitist lifestyle. Africa's future is dependent largely on how it manages its natural resources. Harsch

(2007) contended that the governments of the Sub-Saharan regions are incapable of effectively managing their vast territories where diamond resources are mined.

To properly manage and address how much resource wealth is generated, and how it is being distributed requires financial transparency by both governments and businesses (Harsch, 2007). But business financial stakeholders argue that doing so would provide competitors with proprietary information and that the need for secrecy and confidentiality are critical to their business success and competitiveness. For years the financial entrepreneurial stakeholders have demonstrated little regard for the economic, social, and environmental impacts of their processes outside of their own immediate needs.

Good governance and resource management can provide solutions to many of the issues surrounding conflict. Conflict issues are governed by the identified natural resource extracted in question and the management of that resource by the local government. CSR can facilitate the managerial attitudes and guidance needed to enact, at all levels, good global and entrepreneurial citizenship acumens. For conflict diamonds, the KP provides an excellent guideline to develop the acumens appropriate for good governance as outline by the UN. Franke et al. (2007) provided an illustration of what good governance can achieve not only for governing sack but also in support of its community and citizens Good governance and resource management are necessary to combat conflict, (see Figure 3).

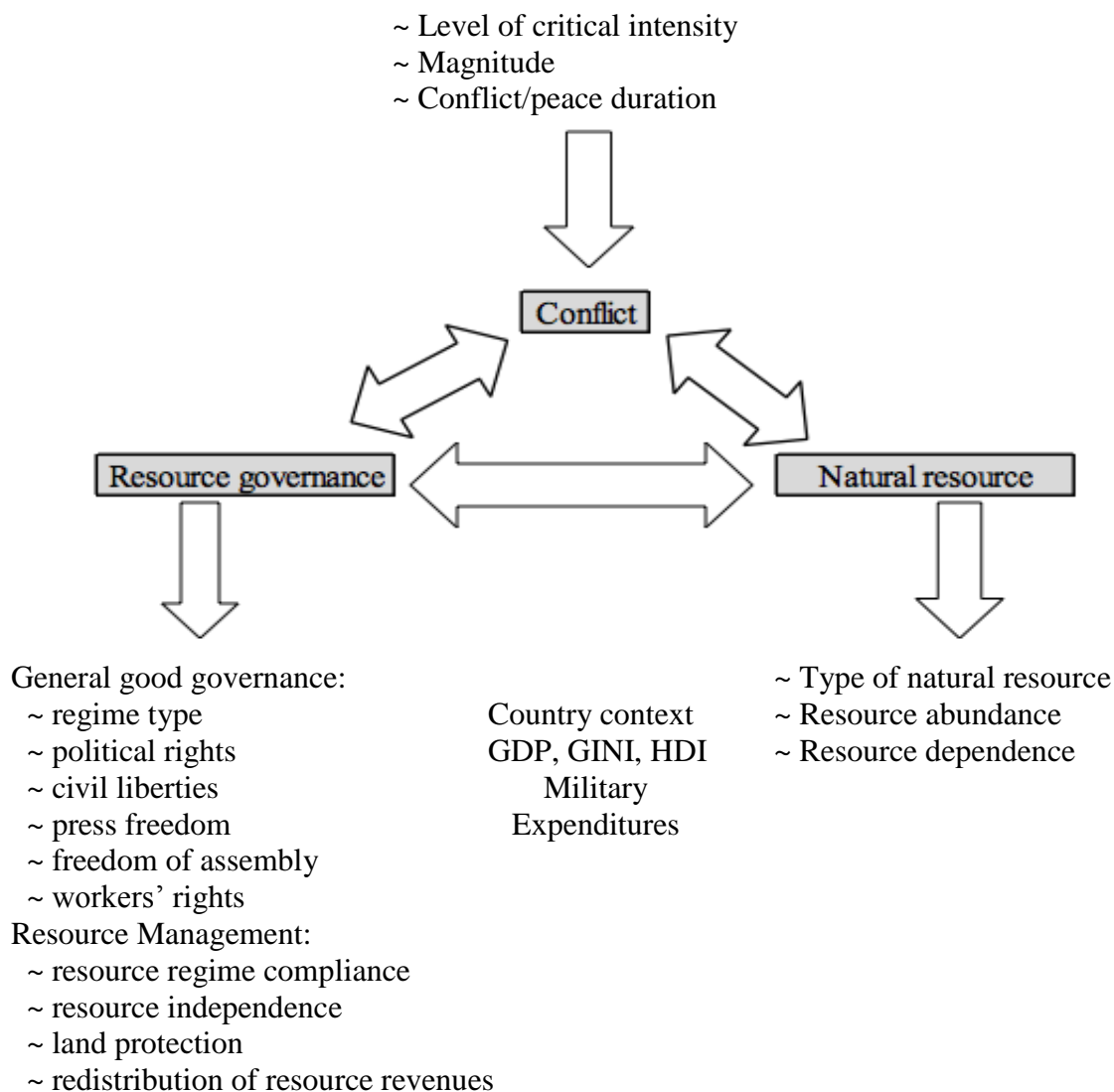


Figure 3. Relationship between natural resources, conflict and governance. Adapted from *In Control of Natural Wealth? Governing the Resource-Conflict Dynamic*, Franke et al., 2007, p.13.

Franke et al. (2007) illustrated in Figure 3 the advantages of proper organizational governance in achieving good index ratios in Gross National Product (GNP), GINI indexes demonstrating an equitable distribution of a nation's wealth and increased ratios in the Human Development Index (HDI) all contributing to a healthy state. Good governance and good resource management keep conflict in check, makes equitable use of revenues, and manages the resource in a healthier manner. The interconnected relationship is constantly supporting the health and progress of the community. Without a healthy relationship the pressures cast upon many African governments, in conjunction with corrupt government officials have allowed foreign businesses to dictate their desires and lobby for legislation leaving African governments with little control.

Harsch (2007) commented on the reforms enacted by pointing out those external stakeholders and businesses favor a weakening of governance and its ability to supervise and impose authoritative measures to govern justly, and in doing so jeopardize the legitimacy of the state. However, this has been changing slowly with pressures from NGO and IGO supported programs demanding greater transparency, albeit for alternative reasons such as the U.S. Patriot Act and the Dodd-Frank Act, to deter funding to terrorist groups for U.S. domestic security concerns. Pragmatic legitimacy exists when society perceives an organization as being beneficial to the community. Suchman (1995) classifies this as "exchange legitimacy" (as cited in Claasen & Roloff, 2012, p.382). Pragmatic legitimacy is achieved by addressing stakeholder needs and concerns (Carroll & Shabana, 2010; Freeman et al., 2010).

Claasen and Roloff (2012) suggested that intentionally visible programs to demonstrate *cognitive and pragmatic legitimacy* are not always adequate to induce ethical legitimacy. Ethical legitimacy is extremely controversial and argumentative particularly when defending stakeholder intentions. Constructs of corporate transparency and accountability need to be reputable in order for moral legitimacy and social responsibility to be believed. Other forms of legitimacy are *moral legitimacy* where decisions are made from a conscious moral judgment and in deliberation of socially necessary reasoning (Mena & Palazzo, 2012). Moral legitimacy can then be divided into *philosophical legitimacy* or *democratic legitimacy* (Mena & Palazzo, 2012).

Philosophical legitimacy occurs when one argument is better than another. Democratic legitimacy occurs when there is a political agenda in play; cognitive legitimacy is demonstrated through the committed support of an organization based on cultural needs (as cited in Claasen & Roloff, 2012). The reoccurring themes for legitimacy are *trustworthiness* (Alcaniz, Caceres, & Perez, 2010) and *challenges to legitimacy* (Schepers, 2010). Many companies are implementing legitimacy in their CSR sustainable development plans to safeguard human rights, economically support communities and preserve the environment and natural wildlife. CSR programs are demanded by businesses large and small on a global scale.

Concerning the jewelry industry in the U.S. and the end consumers the social issues relating to conflict diamonds are of equal importance. The way to send a message is to hurt the pocketbook. The social responsibilities concerning conflict diamonds need to be addressed by all involved in buying, selling, transporting and transforming

diamonds for consumer purchases. Focused CSR policies in accordance with UN and U.S. requirements aligned with the KP can be very effective in stemming conflict diamond contamination.

The focus of my research is the U.S. jewelry industry, which consumes 68% of the world's diamonds for jewelry production purposes (Global Witness, 2014b). Under the U.S. Patriot Act and in conformance to the KP mandates all U.S. jewelry manufacturers must verify that the supply chain used to acquire diamonds is legitimate and free of conflict diamonds. The U.S. jewelry industry's ethical conduct in this matter is irreproachable less they bare the legal weight of the U.S. Federal Government, and chance being accused of funding terrorism and/or laundering money for conflict purposes.

Adherence to the KP mandates can positively affect the indigenous labor groups of Africa and have a profound effect on the economies and the environmental issues of the Sub-Sahara continent. The environmental reform process according to Mol, Sonnenfeld and Spaargaren (2009), is a process of production streamlining and consumption reformation. Production and consumption in the case of diamonds, whether conflict or not can be attributed to jewelry manufacturing and consumer demand. Reduce that demand and you affect the diamond supply chain all the way back to the mining source. The more the jewelry industry is proactive in their social responsibilities the greater is their combined effect on all conflict issues.

Stakeholders, lobbyists and political leaders need to react and thereby effect needed governance change to develop *democratization* in support of emerging economies

(Mol et al., 2009). Equitable distribution of the monies generated from licit diamond mining operations is in the best interest of all parties from a governance perspective to stakeholders to the general population.

The KPCS is focused on diamonds and is designed to address the concerns of illicit diamond supply, create equitable economic distribution, preservation of the environment, uphold human rights on a global scale and encourage good corporate citizenship, which is attainable through implementing effective CSR programs.

The KP is a four step process developed from a framework of, “agenda setting, decision making, implementation, and revitalization” using a tripartite international forum of IGOs, NGOs and industry stakeholders participating in unison and focused on the conflict diamond subject (Bieri, 2010, p. 591). The KPCS is also focused on incorporating the democratization course to ensure the certification process is a functional and effective method. It must be noted that Yates (1996) stated the problem with democratization in a rentier state is that there is no incentive for promoting democratic reform (as cited in Schure & Kantel, 2007). Yates goes on to point out that the governing body in a rentier state is financially independent and prefers to maintain the status quo position.

Legislative Efforts

Efforts by NGOs, IGOs, the UN and business have combined to address the conflict issues plaguing the global society. Focus on humanitarian issues, terrorism, corruption, and poor corporate citizenship are being addressed with greater emphasis and determination to combat conflict funded concerns.

As the global community condenses its societal requirements, generated from easier and faster communication of global events in conflict, the greater the global unity's effort for action is demanded through legislation, resolutions, affirmative monitoring, and CSR operationalization by industry and business. As the *megacommunity* (Gerencser et al., 2008) in Figure 2 illustrates government, civil society and business must work in complete cooperation in order to resolve differences and function effectively. Also, as McGrew (2005) illustrated how the global mixed-actor coalitions join forces to create a new global governance capable of addressing global issues.

United Nations

The UN has long been an advocate of human rights issues throughout the world and is focused on protecting human rights globally through humanitarian support with training, food supply, monetary support, education, medical supplies and services, environmental support, and so much more. Protecting and enforcing human rights issues can be complex and difficult. At times it requires UN embargoes to be sanctioned and administered by member nations, and on occasion a military presence is required in order to stabilize an area in unrest. CSR operationalization by global businesses supports and reinforces UN actions in this regard.

According to the United Nations Conference on Trade Development (2015) 70% of the *foreign direct investment* (FDI) is conducted between developed countries. The FDI funding is extremely important for developing countries to expand and grow economies, ensure security, and to become self-sustaining. The issues of conflict resources plaguing Africa have negatively affected the amount of FDI funds to the

region. Companies operating in conflict resource regions function in an environment of uncertainty lacking regulations, operating with ambiguous boundaries and questionable authority. The indigenous laborers in the conflict regions are excluded from the humanitarian influences and support of the UN and remain in need of UN intervention and assistance. This is an effect of poor governance and lack of control to the detriment of the entire country's governing structure, population and environmental conditions.

NGOs Partnership Africa Canada and GW, began publishing detailed reports linking diamonds to conflict. Due to the lack of regional governance in the Sub-Sahara regions of Africa to deal decisively with their internal affairs, the UN stepped in and became very active in addressing conflict diamonds in 1998. The UN Security Council, through resolution 1173 of June 12, 1998 imposed sanctions on Angola, who were using the funds gained from the sale of diamonds to support the regime of Jonas Savimbi and the Uniao Nacional pela Independencia Total de Angola (UNITA). Shortly after this incident the UN again imposed sanctions in Serra Leone.

The UN implemented these sanctions in an effort to prevent and curtail the RUF from continuing their proliferation of armaments to support conflict and expand their forced control over the region (United Nations General Assembly, 2006). On January 28, 2003, the UN Security Council, through Resolution 1459, fully endorsed the KPCS (United Nations General Assembly, 2006). Over the years, through UN resolutions (A/RES/55/56 of January 2003; 56/263 of March 2002; 57/302 of April 2003; 58/290 of April 2004; 59/114 of December 2004; and 60/182 of December 2005) the KPCS was fully formulated, endorsed, funded, supported and implemented on an international scale

in 71 countries worldwide. In continued efforts to gain membership into the KPCS the UN Security Council passed Resolution 1643 in 2005 encouraging the various nonmember countries in West Africa to join the KP program and actively participate in the scheme's goal to eliminate the funding of conflict and incorporate humanitarian practices within their respective countries. Without intra-national action and support change cannot occur.

United States Legislation

The Patriot Act, which is an acronym for *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act*, was signed into law on October 26, 2001, giving the U.S. Federal Government a wide range of authority to invade without warrants all communications of U.S. citizens on all modes of communication devices (U.S. Department of State, 2002). The intent of this Act is to monitor for terrorist communications and activities directed at the U.S. and its allies globally and address money laundering for acts of terrorism. Opponents of the Patriot Act argue that "it undermines the rights to free speech, free association, and the right to privacy, providing unprecedented powers to the government to spy on its citizens" (Global Witness, 2004, p. 16). Never the less, this is a powerful legislative tool in combating terrorism and strengthening the security of American citizens worldwide. The Patriot Act was due to be decommissioned on December 31, 2005 but in July 2005 the U.S. Senate passed a reauthorization bill reviving the Act, and on March 9, 2006 it was signed into law on a permanent basis (U.S. Department of State, 2002). This Act authorizes the Secretary of the Treasury with the authority to regulate financial

transactions and monitor the flow of monies in all businesses and personal transactions with the intent to prevent funding for terrorism. The U.S. General Accounting Office reported in November 2003 that “terrorists use various alternative financing methods to earn, move and store their assets” and that diamonds were an excellent commodity to accomplish this with (as cited in Global Witness, 2004, p. 8). This enactment had the effect of stemming the conflict fund generation.

The Clean Diamond Trade Act codifies the provisions incorporated in the KP (U.S. Department of State, 2002). The following statement was made by President George W. Bush on April 25, 2003 in signing the Clean Diamond Trade Act into law, “Diamonds are critical to the economic growth and development of African countries, so preserving their legitimate trade is an important foreign policy objective” (The American Presidency Project, (2001-2009, para. 1). The Clean Diamond Trade Act authorized the U.S. Government, through the U.S. General Accountability Office to inspect the U.S. importation and to export diamond rough (U.S. Department of State, 2002).

Since 1999 the multilateral efforts of the U.S. Department of State, the U.S. Agency for International Development, and the U.S. State Department have disbursed in excess of \$14 million to support and enforce programs within the Sub-Sahara regions of Africa to strengthen regional African governance in the diamond mining regions, specifically in Sierra Leone and Liberia (U.S. Department of State, 2002). GW (2004c) stated “there must be adequate U.S. government oversight of the diamond trade in order for the system to be effective” (p. 14). In 2002 the U.S. processed more than \$27 billion worth of diamonds (Global Witness, 2004c, p. 13). Currently the verification processes

are still conducted via voluntary self-regulation and verification through the System of Warranties as identified by the World Federation Diamond Bourses (WFDB) and the International Diamond Manufacturers Association (IDMA). Eli Izhakoff, Chairman of the World Diamond Council stated “Only through industry-wide participation in the Kimberley Process and the System of Warranties can we achieve our goal of zero tolerance towards blood [conflict] diamonds” (Global Witness, 2007, p. 7).

The Clean Diamond Trade Act requires that the KPCS be implemented throughout the diamond supply pipeline from mines to consumer purchase. In December 2010 the U.S. Congress implemented Section 1502 concerning conflict minerals to the Dodd-Frank Wall Street Reform and Consumer Protection Act, herein to be known as the Dodd-Frank Act (U.S. Securities and Exchange Commission, 2010). Specific to the Dodd-Frank Act are the activities of the U.S. Agency for International Development whose focus is to address the connections concerning human rights abuses, armed conflict groups, and the extraction of conflict resources (U.S. Government Accountability Office, 2014). The Dodd-Frank Act provided legislation for the U.S. Government to promote financial stability and address illicit funds generated from conflict diamonds, conflict minerals, and conflict resources to fund conflict through U.S. financial institutions (U.S. Securities & Exchange Commission, 2010).

On August 22, 2012 the U.S. Securities and Exchange Commission issued the Dodd-Frank Act Section 1502 Title XV on Conflict Minerals requiring companies to document and support their sourcing and use of “Subject Minerals” (U.S. Government Accountability Office, 2014). The Dodd-Frank Act defines *subject minerals* for the

jewelry industry as gold, tin, titanium, and tungsten (U.S. Securities & Exchange Commission, 2010). The Dodd-Frank Act Section 1502 is specifically intended to hold accountable U.S. jewelry companies through the SEC to ensure subject minerals are not being sourced through financial avenues supporting conflict.

The actions of the U.S. and the U.S. leadership provided in the UN General Assembly focused in on conflict issues being supported by conflict minerals, including diamonds, with respect to global security, weapons for conflict, and human rights violations thereby unifying this cause on a global scale through UN member countries. The Patriot Act, the KPCS, the Clean Diamond Trade Act, and the Dodd-Frank Act are critical programs and legislations passed and implemented by the U.S. Government and the UN to stem and eliminate the support of conflict funding and thereby reduce, with the intent to eliminate conflict and human rights violations in connection with conflict diamonds.

Nongovernmental Organization Activities

Various NGOs have been extremely proactive in addressing the concerns of conflict diamonds resulting in human rights violations occurring in the alluvial mining of diamonds in Africa. NGOs act as watchdogs, facilitators, consultants, activists, stakeholders, and shareholders influencing positive ethical behavior (Boge et al., 2006). The following are some of the more notable NGOs involved in conflict diamond issues: Amnesty International (AI), Global Witness (GW), and Partnership Africa Canada (PAC) Human Rights Watch (HRW) (Boge et al., 2006, p. 60). These and other organizations were very influential in creating U.S. legislation and UN resolutions directly addressing

conflict diamond issues with a focus on affecting positive change in human rights and eliminating funding for civil war and terrorism. It was through the efforts of these NGOs that brought the conflict diamond atrocities to the global stage.

Through use of the news media NGOs were resourceful in initiating reports on TV news programs such as 60 Minutes and 20/20 that enlightened the public and pressured the jewelry industry into becoming more proactive about scrutinizing their diamond supply chains. In 2006, the motion picture industry debuted the movie *Blood Diamond* (Zwick, 2006), and the public became aware of the injustices inflicted on those mining for alluvial diamonds in the Sub-Sahara regions of Africa. GW announced on August 20, 2014 that Ed Zwick has joined the conflict mineral campaign stipulating that more needs to be done globally to end the suffering of others. He noted that in 2010 the U.S. passed *binding legislation* requiring companies to guarantee that their supply chains are not subsidizing conflict and he wants Europe to do the same (Global Witness, 2014).

The human suffering and cost in lives is enormous and unwarranted (Le Billion, 2006). Poor governance from the governments in the Sub Sahara countries has negatively impacted the regions affecting life and the unabated conflict and civil wars that continue (Janse, 2007). Collier and Hoeffler (2000) reported the finding of the World Bank in 2000 that countries that generate their revenues from natural resource commodities were more prone to civil war (as cited in Schure & Kantel, 2007). Global diamond rough production for 2001-2005 is estimated to be \$55 billion (Janse, 2007, p. 118) and a modest arbitrary figure of 10% is considered to be of illicit origin (Janse, 2007, p. 116).

In 2004 AI and GW conducted a survey of 246 U.S. jewelry retailers. The survey consisted of four questions that were asked of retailers and expanded upon based on verbal responses:

1. How can I be sure that none of your jewelry contains conflict diamonds?
2. What is your primary source for diamond jewelry?
3. Can I see a copy of your company's policy on conflict diamonds and/or written guarantee from your suppliers that your diamonds are conflict-free?
4. How often do consumers ask you about conflict diamonds?

(Amnesty International, 2007, Conflict Diamonds - 4 Ideas for Action, p. 3).

The findings are as follows: a) 27% had a policy on conflict diamonds; b) 31% were able to provide documentation of their conflict diamond policy; c) 28% were aware of the Kimberley Process; d) 83% stated that customers never to rarely inquire about conflict diamonds; finally, e) 110 stores of the 246 refused to participate in the survey (Conflict Diamond Statistics, 2013).

Even with the mass media attention on this topic many in the jewelry trade are ignorant of conflict diamond issues or refuse to acknowledge the topic at all. GW (2004c) has gone on record as saying "The credibility and effectiveness of the Kimberley Process strongly depends on the diamond industry being held accountable for commitments made to stop the trade in conflict diamonds" (p. 3). CSR initiatives enacted by companies in the jewelry industry are critical in the fight against conflict resources. Companies who are knowledgeable of the conflict resource problem can proactively operationalize their organizations to address conflict resources in their supply chains.

The NGOs mentioned above, and others, continue the fight to get the word out about conflict diamonds. The public has become more aware of this topic due to NGO efforts but the quest for greater public support is difficult to cultivate. It is up to the jewelry industry to abide by the KP program, the Dodd-Frank Act, and the Clean Diamond Trade Act to assure the end consumer is purchasing conflict-free diamonds in their jewelry. The World Diamond Council (WDC), established in July 2000 through the Antwerp Resolution, is focused on observing the KP and monitoring the movement of diamonds through the KPCS system. Their Mission Statement captures their intent:

The primary objective of the WDC is to represent the diamond industry in the development and implementation of regulatory and voluntary systems to control the trade in diamonds embargoed by the United Nations or covered by the Kimberley Process Certification Scheme (World Diamond Council, Mission Statement, 2013b, para. 1).

The World Diamond Council monitors the potential for smuggled goods entering the licit diamond supply chain and has implemented a “System of Warranties which extends the effectiveness of the Kimberley Process” (World Diamond Council, 2013b, Mission Statement, para. 2). By implementing the system of warranties businesses around the world unify to ensure the program’s success and demonstrate their resolve to fight actively for human rights around the world. However, GW (2004) contended that the WDC has fallen short of their responsibilities claiming that the WDC, who is responsible for coordinating and closely tracking the industry’s efforts on conflict diamonds has not performed as expected to ensure proper monitoring of industry. Voluntary disclosure of

CSR information is generally inclined to be positive but due to its voluntary nature stakeholders are skeptical of the information presented for the organization's self-interest reasons. Therefore, stakeholders require independent auditing to be assured of the credibility of the presented information (Liburd & Zamora, 2015).

Too often CSR disclosures are merely *window dressing* in an attempt to satisfy stakeholders (Kolk & Perego, 2014). A significant challenge evident in this process is the difficulty of identifying CSR drivers and measuring them to confirm the credibility of management's presentations (Eccles, Ioannou, and Serafeim, 2011; Moser & Martin, 2012). The topic of self-regulation within the U.S. jewelry industry is a concern in that without auditing practices, both internal and third party the effectiveness and success of the system of warranties are unverifiable. Independent and integrating reporting of CSR disclosures are high in demand but low in supply in the U.S. (Casey & Grenier, 2014). Adding to the difficulty are organizations that question the importance of the sustainability of CSR strategies (Eccles et al., 2011). Four critical aspects of voluntary self-regulation are: *assurance, disclosure characteristics, situation incentives, and management credibility* (Liburd & Zamora, 2015). For these reasons independent auditing has become a necessary aspect to support stakeholder confidence and CSR transparency obligating management to behave ethically (Liburd & Zamora, 2015).

Jewelry Industry Efforts in Relation to Conflict Diamonds

Jewelry industry businesses need to concern themselves with human rights issues. Global leaders need to know that stakeholders comprehend the connection between the product we purchase and the insufferable conditions of others (Global Witness, 2014).

Boge et al. (2006) highlighted the need for businesses to use their industry influences to support human rights and environmental concerns. Business can no longer retreat and wait for the government to deal with the global issues of conflict. Nelson (2002) stated “consumers, investors, employees, government, and citizens require businesses to act responsibly, be accountable and contribute to these broader societal goals” (as cited in Boge et al., 2006, p. 74). Nelson goes on to contend that companies must re-evaluate their core business activities and interact with the megacommunity to influence national and international frameworks and global values.

The jewelry industry needs to be conscious of human rights issues within their own organizations and to avoid complicity in human rights violations no matter what expenses are incurred to be ethically proactive. Boge et al. (2006) stated that “ethical behavior will lead to long-term profitability” (p. 76). CSR policies need to be clearly stated, transparent in their intent, and fully communicated to an entire organization, industry, and community with stated accountability standards. Formulating a CSR policy requires detailed understanding by management of the positioning a company can assume in regards to social and ethical issues. GW (2004) contended that the jewelry industry must function with greater transparency and in a more communally responsible mode and, therefore, the jewelry industry needs to fundamentally alter its operating structure to accommodate the necessary changes in transparency and social responsibility.

The U.S. jewelry industry has an obligation to develop and implement CSR programs that ensure the diamond supply chain is conflict free with documented verification and audit processes outlined with full transparency. Anything less is a

misleading attempt to convey ethical behavior. Only through unity throughout the jewelry industry can positive and effective change take place for the long term. The WDC must become more proactive in sending this message and unifying and leading the industry on the conflict issues.

Maon et al. (2008) conducted a review of CSR criteria for the pharmaceutical industry, which is applicable to the jewelry industry. CSR implementation is required with full and active support from top management to address effectively conflict resource issues. Managers must be educated on the aspects of all conflict resource issues, supply chain certification procedures, and verifiable accountability actions and transparency protocols and to behave ethically in establishing CSR programs.

Maon et al. (2008) stipulated that there are four generic *industry specific issues* that require attention in any CSR policy: “(1) dialogue and engagement with stakeholders and community; (2) organizational CSR culture and leadership; (3) managing environmental, health and safety concerns and (4) employment practices” (p. 421). In addition, Maon et al. stated that there are six issues that relate specifically to ethical behavior. It must be noted that items (1) and (3) in Figure 4 have been modified to be specific to the jewelry industry while maintaining the original intent of the authors. Alterations have been bracketed: “(1) [acknowledgement] for needy persons; (2) specific quality management concerns; (3) [transparency] and publication of [diamond sourcing]; (4) responsible product design; (5) responsibility for the procurement chain and (6) promotion of products and marketing ethics” (p. 421). The main focus in these six

business requirements identified is the need for ethical action of all parties in any CSR program. Figure 4 outlines the criteria for the creation of a CSR policy.

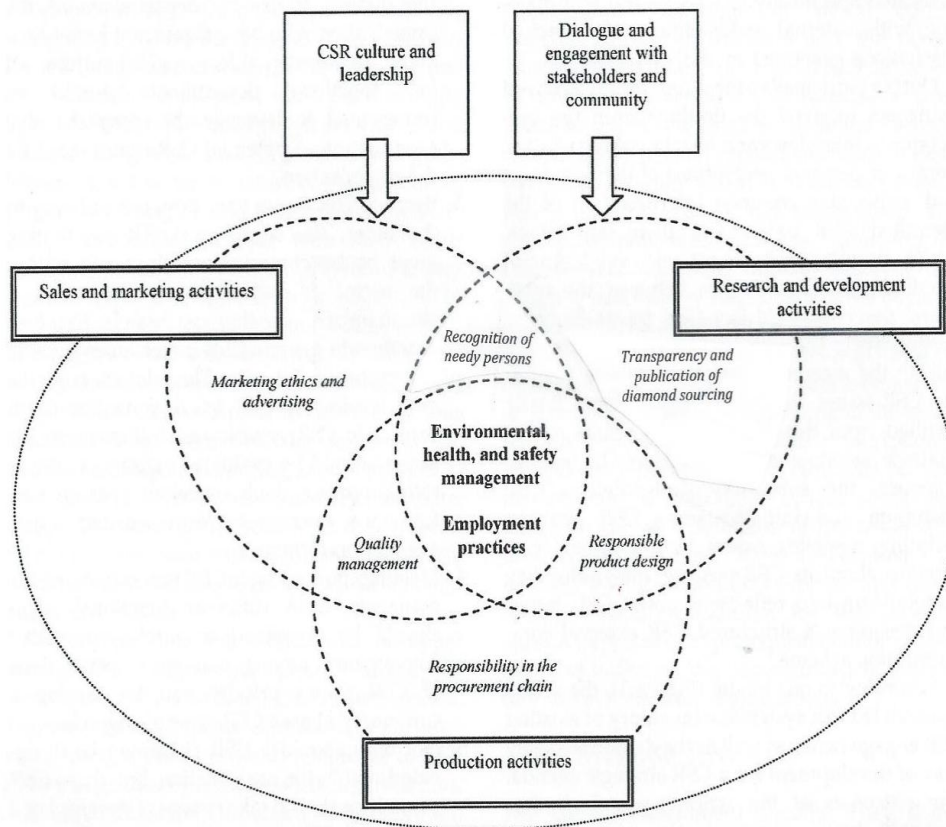


Figure 4. Corporate social responsibility spheres of business activity, Adapted and modified from Thinking of the Organization as a System. The role of managerial perceptions in developing a corporate social responsibility strategic agenda, Maon et al., 2008, p. 421.

Having a CSR policy that is not practiced throughout the organization is a waste of time and effort and is ineffectual in its purpose. It must be communicated and understood and practiced by all members within an organization. In order for the policy to be credible it needs to be transparent and communicated to the industry community,

business partners, suppliers, retailers, and finally to society. Without full participation by all stakeholders, the CSR intentions and successes are in jeopardy, wasting time, money, and possibly damaging corporate identity and reputation through insincerity and perceived dishonesty by stakeholders and society. Societal reputation is critical to any company's profitability, growth, and survival.

The CSR policy of a company identifies the stakeholders, what their ethical positions are and how these stakeholders wish to be perceived by the global community. Boge et al. (2006) advocated the need for multi-stakeholder partnerships and contended that partnerships between NGOs and businesses can be mutually beneficial. Joint efforts between businesses and NGOs also strengthen critical relationships with governments and reinforce the need for cooperation, transparency, and accountability. This is especially beneficial in conflict associations because the unified front of business, NGOs and IGOs is a formidable group to contend with. It leverages all three strengths as outlined by Gerencser et al. (2008).

The Zale Corporation, a U.S. jewelry manufacturer and retailer, states in their Conflict Diamond Policy that all diamond vendors conducting business with the Zale Corporation must provide proof of warranty upon request as to where their diamonds are being sourced. In addition, all vendors must recertify annually that adherence to the KPCS procedures in acquiring diamonds is being enforced. Sales associates working in their retail operations are fully trained in the Zale CSR policy conflict diamond program and auditing procedures to ensure understanding and compliance with the KP (Zale Corporation, 2013). Throughout the lifecycle of an organization, the CSR policy must be

maintained and updated as issues arise, circumstances change and the global community reacts to current events. Ethical behavior is required by corporations in order to conduct business along a company's supply chain. Verification and inspection auditing of records are all part of a supply chain relationship and responsibility with stakeholders, employees, vendors, retailers, and with the consumer.

Currently all U.S. jewelry companies require a statement known as a *proof of warranty* from their various vendors stipulating that the materials used in the manufacture of their products is sourced from conflict-free regions (World Diamond Council, 2013). This stipulation is generally a signed statement attesting to the nonuse of conflict materials in any form from any U.S. and UN sanctioned global regions and is reinforced by documentation and CSR practices, compliance to the Patriot Act, the Dodd-Frank Act, the Clean Diamonds Trade Act, NAFTA Annex 401b regulations, and the KP. The major jewelry houses in the U.S. all have some form of documentation requirement from their respective vendors to ensure conflict diamonds are not used in their respective products.

To ensure that diamonds provided by independent sources are conflict-free U.S. jewelry companies require the following statement, developed by the WDC and to be used by KP members and jewelry houses to appear on all invoices for diamonds or product containing diamonds attesting that:

The diamonds herein invoiced have been purchased from legitimate sources not involved in funding conflict and in compliance with United Nations resolutions.

The seller hereby guarantees that these diamonds are conflict free, based on

personal knowledge and/or written guarantees provided by the supplier of these diamonds

(Conflict Diamonds and the Kimberley Process Fact Sheet, 2013, para. 12).

Similarly, the U.S. jewelry industry must contend comparable guarantees that all the minerals used are also conflict free as outlined in the Dodd-Frank Act.

Tiffany & Company (2013) certifies on their corporate responsibility website that conflict diamonds or minerals are not used in any of their products. Diamond rough is sourced directly from mines in Australia, Botswana, Canada, Namibia, Russia, Sierra Leone and South Africa. Tiffany & Company only purchases diamond rough from countries that participate in the KPCS process (2013, para. 4). Polished diamonds are purchased from third party sources that comply with the WDCs system of warranties (2013, para. 6). Furthermore, Tiffany & Company is a proactive leader in the campaign against conflict diamonds and minerals and is continuously gathering information, documentation and conducting auditing and verification of ethical practices from their vendors and implementing controls that are analyzed frequently by their internal auditing staff. GW (2004) applauds Tiffany & Company for going beyond the WDC norms and instituting strict guidelines and verification practices initiating the *chain of custodies* policy that meets the International Organization for Standardization (ISO) quality requirements. All of these requirements are mandatory for all independent vendors Tiffany & Company incorporates and sources its goods and finished products from for the entire global jewelry community.

A vendor position example, that I composed, is provided below from the Frank M. Nelkin, LLC jewelry manufacturing operation and documented in the company's CSR Policy with the following statement concerning conflict materials: "Precious Minerals: - The Company maintains all precious minerals (metals and stones) are sourced only from certified sources. The Company fully complies with all Patriot Act, Dodd-Frank Act and Kimberley Process Certification Scheme requirements and regulations." (Permission granted by Frank M. Nelkin, Proprietor, para. 10). The WDC statement is also stated on all Frank M. Nelkin, LLC invoices submitted for payment.

All companies associated with the jewelry industry in the U.S. that deal in or utilize diamonds use the WDC (2013) statement or have similar statements, certifying that their diamonds are conflict free. It is compulsory for them to abide by the same UN resolutions and U.S. laws, regulations and requirements for documenting and certifying the supply chain sourcing of their respective materials used to produce jewelry. Similarly, many international governments have followed in kind and have formed a membership of concerned jewelry leaders in this fight with the most active NGOs and KPCS membership. Being associated with the WDC, AI, GW and many other progressive international organizations gives validity and credence to the conflict diamond issues and cause.

Two NGOs, WFDB and the IDMA, were established to provide international oversight and guidance in addressing conflict diamonds through international organizations, and their constituents and affiliated membership. The WFDB and the IDMA developed a joint resolution that promotes the use of the system of warranties,

identifies a code of conduct, and outlines penalties for violations of the KP. However, GW has determined that the jewelry industry is not living up to its commitment to implement the self-regulation practices required by these organizations and the KP mandates. In 2004, GW conducted a survey of 246 U.S. jewelry retailers and found that 44.7% of retailers refused to participate in the survey (Global Witness, 2004). It should be noted that conflict diamonds, conflict minerals, and conflict resources all have similar attributes in regards to humanitarian injustices and global positions and opinions. Some statistics highlighted in the GW's Survey of U.S. retailers, made up of independent jewelry stores, national and international jewelry chain stores and, department stores, conducted in 2004 show that (Global Witness, 2004):

- 83% are falling short in implementing a self-regulation system (p. 20).
- 17% had a policy on conflict diamonds and a system of warranties (p. 32).
- 21% had a partial or limited understanding of their company's conflict diamond policies (p. 25).
- 57% surveyed had no idea what their company's policies were on conflict diamonds (p. 24).
- 12% were well informed on their company's conflict diamond policy (p. 25).
- 18% of retailers mentioned a system of warranties (p. 26).

GW followed up with the home offices of the surveyed retailers inquiring about their respective conflict diamond policies (Global Witness, 2004):

- 8% of independents responded (p. 21).
- 0% of department stores responded (p. 21).

- 88% of the national and international group responded (p. 20).

But of those that did respond in writing an incomplete picture was generated of their conflict diamond policies, implementation of self-regulation practices, and were ambiguous if a system of warranties was in place at all to prove that their diamond supply chain is actually conflict diamond free (Global Witness, 2004). GW (2004) makes the issues very clear with the following statement “Conflict diamonds expose the fundamental problem with the way in which the diamond [jewelry] industry operates, the lack of accountability, ethics and social responsibility within the industry and how this has given access to criminals, rebel groups and terrorists” (Global Witness, 2004, p. 17). GW (2004c) concludes that the diamond jewelry industry is *abysmal* in its conduct concerning conflict diamond (p.32).

Kimberley Process Certification Scheme (KPCS)

The KPCS is a worldwide UN resolution program aimed to resolve and eliminate the use of diamond resources in support of conflict. As of 2013, there are 74 countries participating in the KPCS worldwide (Global Witness, 2014d). Their combined efforts and international cooperation have hindered and reduced the quantity of conflict diamonds from entering the global supply chain to less than 1% as of 2010 (Bieri, 2010). The Bonn International Center of Conversion (BICC) applauds the KPCS as being instrumental in combating conflict diamonds through “cooperation between international organizations, governments, industry and nongovernmental organizations” (Boge et al., 2006, p. 8).

On the home page of the KP website is the following declaration: “The Kimberley Process (KP) is a joint government, industry and civil society initiative to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments” (The Kimberley Process, 2013, para. 1). In addition, the KP defined conflict diamonds as:

Conflict diamonds means rough diamonds used by rebel movements or their allies to finance conflict aimed at undermining legitimate governments, as described in relevant United Nations Security Council (UNSC) resolutions insofar as they remain in effect, or in other similar UNSC resolutions which may be adopted in the future, and as understood and recognized in United Nations General Assembly (UNGA) Resolution 55/56, or in other similar UNGA resolutions which may be adopted in the future.

(Kimberley Process Certification Scheme Preamble, 2013, Section 1, para. 1).

The KP is a system adopted by over 75 countries to work in unison in managing, monitoring, and processing shipments of diamond rough throughout the world and ensuring that the enclosed diamonds have not been tampered with or contaminated and sourced only from areas free of conflict (Statistic Brain, 2013). The KPCS certifies that the diamond rough, once sealed in its shipping container, has seals intact and has not been tampered with and thereby is certified to have been sourced from legitimate diamonds mines and sources. Furthermore, the funds generated from the sale of these diamonds are not to be used to support and fund conflict.

The KPCS was initiated through the efforts of AI and GW and strongly endorsed by the WDC. These NGOs and others pressed for UN Resolution A/RES/55/56, which is detailed in the KPCS Preamble as follows:

Highlighting the United Nations General Assembly Resolution 55/56 (2006) on the role of the trade in conflict diamonds in fueling armed conflict, which called on the International community to give urgent and careful consideration to devising effective and pragmatic measures to address this problem;

In addition:

Further highlighting the recommendation in United Nations General Assembly Resolution 55/56 that the international community develop detailed proposals for a simple and workable international certification scheme for rough diamonds based primarily on national certification schemes and on internationally agreed minimum standards;

(Kimberley Process Certification Scheme Preamble, para. 6).

In 2003, the KPCS was initiated and implemented globally to create a participatory international system to certify diamond rough conformity to be legitimately sourced and free of conflict diamonds. It is the responsibility of the KPCS participants to ensure sealed packages remained sealed and that certificates are authentic and uncompromised. This program applauded by IGOs, NGOs, and civil society stakeholders has had a positive impact globally in the jewelry industry's ability to monitor, prevent, and deter conflict diamonds from contaminating the global diamond supply chain. However, GW (2004) contended that the diamond supply chain is still in jeopardy and

that conflict diamonds are entering the licit supply chain. Countries participating in the KPSC program are required to meet the following criteria;

- Pass and implement the necessary laws and regulations to implement the scheme and keep out conflict diamonds.
- Ensure that exports and imports of rough diamonds are in tamper resistant containers.
- Collect, maintain and exchange official statistical data on trade and production of rough diamonds.
- Produce a Kimberley Process certificate that meets the requirements outlined in the agreement (e.g. carat weight, value, tamper and forgery resistant, country of origin).

(Global Witness, 2004, p. 9).

It must be understood that the KPSC program though it is structured upon sound mandates and foundations, is a self-regulating system that each participant can build their CSR programs upon for their own specific needs. As outlined in Section IV of the KP Preamble under *Principles of Industry Self-Regulation* is the following statement:

Participants understand that a voluntary system of industry self-regulation, as referred to in the Preamble of this Document, will provide for a system of warranties underpinned through verification by independent auditors of individual companies and supported by internal penalties set by industry, which will help to facilitate the full traceability of rough diamond transactions by government authorities

(Kimberley Process Certification Scheme Preamble, Section IV, para. 2).

The most important aspect of this program is the unified commitment to the KPCS program and the unwavering desire to eliminate conflict diamonds from the supply chain. For many of the African countries participating in the KPCS program, diamonds are a critical source of revenue and it would be catastrophic for some to not comply or chance damaging their ethical reputation on the global market.

The sector of the jewelry industry that deals with diamonds made three commitments that were identified that would ensure conflict-free diamond supply. These three commitments were:

- To implement a code of conduct to prevent buying or selling conflict diamonds.
- To implement a system of warranties requiring that all invoices for the sale of diamonds and jewelry containing diamonds must contain a written guarantee that diamonds are conflict free.
- To inform company employees about the industry's policies and government regulations to combat the trade in conflict diamonds.

(Global Witness, 2004, p. 2).

GW (2004) goes on to report that 5 years after these commitments were made that a large portion of the U.S. jewelry retail industry is not being proactive in self-regulating, auditing, and compliance requirements and not taking the issues of conflict diamonds seriously. These nonconforming retailers jeopardize their reputations to the consumer and risk legal actions by U.S. authorities.

Summary and Conclusions

In this literature review, I outlined and demonstrated the critical aspects associated with conflict diamonds in regard to the Sub-Sahara regions of Africa and how conflict diamonds related to the jewelry industry. The works of Bieri (2010), Boge et al. (2006), Harsch (2007), Le Billion (2006, 2008), Maon et al. (2008), McGrew (2005), Schure & Kantel (2007), Shaw (2010), and others as well as AI, BICC, GW, PAC, the WDC and other NGOs provide a clear portrayal as to the effects on economics, environmental issues, and societal concerns and why factors exist.

The debate between NGOs and business were reviewed in light of their ability and need to partner and work together. CSR was also reviewed and examined and addresses a major gap in the literature as outlined in the works of Carroll and Shabana (2010), Freeman et al. (2010), Hitt (1990), Isaksson (2012), and Van Wyk et al. (2009). These theorists establish that ethical issues exist that need to be addressed from a management perspective and CSR is the process to address the social responsibility requirements of the industry. Identifying these characteristics associated with conflict diamonds provides support for the mandates of the KP and demonstrates an urgent need for additional action from all parties.

In Chapter 3, I outlined an examination of the U.S. jewelry industry's role in conflict diamonds and the need for CSR strategies and actions to verify compliance to KP program. Understanding of the role top management needs to take in projecting organizational ethical behavior is important to demonstrate the code of conduct the entire organization needs to emulate and practice.

In Chapter 4, I presented the findings generated through the research and provide an analysis based on the findings to develop conclusions and recommendations in Chapter 5 for improvement and promoting positive change in the U.S. jewelry industry. In Chapter 5 I provide suggestions for continued research on this topic.

Chapter 3: Research Method

The purpose of this quantitative study was to investigate the effectiveness of the KP and CSR policies in deterring the use of conflict diamonds in the U.S. jewelry industry. I examined how informed U.S. jewelry companies are in their CSR policies, and their knowledge and understanding of U.S. laws concerning conflict diamonds. I assessed whether verification processes are in place to ensure conflict diamonds are not incorporated into the respective diamond product mix and ascertained if the U.S. jewelry industry has CSR policies in place and how conscientious the U.S. jewelry industry is in adhering to their policies.

I used a nonparametric quantitative research methodology in this study to review practices, attitudes, and policies concerning the effectiveness of CSR policy in relation to the KP within the U.S. jewelry industry. The research was conducted with a self-administered survey instrument via Survey Monkey to a population of no less than 58 participants from the U.S. jewelry industry made up of executive decision makers whose opinions were indicative of the U.S. jewelry industry who have participated in the annual Santa Fe Symposium. The respondents' identity was confidential, and their anonymous responses were compared and rated to one another to determine the primary actions of the jewelry industry in general.

The data collected were numerically coded and statistically analyzed with respect to the U.S. jewelry industry's efforts to monitor for conflict diamond contamination through the lens of the industry's CSR policies in respect to the KP. The positions and

attitudes of the U.S. jewelry industry on conflict diamonds were investigated to determine how transparent and committed the industry is to the conflict diamond issues in regard to U.S. legislation and UN resolutions and how vigilant the U.S. jewelry industry is in verifying their respective diamond supply chain processes.

Research Design and Rationale

The following research questions guided the study:

1. What effect does the KP mandates have on deterring conflict diamonds contamination in the U.S. jewelry industry as measured by the KP survey?

H1₀: The KP mandates have no significant effect in deterring conflict diamond contamination.

H1_A: The KP mandates significantly affect deterring conflict diamond contamination in the U.S. jewelry industry.

2. What effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry?

H2₀: The KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry.

H2_A: The KP mandates significantly affect the CSR policy development in the US jewelry industry.

3. How transparent are the verification processes concerning KP policies in the U.S. jewelry industry?

H3₀: The verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry.

H3_A: The verification processes concerning KP policies are significantly transparent in the U.S. jewelry industry.

Methodology

This study was quantitative in nature using a cross sectional nonexperimental research design. The collected survey coded data were organized and formatted to provide construct validity of the study. How well the survey instrument performs is of greater importance than how quantitative the data gathered are (Litwin, 1995). Using nonparametric processes, the data were analyzed and compared, and conclusions were drawn and developed based on the findings.

The 20 question closed-ended survey instrument (see Appendix C) was administered via Survey Monkey in cooperation with a research partner to a minimum of 58 participants who were decision makers in the U.S. jewelry industry whose opinions were indicative of the U.S. jewelry industry, to reduce random error. The sampling frame was comprised of approximately 500 attendees at the annual Santa Fe Symposium (SFS), a jewelry industry-specific gathering of jewelry professionals. Personal information from the survey instrument was confidentially maintained, password protected, and data collected were compared based on response preferences. Demographic questions identified (a) gender, (b) age group, (c) U.S. jewelry industry affiliation, and (d) U.S. geographical location.

Survey question responses were broken down into a 7-point scale Likert format ranging from *Strongly Disagree* to *Strongly Agree*. Grouping of matching responses were tallied and presented in a histogram format that was interpreted in a standard deviation

bell curve with a 95% probability of validity, as well as a gap analysis perception plot. Analyses was presented with mean, median, mode, and quartile percentiles illustrating response preferences by stratified groups indicating U.S. jewelry industry preferences of CSR practices and attitudinal behavior concerning conflict diamonds. Institutional theory posits that prioritization by different stakeholders is dependent on how organizations within the same industry view their operationalization (Alfaro-Barrantes, 2012). This includes management of CSR policies.

I used four nonparametric tests to conduct data analyses of the targeted population. The tests included the Cronbach Alpha Test, Mann-Whitney U Test, a Gap Analysis, and the Two-Proportion Z-Test. This was in addition to the data that were presented in histogram format and standard deviation bell curve depicting preferences and rankings of the responses in the survey data collected.

Population

Since I did not have access to the entire U.S. jewelry population, convenience sampling was used with voluntary participants from across the U.S. jewelry industry. For this study, I incorporated purposive sampling by seeking volunteers from a specific section of the U.S. jewelry industry, diamond suppliers, and manufacturers that incorporate diamonds in their manufacturing processes. Participant sample size calculation was appropriate with the minimum requirement of 58 participants (www.surveysystem.com). The sample population consisted of participants who were U.S. jewelry industry owners, executives, operating officers, presidents, diamond buyers, and managers who actively participate in the fabrication of jewelry in the U.S. jewelry

industry and who would display a code of conduct necessary to promote and support positive CSR behavior. The opinions of these individuals are indicative of the U.S. jewelry industry as a whole.

Sampling and Sampling Procedures

The participants were from this sample frame population of 145 jewelry companies from across the United State. The participants were contacted via Survey Monkey and used for the duration of the survey process. The survey remained open for 4 weeks from the time of commencement. The survey was designed to be completed within 5 minutes. Full instructions were provided in the survey as to how to proceed with completing survey. Also included was my contact information if anyone required additional information or clarity. In the instrument's instructions, I stated that participation in this survey was voluntary and that anonymity and confidentiality were ensured. By completing the survey and returning it, the participant was providing informed consent and volunteered to participate in the survey. However, even after the consent was provided and the survey was administered, the participants were able to withdraw from the survey without malice. Upon completion of the survey, the participants returned the completed survey via Survey Monkey where I accessed the responses, coded them, scored them, reviewed them, and processed them for analysis with full anonymity. All the surveys were completed and returned within 4 weeks of administration. All survey data will be securely retained for 5 years as required by Walden University's Institutional Review Board (IRB) requirements on a password protected known only to me and maintained off site.

Procedures for Recruitment, Participation, and Data Collection (Primary Data)

The survey instrument was administered via Survey Monkey to a sample population consisting of the attendee population of the annual SFS. The Introduction section on Survey Monkey outlined the purpose of the survey and informed the population that by choosing to participate in the survey, they were providing their consent to volunteer to be a participant in this study. The population was under no obligation to participate; participation in this study was voluntary. Anyone could choose not to participate or to discontinue completing the survey without ill will. A minimum of 58 participants were needed to volunteer to participate in the survey to ensure validity. All surveys that were received did not contain any personal participant identifiers. Therefore, response anonymity and identity confidentiality were assured and were maintained throughout the survey and for an additional 5 years, secured on a password protected jpeg, before being destroyed. The information pertaining to Informed Consent had been incorporated into the opening statement of the introduction of the survey in accordance with Walden University requirements and IRB protocols and guidelines. Participants provided their responses through the Survey Monkey website from which the survey was originally received by them. A Walden University faculty contact had been provided on the Informed Consent statement to address any questions or concerns participants may have had.

Pilot Study

The survey instrument for this research was partially made up from a survey conducted with jewelry retailers by AI and GW in 2004 concerning conflict diamonds

and partially made up from a CSR survey conducted by Alfaro-Barrantes (2012) through The Florida State University. The AI/GW survey was modified from denoting retailers to now denoting the U.S. jewelry industry in general. In addition, aspects from Alfaro-Barrantes CSR survey made up the balance of this survey instrument. The survey instrument was pilot tested due since it is a combined effort to address CSR in regard to the KP. It was tested with six management level jewelry industry professionals to ensure content validity. These jewelry industry professionals examined the instrument as to readability to determine if there were any errors and to identify if there were areas of difficulty, ambiguity, and misunderstanding. Upon completion of the review, the survey instrument was finalized with only grammatical corrections.

Archival Data

This study incorporated the use of UN resolutions and U.S. legislations in regard to human rights and conflict funding associated with terrorism.

UN resolutions A/RES/55/56 of January 2003, 56/263 of March 2002, 57/302 of April 2003, 58/290 of April 2004, 59/114 of December 2004, and 60/182 of December 2005 are all concerned with funds generated from conflict. United Nations Conference on Trade Development (2015) is concerned with FDI issues between developing countries to expand and grow economies, ensure security, and establish self-sustaining strategies.

The UN Human Rights, Office of the High Commissioner (2001) articulated a framework for establishing the guidelines to protect, respect, and remedy on a global basis for businesses in relation to human rights needs and violations. The UN Security Council, through resolution 1173 of June 12, 1998, imposed sanctions on Angola, who

were using the funds gained from the sale of diamonds to support the regime of Jonas Savimbi and the UNITA.

On January 28, 2003, the UN Security Council, through Resolution 1459, fully endorsed the KPCS and outlined it to UN members around the world, thus creating a systematic certification process to control the import and export of diamonds (United Nations General Assembly, 2006). The Patriot Act was signed into law on October 26, 2001. The intent of this act is to monitor for terrorist communications and activities directed at the United States and its allies globally and address money laundering that could be used for acts of terrorism (U.S. Department of State, 2002). The Patriot Act was due to be decommissioned on December 31, 2005, but in July 2005, the U.S. Senate passed a reauthorization bill reviving the Act, and on March 9, 2006 it was signed into law on a permanent basis (U.S. Department of State, 2002). This act authorizes the secretary of the treasury with the authority to regulate financial transactions and monitor the flow of monies in all businesses and personal transactions in the United States with the intent to prevent funding for terrorism.

The Clean Diamond Trade Act codified the provisions incorporated in the KP (U.S. Department of State, 2002). The Clean Diamond Trade Act authorized the U.S. Government, through the U.S. General Accountability Office, to inspect the U.S. importation and to exportation of diamond rough (U.S. Department of State, 2002). The Clean Diamond Trade Act requires that the KPCS be implemented throughout the diamond supply pipeline from mines to consumer purchases.

In December 2010, the U.S. Congress implemented the Dodd-Frank Act legislation, Section 1502, concerning conflict minerals (U.S. Securities and Exchange Commission, 2010). Specific to the Dodd-Frank Act are the activities of the U.S. Agency for International Development whose focus is to address the connections concerning human rights abuses, armed conflict groups, and the extraction of conflict minerals (U.S. Government Accountability Office, 2014). The Dodd-Frank Act provided legislation for the U.S. Government to promote financial stability and address illicit funds generated from conflict diamonds, conflict minerals, and conflict resources that fund conflict through U.S. financial institutions (U.S. Securities & Exchange Commission, 2010). On August 22, 2012, the U.S. Securities and Exchange Commission issued the Dodd-Frank Act, Section 1502, Title XV on Conflict Minerals requiring companies to document and support their sourcing and use of “Subject Minerals” (U.S. Government Accountability Office, 2014). The Dodd-Frank Act Section 1502 is specifically intended to hold U.S. jewelry companies accountable through the SEC to ensure subject minerals are not being sourced through U.S. financial avenues supporting conflict.

The Patriot Act, the KPCS, the Clean Diamond Trade Act, and the Dodd-Frank Act are critical resolutions and legislations passed by the U.S. Government and the UN to eliminate the support of conflict funding and thereby eliminate conflict and human rights violations on a global scale.

Instrumentation and Operationalization of Constructs

The accuracy of a survey is determined by the reliability and validity of the survey instrument (Litwin, 1995). I used a modified version of the established GW

(2004) and AI (2007) survey on conflict diamonds conducted with jewelry retailers combined with a modified CSR survey conducted by Alfaro-Barrantes (2012). The survey instrument was administered to the U.S. jewelry industry. The GW (2004) and AI (2007) survey provided validity for the survey portion being conducted on conflict diamonds as does the CSR survey conducted by Alfaro-Barrantes (2012) for the social responsibility aspect of the study. The 7-point Likert scale style survey used in this instrument measures the effectiveness of CSR programs in relation to the KP as a method of deterring the use of and eliminating conflict diamonds from entering the U.S. jewelry market.

Alfaro-Barrantes (2012) stated that the Likert scale incorporates a rating scale where the research participants designate their level of disagreement/agreement with the survey statements presented. Bohner and Wanke (2002) contended that a major advantage of using a Likert scale survey instrument is that it realizes a high level of internal consistency (as cited in Alfaro-Barrantes, 2012). This assures a high correlation of the scores. In addition, Bohner and Wanke (2002) posited that a Likert scale survey allows the researcher to focus in on specific issues requiring attitude assessment (as cited in Alfaro-Barrantes, 2012), such as the attitudes related to CSR on the KP. In the survey, I examined the transparency of the CSR positions throughout the U.S. jewelry industry respective to the KP and conflict diamonds. The modified GW (2004) and AI (2007) survey statements on the KP and the CSR statements were identified. The survey instrument provided appropriate and critical direction for this study. A Pilot Test was conducted of the instrument to ensure its clarity of purpose, understanding of the

response process, and to mitigate any issues of ambiguity. Oversampling was conducted to mitigate non responses.

The survey began with four demographic questions to determine stratified sector information of the participant's company functions within the U.S. jewelry industry and geographic location with the U.S. along with gender maturity categorization. The survey instrument is made up of 20 close-ended statements focused on the KP and CSR attributes with a 7-point Likert-type response scale anchored by *Strongly Disagree* and *Strongly Agree* response breakdowns. The survey instrument was administered via Survey Monkey to a population composed of attendees of the annual Santa Fe Symposium, a premier group of jewelry industry executives and professionals representing a cross section of the entire U.S. jewelry industry.

The statements used in the AI (2007) and GW (2004) survey of retailers were:

1. How can I be sure that none of your jewelry contains conflict diamonds?
2. What is your primary source for diamond jewelry?
3. Can I see a copy of your company's policy on conflict diamonds and/or written guarantee from your suppliers that your diamonds are conflict-free?
4. How often do consumers ask you about conflict diamonds?

(Amnesty International, 2007, Conflict Diamonds – 4 Ideas for Action, p. 3).

The statements used in the survey instrument of this research paper reflect the focus of the AI (2007) and GW (2004) survey conducted with statements being modified to reflect the U.S jewelry industry as a whole. The responses were formulated in a 7-point Likert-type scale format anchored with *Strongly Disagree* and *Strongly Agree*.

With permission granted by AI, survey statements regarding the KP for this research paper include:

1. My customers require a System of Warranty pledge regarding conflict diamonds.
2. Diamond supply sources are transparent to customers.
3. My company has a documented Corporate Social Responsibility policy on conflict diamonds.
4. My company receives a written guarantee from all diamond suppliers that the diamonds supplied are conflict free.
5. My company verifies that the diamonds received from suppliers are conflict free.
6. My company's customers ask about conflict diamonds.
7. Corporate Social Responsibility policies on the Kimberley Process are communicated to all company employees in my company.
8. My company's Corporate Social Responsibility policies are continuously monitored throughout the year.
9. My company considers the Kimberley Process to be an excellent process for addressing conflict diamonds.
10. My company's diamond suppliers participate in the Kimberley Process Certification Scheme.
11. My company understands the issues concerning conflict diamonds.
12. The U.S. jewelry industry is fully aligned with the Kimberley Process.

The above survey statements in this research paper provided data on the U.S. jewelry industry's compliance with the KP mandates.

The CSR statements, generated from Alfaro-Barrantes (2010) survey provided insight into the U.S. jewelry industry's CSR ethical positions. Organ, Podsakoff, and MacKenzie (2006) coined the term *organizational citizenship behavior* (OCB) referring to the efficient operationalization of an organization's social functionality (as cited in Alfaro-Barrantes, 2012, p. 5). Ellis (2006) refers to *personal social action* (PSA) wherein leadership actions affect the initiatives that an organization supports either positively or negatively. Code of conduct is an essential part of any organizations successful CSR policy (as cited in Alfaro-Barrantes, 2012, p. 5). The following survey statements were generated from these positions:

1. My company's leadership actively promotes ethical behavior.
2. My company's mismanagement actions are acknowledged throughout the company.

Speed and Thompson (2000) considered the variables of *sponsor-event fit* to see if an organization's efforts and commitments are aligned with their socially responsible activities (as cited in Alfaro-Barrantes, 2012, p. 64-65). The following survey statements were generated from these positions:

3. My company and the social initiatives my company is involved with fit well together.
4. There is a logical order connection between my company and the social initiatives that it is involved in.

Speed and Thompson (2000) also considered CSR motivation or altruistic motives in serving society's needs. Baron, Miyazaki, and Taylor (2000) posited that organizations

pursue socially responsible activities for self or *firm-serving* reasons such as increased profits, brand recognition, and industry reputation (as cited in Alfaro-Barrantes, 2012, p. 63-64). The following survey statements were generated from these positions:

1. The main reason my company is involved in social initiatives is because it cares about the well-being of society.
2. When my company supports different social causes, my company benefits more than the cause.

Tucker (2009) examined CSR practices in relation to an organization's commitment to the operationalization of the social initiative (as cited in Alfaro-Barrantes, 2012, p. 70-71). The following survey statements were generated from these positions:

1. Companies have a social responsibility beyond making a profit.
2. Being socially responsible is one of the most important things a company can do.

The CSR focus on company attitudes, code of conduct by top management, operationalization of ongoing policies and company efforts to behave ethically were examined in the above CSR statements. Combined with the KP statements these established surveys generated the 20 statement survey instrument specific for this research (see Appendix C for the complete survey instrument).

Data Analysis Plan

The design developed for this research was based on a quantitative methodology. The study is specific to the subject of conflict diamonds relative to the functionality of the KP in relation to management of CSR attitudes and programs.

1. What effect does the KP mandates have on deterring conflict diamonds contamination in the U.S. jewelry industry as measured by the KP survey?

H1₀: The KP mandates have no significant effect in deterring conflict diamond contamination.

H1_A: The KP mandates significantly effect deterring conflict diamond contamination in the U.S. jewelry industry.

2. What effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry?

H2₀: The KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry.

H2_A: The KP mandates significantly affect the CSR policy development in the US jewelry industry.

3. How transparent are the verification processes concerning KP policies in the U.S. jewelry industry?

H3₀: The verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry.

H3_A: The verification processes concerning KP policies are significantly transparent in the U.S. jewelry industry.

The independent variable is the voluntary self-verification guideline of the KP in the supply chain; the dependent variable is the transparency of the verifiable documentation reported to all stakeholders and concerned partners.

The data collected from the survey was scored totaling the like responses for each statement to establish participant preferences for each category the survey is designed to study (see Appendix C). The categories are: (a) Knowledge of the KP in relation to conflict diamonds, (b) CSR policy operationalization on conflict diamonds, and (c) Methods of verification and auditing of the diamond supply chain. The category results were then statistically analyzed through Statistical Package for the Social Sciences (SPSS) software. Interpretation of the results were based on participant preferences indicated in the survey. Keeping true to the original objectives of the KP program is critical to the KP's implementation and continued success. Effective management practices of CSR programs provided validation for the KPs success.

Microsoft Access software was used to conduct data cleansing of the data collected from external sources. The results from the data cleansing was further examined for errors and inconsistencies in order to ensure the relevant quality of the data gathered relevant to the jewelry industry. Such supported data was then deemed correct and valid. Inconsistencies were further examined until multiple sources demonstrated confirmation of the data. The verifiable sources used for this study provided a high level of confidence in the accuracy of the data obtained.

The survey instrument was pilot tested with a small group of U.S. jewelry industry professionals to ensure reliability and provide feedback on the quality of the instrument. The final survey instrument was administered via Survey Monkey along a structured platform to a stratified selection of the U.S. jewelry industry.

The statistical tests that were used to test the hypotheses are:

- Cronbach's Alpha test ensured internal consistency providing an estimate of reliability for the survey participants. As a coefficient of reliability, it determined how closely related a set of items are as a group (Litwin, 1995).
- The Mann-Whitney U nonparametric test was used to evaluate whether the medians on both sets of the survey responses differed significantly between the two groups of variables.

When all the data were scored and statistically analyzed an industry picture concerning the U.S. jewelry industry emerged to show how influential the KP was in combating conflict diamonds and establishing CSR policies in relation to conflict diamonds. It also showed where deficiencies were evident that needed to be addressed in the processes, communications and commitment to educating the jewelry industry as to the virtues of the KP's intent and purpose.

Threats to Validity

The GW (2004) and the AI (2007) survey on conflict diamonds conducted with jewelry retailers provided a clear focal point from NGO stakeholders who have worked endlessly on the issues of conflict resource effects on the global community. This provided validity from known organizations who have evolved their existence on the human rights issues promoting positive change on a global basis.

The survey conducted by Alfaro-Barrantes (2012) on CSR provided validity guidance in the development of the survey for this research. Alfaro-Barrantes focused on how well organizations manage their CSR programs in accordance with their policy positions.

Aspects of both these surveys were used to create the survey presented in Appendix C.

External Validity

External validity was realized when the results of the research was generalized from the initially researched population to the entire population group in question. The external validity of the measures in this study limited the generalizability because it is not in a controlled environment. It was generalized across a stratified group made up of the U.S. jewelry industry.

The conclusions of this research were generated by surveying 59 respondents from the U.S. jewelry industry whose opinions are indicative of the entire U.S. jewelry industry. Through the conceptual framework of CSR policies, guided by UN resolution support of the KP directives and U.S. legislation, the U.S. jewelry industry's performance and transparency of their management efforts were examined. The results generated through this survey can be applied to the global jewelry community thereby providing greater focus and emphasis on the issues of conflict diamonds.

Internal Validity

The variables of this study represent a cause and effect relationship key to the issues of conflict diamonds and the CSR programs enacted to address the issues by organizations in the U.S. jewelry industry.

The KP directives represented the independent variables for this study. The KP mandates that have been established and ratified by UN Resolution A55/56 and

authorized by U.S. legislation, in regard to conflict, to be the preferred method of conflict diamond control and enforcement.

In regard to the dependent variables, the relationship proposed by conflict diamond contamination into the diamond supply chain was crucially relative to understanding the meaning of this study, to detect if conflict diamonds are contaminating the diamond supply chain.

The CSR policies that the U.S. jewelry industry have implemented are intended to address specifically conflict diamond issues and conflict on a global basis in regard to conflict funding and terrorist activities. Essentially, are the CSR policies valid for addressing conflict diamonds?

Finally, the dependent variable of transparency and legitimacy of the U.S. jewelry industry was examined. As outlined in the directives of the KP and under the premise of voluntary self-regulation being conducted by the U.S. jewelry industry is there full disclosure? Ethical trust is a major component of this aspect of the KP program which relies on full participation to monitor for conflict diamonds and verify the diamond supply chain is uncontaminated.

Construct Validity

Construct validity relates to whether the inquiry being made is properly represented by the measurement tool used to conduct the research. Content validity was provided through the alignment of the survey instrument, which is specifically designed to address the issues of conflict diamond contamination in the U.S. jewelry industry as outlined by the KP. It was also aligned with issues concerning the management of CSR

policies that are specific to the KP, UN Resolution A/55/56, and U.S. legislation in regard to the funding of conflict and terrorism activities.

The survey provided data that demonstrated the efforts of the U.S. jewelry industry to behave ethically concerning conflict diamonds and preventing funding for conflict as illustrated through the theoretical concepts presented in this study. The data gathered also empirically measured the relationships that were hypothesized and formulated to answer the issues facing the social responsibility concerns confronting the U.S. jewelry industry. The data collected can be expanded to the generalization of the global jewelry community.

Ethical Procedures

There were some bias issues to consider in conducting this research. First, I personally have been employed in the international jewelry industry, with a primary focus in the U.S., for over 30 years with companies that have sourced diamonds for fabrication into jewelry for consumer purchase. I used my knowledge to focus on issues that could be overlooked by a layperson. Secondly, I am concerned about the honesty of the responses to the survey by the U.S. jewelry industry participants due to the sensitive nature surrounding conflict diamonds and the legislative requirements for KP supply chain verification. Bohner and Wanke (2002) postulated that the reactive nature of individuals can respond to negative or unfavorable direct questions with hesitation and skepticism influencing their responses (as cited in Alfaro-Barrantes, 2012). It is assumed that any organization that is not fully complying with the KP requirements or that is unethical in their practices may not respond honestly. However, due to U.S. legislation

regarding conflict diamonds and the severity for noncompliance it is assumed that the U.S. jewelry industry is complying with the law and thereby minimizes the concern of dishonesty. It is also assumed that those organizations who are unethical would not choose to participate in this study.

These concerns can be overcome, and important data has been realized in this study. There are reputable, ethical, and honest organizations that have no problem being a part of this worthwhile research providing critical data on CSR management practices in supporting the KP.

My role in this study was to develop the survey instrument, establish a sample population group, administer the survey questionnaire, code and record the data received, statistically analyze the data collected from the survey to develop and support the conclusions drawn based on the findings and maintain the anonymity and confidentiality of the participants.

The need for voluntary participation, cooperation, permission, and anonymity is of utmost importance in this research if responses were to be as truthful, forthcoming and as insightful as possible. The following document (see Appendix C for the actual survey document and Appendix A for the Protecting Human Subject Research Participants certification), with Walden University and IRB approval, was used to obtain a voluntary participant population. The informed consent was incorporated in the introduction section of the survey instrument, which was accessible on Survey Monkey. Those participants willing to part take in the survey provided their consent by submitting a completed survey document. Those who chose not to participate in the survey merely ignored it and do

nothing. Anyone who initially participated in the study and wished to withdraw prior to submitting their responses was able to do so by simply not submitting the survey to the researcher.

A letter of cooperation was used indicating my research partner at the SFS who provided the identified population and through Survey Monkey administered the survey to those who volunteered to participate. All identities were confidential and all responses are maintained on password protected jpeg and maintained for a period of 5 years before being destroyed. All participant responses have been coded for analytical review and to maintain anonymity.

These documents are in accordance with Walden University requirements and were reviewed and approved by the Walden University's IRB committee prior to being processed and implemented. IRB approval, (approval number is 09-10-15-0106294), provided assurances that the research study complies with all ethical research standards to protect the rights of the voluntary research participants in this study.

Summary

This chapter presented and qualified all the criteria pertaining to the quantitative design of this study, the methodology of gathering significant data, the instrumentation used for data collection, and the analytical tools used in the research to ascertain the effectiveness of the KP in relation to CSR on conflict diamonds.

The survey instrument was a validated survey used by both AI and GW in 2004 to evaluate the jewelry retail sector of the jewelry industry focused on conflict diamonds (Global Witness, 2004; Amnesty International, 2007) and a survey conducted by Alfaro-

Barrantes (2012) which highlights CSR activities and behavior. The survey instrument was administered via Survey Monkey to a sample population of the U.S. jewelry industry. The statistical analysis of the preferred coded responses provides quantitative validity of the findings supporting the conclusions and identifying additional areas that require further research and study.

In Chapter 4, I conducted the implementation of the research survey and detailed the testing outlined in Chapter 3 to support the findings established from the data collected.

In Chapter 5, I developed and supported my conclusions based on my findings identifying compliance and shortcomings of the results produced by the survey. I have made recommendations for continued research on this subject.

Chapter 4: Results

Introduction

The purpose of this quantitative study was to examine the effectiveness of the KP and CSR policies in deterring the use of conflict diamonds in the U.S. jewelry industry as measured by the KP/CSR survey. The population used for this study was the attendee list of the annual Santa Fe Symposium, a jewelry industry specific symposium made up of international jewelry industry professionals. It should be noted that only U.S. jewelry industry attendees were contacted to participate in this study. The primary research questions and associated hypothesis statements were the following:

1. What effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry?

H2₀: The KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry.

H2_A: The KP mandates have a significant effect on the CSR policy development in the US jewelry industry.

2. How transparent are the verification processes concerning KP policies in the U.S. jewelry industry?

H3₀: The verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry.

H3_A: The verification processes concerning KP policies are significantly transparent in the U.S. jewelry industry.

The research questions focused on the KP in relation to the U.S. jewelry industry's mandatory monitoring of diamond supply chains through self-regulation verification processes. The management of CSR policies related to the KP was also focused on as a critical factor to the success of the KP program.

Pilot Study

To begin the data collection process, I conducted a pilot study with six expert jewelry industry professionals employed by prominent organizations within the U.S. jewelry industry. The six U.S. expert jewelry professionals are well versed in multiple aspects of the jewelry industry's parameters and functionality. Although the survey statements were used in previous studies, I modified them to be specific to the U.S. jewelry industry. The survey instrument was found to be reliable and appropriate for its intended use except for minor grammatical adjustments.

Data Collection

The survey instrument was a combination of two established surveys. The GW (2004) survey conducted in the U.S. jewelry retail sector was modified to be pre-retail appropriate for the jewelry industry focused on the KP. The CSR management aspect of this study was modified for the jewelry industry from a CSR survey conducted by Alfaro-Barrantes (2012).

After receiving IRB approval, (approval number is 09-10-15-0106294), data collection began with a series of e-mails sent to prospective participants via SurveyMonkey from September through November of 2015. More than 125 respondents from the jewelry industry were invited to take the survey and 79 participants viewed the

survey. Two reminders were automatically generated after 10 days to solicit additional responses. Fifty-nine respondents from the U.S. jewelry industry completed the KP/CSR survey.

Demographics

The U.S. jewelry industry survey respondents was comprised of 59 participants, whose opinions were indicative of the entire U.S. jewelry industry, 46 males (78%) and 13 females (22%). They ranged in ages from 30 to 60 years and over and represented the jewelry industry with a population of over 12,000 companies comprised of retailers, manufacturers, wholesalers, and refiners. More than half (55%) of the respondents were from the Northeast region of the United States. As such, data collected were sufficient to make valid conclusion, hence external validity.

Instrumentation

The survey instrument consisted of three parts. The first part was an introduction explaining the purpose of the survey and provided informed consent requesting voluntary participation. The second part was the demographic questions related to gender, age, company type within the jewelry industry, and region of the United States where the company is located. The third part consisted of 20 statements, 10 specific to the KP and 10 specific to CSR. The 20 statement survey required participants to respond on a 7-point Likert scale ranging from 1 being *Strongly Disagree* to 7 being *Strongly Agree*. The survey was distributed and processed through the Survey Monkey website over a period of 4 weeks from October through November.

Data Analysis

A series of descriptive and inferential statistical techniques using SPSS 21 were applied to analyze the data. Descriptive statistics involved calculating the frequency, mean, and standard deviation of the demographic items collected using the survey instrument. Reliability analysis was performed for survey items 1 to 20 of the study scales. The Cronbach alpha coefficient for the 10 specific KP items and the 10 items specific to CSR was .88 and .81 respectively. The Cronbach's alpha coefficient reliability statistics was .91 for the 20 items combined, an indication that the combined internal consistency of all scales was robust.

Descriptive Statistics

Although, both the KP and CRS surveys were administered together, the descriptive statistics for each was computed separately. The first step in the process was to calculate the individual mean scores of the variables for each participant respondent (see Appendices K and L). The means, standard deviations, and variance scores were then computed for statements KP1-10 and CSR11-20 (see Tables 4 and 5).

Table 4

KP Descriptive

Report										
	KP1	KP2	KP3	KP4	KP5	KP6	KP7	KP8	KP9	KP10
Mean	5.25	4.43	5.47	5.29	5.00	4.91	5.05	5.22	6.21	4.69
Std. Deviation	1.767	1.798	1.736	1.578	1.732	1.796	1.547	1.612	.987	1.465
Variance	3.124	3.232	3.012	2.492	3.000	3.224	2.394	2.598	.974	2.148

Table 5

CSR Descriptive

Report										
	CSR11	CSR12	CSR13	CSR14	CSR15	CSR16	CSR17	CSR18	CSR19	CSR20
Mean	5.57	5.43	6.33	6.05	5.73	4.38	5.56	5.95	5.64	5.66
Std. Deviation	1.512	1.591	1.175	1.105	1.201	1.473	1.118	1.319	1.283	1.295
Variance	2.285	2.530	1.382	1.222	1.442	2.169	1.251	1.739	1.647	1.676

Tables 4 and 5 provide the reader with the univariate descriptive statistics (the means, standard deviations, and variance) of the KP/CSR survey. The results for the 59 respondents for the KP survey were $M = 5.17$, $SD = 1.14$, and $VAR = 1.31$ and for the 59 CSR survey respondents were $M = 5.64$, $SD = 0.80$, and $VAR = 0.64$. The results were in the expected range. The mean scores for the KP survey were relatively similar for each group with 86% equal to or greater than 4, and 97% for the CSR survey indicating that the survey statements were normally distributed and met the assumptions of normality. In

addition, the mean scores indicated that most of the respondents agreed to *strongly agree* with each statement (see Appendix C).

To test the hypothesis, I conducted a *t* test to determine whether the population mean was significantly different from 4 (a neutral point). The test value of 4 was chosen because a value less than 4 implied a negative view of the KP program or disagreement with the program, whereas a score greater than 4 implied a positive view. A value of 4 implied neither a negative view nor a positive view. The data files for analyzing the results contained 59 cases and one test variable, the KP responses. The results of the one-sample *t* test for the KP and CSR variables are displayed in Table 6.

Table 6

Results of t Test

	<i>t</i>	<i>df</i>	Sig. (2-tailed)	Test value = 0		
				Mean difference	95% Confidence Interval of the Difference	
					Lower	Upper
KP	35.590	58	.000	5.18569	4.8940	5.4774
CSR	53.790	58	.000	5.64802	5.4378	5.8582

As shown in Table 6, the results of the t test indicated there was a significant difference in the KP responses $t(58) = 35.5, p = .000 (<.05)$ and the CSR responses $t(58) = 53.79, p = .000 (<.05)$. The results suggested that the KP program is significantly effective in deterring conflict diamond contamination in the U.S. jewelry industry. These results were confirmed by the correlation bivariate test as shown in Table 7.

Table 7

Correlations for CSR and KP

		CSR	KP
CSR	Pearson Correlation	1	.692**
	Sig. (1-tailed)		.000
	<i>N</i>	59	59
KP	Pearson Correlation	.692**	1
	Sig. (1-tailed)	.000	
	<i>N</i>	59	59

Note. **. Correlation is significant at the 0.01 level (1-tailed).

Table 7 shows the Sig. (1-Tailed) value for CSR and KP is 0.000. This value is less than .05 ($p < .05$). Because of this, I concluded that there was a statistically significant correlation between the KP and CSR. For further confirmation, I conducted a nonparametric post hoc Mann-Whitney U-test to evaluate whether the medians differed significantly between KP and CRS set of responses. The Mann-Whitney U-test is a commonly used nonparametric test that allowed me to compare two groups of survey questions without making the assumption that values are normally distributed (Fields,

2013). The Mann-Whitney U-Test and Wilcoxon Rank Sum Test are the same test (see Table 8).

Table 8

Mann Whitney

	KP	CSR
Mann-Whitney U	398.000	358.000
Asymp. Sig. (2-tailed)	.874	.429

Note. a. Grouping Variable: Jewelry Industry

As shown in Table 8, the results of the Mann-Whitney U-test were in the expected directions and insignificant for both group of survey questions, KP ($p = .854$); CSR ($p = .429$). The SPSS output was a two-tailed p value, so I divided the two-tailed p value by 2 to get the one-tailed p value for both KP and CSR: $.85/2 = .425$ and $.430/2 = .215$ respectively. Since the p value was greater than the specified alpha level (.05), I retained the H_0 . Thus, I concluded there was insufficient evidence to conclude that the KP program was significant in deterring conflict diamond contamination in the U.S. jewelry industry.

In addition to the Mann-Whitney U-test conducted for the grouping variables of the jewelry industry (KP and CSR), I conducted the Mann-Whitney U-test to examine specific mandates to determine whether the KP mandates significantly effected CSR policy development (see Table 9).

Table 9

Mann-Whitney

	Has a documented CSR policy	Receives a written guarantee	Verifies that the diamonds are conflict free.	Inquire about conflict diamonds.
Mann-Whitney U	374.000	377.000	272.000	351.000
Asymp. Sig. (2-tailed)	.573	.814	.065	.629

a. Grouping Variable: Industry

As shown in Table 9, the Asymp. Sig. (2-tailed) results indicated that p values were not significant ($p \Rightarrow .05$); subsequently, I accepted the null hypothesis; the KP mandates have no significant effect on CSR policy development. In addition to the Mann-Whitney, I examined the weighted averages for each group of statements (see Tables 10 and 11).

Table 10

Weighted Average for KP

		Percentiles						
		5	10	25	50	75	90	95
Weighted average	Require a System of Warranty pledge.	1.00	2.00	4.00	6.00	7.00	7.00	7.00
	Suppliers are transparent to my customers.	1.00	1.40	4.00	5.00	6.00	7.00	7.00
	Has a documented CSR policy.	1.00	2.00	4.00	6.00	7.00	7.00	7.00
	Receives a written guarantee.	1.70	4.00	4.00	6.00	7.00	7.00	7.00
	Verifies that the diamonds are conflict free.	2.00	2.00	4.00	6.00	7.00	7.00	7.00
	Inquire about conflict diamonds.	1.00	2.00	4.00	5.00	6.00	7.00	7.00
	Considers the Kimberley Process to be excellent.	2.00	3.00	4.00	5.00	6.00	7.00	7.00
	Participate in the Kimberley Process Certification Scheme.	1.70	2.80	4.00	6.00	6.00	7.00	7.00
	Understands the issues concerning conflict diamonds.	4.00	4.00	6.00	6.00	7.00	7.00	7.00
	Is fully aligned with the Kimberley Process.	1.70	2.00	4.00	5.00	6.00	6.00	7.00

Table 11

Weighted Average for CSR

Weighted Average	Percentiles						
	5	10	25	50	75	90	95
CSR policies are continuously monitored throughout the year.	1.90	3.60	5.00	6.00	7.00	7.00	7.00
CSR policies on the Kimberley Process are fully comprehended by employees.	2.00	2.80	4.00	6.00	7.00	7.00	7.00
Leadership actively promotes ethical behavior.	4.00	5.80	6.00	7.00	7.00	7.00	7.00
The social initiatives it is involved with fit well together.	4.00	4.80	6.00	6.00	7.00	7.00	7.00
My company is involved with social initiatives because it cares about the well-being of society.	3.00	4.00	5.00	6.00	7.00	7.00	7.00
When my company supports different social causes, my company benefits more than the cause.	1.90	2.00	3.50	4.00	6.00	6.00	7.00
There is a logical connection between my company and the social initiatives.	3.80	4.00	5.00	6.00	6.00	7.00	7.00
Companies have a social responsibility beyond making a profit.	2.90	4.00	5.50	6.00	7.00	7.00	7.00
Being socially responsible is one of the most important things a company can do.	2.90	4.00	5.00	6.00	6.50	7.00	7.00
My company's management actions are acknowledged throughout my company.	2.90	4.00	5.00	6.00	6.00	7.00	7.00

As shown in Tables 10 and 11, the weighted averages were expressed in percentiles for each of the KP variables. The percentile columns give the values of the variable at various percentiles and about the distribution of the variable. The values of the variables are ordered from lowest to highest, and then the percent columns were examined in SPSS to determine the value of the variable. In the 50 percentile column, the weighted average of the variables ranged from 5-6. The 50 percentile is also known as the median.

Study Results

Results of Research Question 1

The first research question examined the effectiveness of the KP program in deterring conflict diamonds contamination in the U.S. jewelry industry as measured by the KP survey. The participants consisted of 46 men and 13 women representative of the U.S. jewelry industry. Questions 1-10 of the survey were used to measure the survey responses related to this question. The Likert scaled single responses were: (1) *Strongly Disagree*; (2) *Disagree*; (3) *Slightly Disagree*; (4) *Neither Disagree nor Agree*; (5) *Slightly Agree*; (6) *Agree*; and (7) *Strongly Agree*.

The descriptive statistics results indicated that the scores were relatively similar for each group of variables. The mean and standard deviation of KP responses ($M = 5.18$, $SD = 1.1$) and CSR responses ($M = 5.64$, $SD = .1.0$) indicated that the survey responses were normally distributed and met the assumptions of normality. The median weighted averages within the 50 percentile ranking were 5.50 (KP) and 5.80 (CSR) respectively.

The findings suggested that most respondents agreed that the KP mandates were positively effective in deterring conflict diamond contamination in the U.S. jewelry industry.

A Mann-Whitney U-test was conducted to evaluate the null hypothesis (H_0) that stated the KP mandates have no significant effect in deterring conflict diamond contamination. This statistical method was a test of the equality of the medians. The results of the Mann-Whitney U-test were insignificant for both groups of statements (KP: $p = .854$; CSR: $p = .429$). This was further confirmed by the independent sample t-test hypothesis test generated in SPSS. The results indicated that the KP program had no significant effect in deterring conflict diamonds contamination in the U.S. jewelry industry. Thus, the null hypothesis for RQ1 was accepted.

Results of Research Question 2

The second research question queried what effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry? The null stated the KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry. An examination of the data indicated that over 70% of respondents from the jewelry industry had a documented CSR policy. However, the Mann-Whitney U-test results indicated that the KP mandates had no significant effect on the CSR policy development ($p > .05$). Thus, I accepted the null hypothesis for RQ2.

Results of Research Question 3

The third research question queried how transparent were the verification processes concerning KP policies in the U.S. jewelry industry? The null hypothesis stated

the verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry. The key statements that addressed this KP mandate were survey statements 2 and 5. The frequency report indicated that 22% disagreed, 24% neither agreed nor disagreed, and only 54% agreed that suppliers were transparent to their customers. Additionally, 12% disagreed, 29% neither agreed nor disagreed, and 59% reported that their company verified that the diamonds were conflict free.

The Mann-Whitney U-test report indicated that the two mandates were not significant ($p > .05$). The weighted median average (50% percentile) was five. This indicated that the jewelry industry only slightly agreed that the verification processes concerning KP policies were transparent in the U.S. jewelry industry. In lieu of these findings, I accepted the null hypothesis and concluded that the verification processes concerning KP policies in the U.S. jewelry industry were not significantly transparent.

Summary

Chapter 4 provided an in-depth overview and summary of the results of the study. The purpose of this study was to examine the effectiveness of the Kimberley Process (KP) and Corporate Social Responsibility (CSR) policies in deterring the use of conflict diamonds in the U.S. jewelry industry as measured by the KP/CSR survey. A sample of 59 U.S. jewelry industry professionals, whose opinions were indicative of the entire U.S. jewelry industry, volunteered to participate. Survey data were gathered through a seven point Likert scale. Descriptive and inferential statistical techniques using SPSS 21 were applied to analyze the data. The Cronbach's alpha coefficient reliability statistics was robust (.91). Based on the findings and data output, the overall results indicated that the

KP and the CSR programs were insignificant in deterring the use of conflict diamonds in the U.S. jewelry industry as measured by the KP/CSR survey. Therefore, the null hypothesis was accepted.

Chapter 5 concludes the study with an in-depth discussion and interpretation of the findings. The findings are presented from the theoretical perspective and a discussion of the relevant literature is presented. Additionally, the limitation, recommendations for future research, and conclusion are discussed.

Chapter 5: Discussion, Conclusion, and Recommendations

The purpose of this quantitative study was to investigate the effectiveness of the KP and CSR policies in deterring the use of conflict diamonds in the U.S. jewelry industry. To recapitulate, the KP was signed into law in the United States in 2003 (Betts & Nikischer, 2014). The KP was an attempt to put a ban on conflict diamonds and a handful of banking scandals. In support of the KP protocols, CSR policies were to align business operations with social values and ethical positions within the U.S. jewelry community (Boge et al., 2006; Maon et al., 2008). In this study, CSR was focused within the U.S. jewelry industry operationalization of their respective CSR programs.

The general problem is from the perspective of decision-making and corporate management in operationalizing supply chain activities on CSR on which little is understood. The specific problem addressed in this study was determining whether the U.S. jewelry industry was proactively abiding by the KP in their CSR policies to ensure that conflict diamonds were not being used in their respective products. As such, the following research questions and hypothesis statements formed the basis for addressing this problem:

1. What effect does the KP mandates have on deterring conflict diamonds contamination in the U.S. jewelry industry as measured by the KP survey?

H₁₀: The KP mandates have no significant effect in deterring conflict diamond contamination.

H1_A: The KP mandates significantly affect deterring conflict diamond contamination in the U.S. jewelry industry.

2. What effect if any does the KP mandates have on CSR policy development in the U.S. jewelry industry?

H2₀: The KP mandates have no significant effect on the CSR policy development in the U.S. jewelry industry.

H2_A: The KP mandates significantly affect the CSR policy development in the US jewelry industry.

3. How transparent are the verification processes concerning KP policies in the U.S. jewelry industry?

H3₀: The verification processes concerning KP policies are not significantly transparent in the U.S. jewelry industry.

H3_A: The verification processes concerning KP policies are significantly transparent in the U.S. jewelry industry.

Interpretation of the Findings

In the first research question, I examined the effectiveness of the KP program in deterring conflict diamond contamination in the U.S. jewelry industry as measured by the KP survey. To address this question, I distributed a 20 statement survey with statements 1 through 10 modified from a Global Witness Survey (2004) to 59 U.S. jewelry industry decision makers, whose opinions were indicative of the U.S. jewelry industry, to investigate what actions U.S. industry members had taken to comply with the voluntary system of self-regulation aimed at stopping and/or deterring the trade in conflict

diamonds as agreed in the KP. The system of self-regulation required that all sectors of the jewelry industry implement a system of written warranties and establish an ethical code of conduct to keep conflict diamonds out of the legitimate diamond trade and to support the KP.

Statements 1, 4, and 5 specifically addressed the System of Warranty beginning with, “My customers require a System of Warranty pledge regarding conflict diamonds.” The descriptive statistics revealed that an overwhelming majority of the ($N = 40 = 70\%$) of respondents said they *agree* to *strongly agree*, which suggested that most jewelers had a positive view of the System of Warranty and were adhering to a warranty process. Seventeen percent said they *neither agreed nor disagreed*, and 13% *disagreed*. The results suggested that more U.S. jewelry businesses were implementing a system of written warranties. Data analysis indicated that the KP program had no significant effect in deterring conflict diamond contamination in the U.S. jewelry industry. Thus, the null hypothesis for RQ1 was accepted.

The second research question examined the effect of the KP mandates on the CSR policy development in the U.S. jewelry industry. I hypothesized that KP mandates had no significant effect on the CSR policy development in the U.S. jewelry industry. The results indicated that over 70% of respondents from the jewelry industry had a documented CSR policy ($M = 5.47$, $SD 1.73$); however, the Mann-Whitney U-test results indicated that the KP had no significant effect on the CSR policy development ($p = >.05$). Thus, I accepted the null hypothesis for RQ2.

The third research question examined how transparent were the verification processes concerning KP policies in the U.S. jewelry industry. The results indicated that 22% *disagreed*, 24% *neither agreed nor disagreed*, and only 54% *agreed* that suppliers were transparent to their customers. Additionally, 12% *disagreed*, 29% *neither agreed nor disagreed*, and 59% reported that their company verified that the diamonds sourced were conflict free. The Mann-Whitney U-test report indicated that the results were not significant ($p > .05$). In lieu of these findings, I accepted the null hypothesis and concluded that verification processes concerning KP policies in the U.S. jewelry industry were not significantly transparent.

Discussion

The findings from the present study were inconsistent with the original statistics highlighted in the Global Witness Survey (2004), which is good news for the U.S. jewelry industry. In 2004, Global Witness reported that major players in the U.S. diamond retail sector were not carrying out basic measures of the self-regulation. It also showed that the World Diamond Council had failed to adequately monitor compliance with the self-regulation aspect. The report showed that 83% of retail jewelers fell short in implementing a self-regulation system and only 17% had a policy on conflict diamonds and a system of warranties (Global Witness, 2004). The survey by Amnesty International and Global Witness found that fewer than 20% of diamond retailers provided verification of a Conflict Diamonds policy and less than 50% of diamond jewelers gave consumers meaningful assurances that diamonds were conflict free. This meant that the jewelry

industry failed to adequately implement the system of self-regulation under the guidelines established by the Kimberly Process that was implemented.

The present study provided evidence that the U.S. jewelry industry comprised of manufactures and nonmanufactures (wholesalers, retailers, refiners) has greatly improved since the earlier survey was launched. The KP in the United States was implemented via the passage of the Clean Diamond Trade Act in July 2003, writing into law specific diamond trade requirements for accountability. In addition, the KP mandate that diamond-producing states in the KP program must put internal control systems in place to track rough diamonds through the supply chain from the mine to the finished gem (Bieri & Boli, 2011). The KP has in essence become compulsory for any state seeking to trade in diamonds and must agree to trade only with other KP members.

Central to this study was an examination of two major processes on diamond trading: the KP and CSR. This study advanced theoretical understanding of these processes by examining factors relevant to the implementation of regulations in the global diamond trade. The findings clearly indicated that the jewelry business has evolved and undergone major changes in the past 10 years.

The global initiative of CSR norms have shaped how the U.S. diamond industry responded to the conflict diamond campaign, facilitating rapid progress in developing new business practices driven by ethical or normative considerations. The use of CSR programs prompted the jewelry industry to be more responsive to the ethical exhortations behind the conflict diamond trade. The findings indicated that an overwhelming majority (75%) of the respondents supported the use of CSR, which is indicative of more

progressive leaders in the industry driven principally by ethical considerations, and in some cases, financially or politically motivated (Bieri & Boli, 2011). Over 80% of the respondents agreed that social responsibility is a critical aspect for companies to incorporate into their strategic planning (Robinson, 2012). Less than 4% disagreed. These findings were consistent with the literature. According to Vogel (2005), 70% of business executives think that CSR is beneficial to the bottom line as a result of the process's operationalization.

There were volumes of literature found on the extent of CSR practices by firms or industries, but there was a scarcity of literature on theoretical work explaining the global growth of CSR in the jewelry industry. Unlike many other industries, the jewelry industry and the campaign against conflict diamonds have many distinctive properties, which led to the rapid changes in the jewelry business. First, diamonds are special gifts generally with emotional attachments and of lasting significance. The jewelry industry has gone to great lengths to promote the symbolic value of diamonds by linking them to courtship, love, and marriage. Diamonds are also deeply rooted in social status and traditions (Bieri & Boli, 2011). It is reasonable to conclude that firms that are more heavily involved in business associations and interact more frequently with their peers are more likely to engage positively with CSR.

Transparency and full disclosure of CSR policies throughout an organization and an organization's understanding of the policy is imperative to properly communicating it. According to Mansouri and Rowney (2013), Dubnick (2003, 2005) contended that accountability and transparency are interrelated in that accountability and transparency

engender responsibility and answerability. This makes an organization responsive to their stakeholders. However, accountability and transparency are not always evident in the corporate world creating suspicion and concern about ethical behavior. Conflict diamonds are a component that is difficult to identify once mixed in the supply chain and easily hidden.

Often stakeholders contend that transparency and published information by multinational organizations are biased and cannot be completely trusted. Claasen and Roloff (2012) suggested that companies can minimize social responsibility risk by reporting honestly and comprehensively on their activities, programs, and policies, by participating in collaboration with all stakeholders and interested shareholders, and assume responsibility for actions taken and the effects generated by their actions. Managers who behave responsibly understand that their actions influence company legitimacy in both its core business and its community outreach programs (Claasen & Roloff, 2012).

Limitations of the Study

The KP/CSR study was conducted only with jewelry industry operations within the U.S. The applications found to be evident in this study can be applicable to the global jewelry industry taking into account respective individual country requirements. One aspect that can provide greater light on this subject would be the MNCs that operate directly within the conflict regions of the Sub Sahara alluvial mining areas. This can be addressed in future studies.

An additional limitation has to do with investment diamonds. Diamonds available for investment purposes were not part of this study as they address a separate and specific part of the diamond industry. Furthermore, color gem stones were not part of this study.

For the purposes of focusing the study on the U.S. jewelry industry, consumers were not included in the population selection. Focusing on the U.S. jewelry industry specifically provided valuable information for those who are involved in the diamond supply chain of diamonds coming into the U.S. market.

Recommendations

Recommendations for the jewelry industry derived from this study include greater understanding and broadening the scope of CSR operationalization to address conflict resources on a grander scale. The RJC is doing this across the entire industry supply chains not only for diamonds but also for metals (Smillie, 2011). The RJC has developed an industry code-of-conduct that all jewelry organizations need to implement and follow. The RJC has instituted a verification system to ensure industry wide compliance (Smillie, 2011). The RJC provides an excellent format for code-of-conduct for the jewelry industry to incorporate into business models. Perhaps focusing on conflict specific activities attempting to understand the underlying causes can provide greater insights on additional actions to prevent conflict resources from being so lucrative (Smillie, 2011). Increasing transparency can provide greater insights into nefarious activities by legitimate operations, as is outlined in Freedom of Information policies. There is very little research available on the impact of Freedom of Information on social change on an international basis (Calland & Bentley, 2013).

Companies need to have a greater understanding of the perceptions of consumers on conflict resources and how this can affect their purchasing habits. Operationalizing the consumer perceptions is important especially to MNC because demographically consumer perceptions can vary widely (Bregman et al., 2015). Herda (2013) recommended that companies implement the following early warning aspects into their CSR programs so supply chain partners understand the ramifications of noncompliance with ethical procurement and supply. Herda recommended the following be incorporated into any CSR program and partner contract:

1. Establish strong company management systems.
2. Identify and assess the risks in the supply chain.
3. Design and implement a strategy to respond to identified risks.
4. Carry out independent third-party audits on due diligence practices.
5. Report on supply chain due diligence. (p. 28)

These recommendations can be applied to all conflict resource supply chains.

The jewelry industry needs to provide education to the industry ensuring that the jewelry population is informed and understands the real life issues of conflict sourcing and its impact on society. A platform is needed where industry members can interact and develop guiding principles to address and mitigate conflict issues. IGOs need to be more proactive in increasing regulations and holding companies accountable by exacting reputational risk if violations are discovered (White, 2015). Finally, Sharife and Grobler (2014) recommended that the definition and understanding of the impacts of conflict

diamonds must be broadened to actively include economic and political conflicts and not just violent conflicts incurred toward gaining illicit funds.

Implications

Jewelry has been adorned with diamonds since they were discovered centuries ago. De Beers used creative marketing strategies to raise the perceived value of diamonds over the past century (Smillie, 2011). The diamond industry has grown to over \$71 billion (Santiago, 2014, p. 414) and all indications are that it should continue to grow in the future. Over the past 2 decades, a social awareness has become evident through the efforts of NGOs, which eventually led to cooperative action taken by the UN with Resolution A55/56 endorsing the KPCS. The purpose of the KPCS is to ensure that diamonds mined are not used to fund conflict.

The U.S. jewelry industry has proactively incorporated the KP protocols since the early 2000s into their operations partially through ethical motives and mainly due to legislative requirements. Whatever the reason, the implementation of the KP protocols has proven to be effective through dedicated operationalization of their CSR programs that directly address the KP protocols.

Positive Social Change

The ultimate goal for implementing this study was to gain knowledge that could ultimately effect positive social change. The findings in this study clearly suggested that members from the U.S. jewelry industry positively perceived and welcomed the KP and the need for CSR programs. At the heart of this study is the phenomenon of controlling conflict diamonds that originate from areas controlled by forces opposed to legitimate

and internationally recognized governments. Global Witness (2004) reported that conflict diamonds have been a concern for humanitarian advocates and a complex issue before policy makers for several decades. Regulations on the global diamond industry have undergone a remarkable evolution and expansion in recent years (Hutchins, 2016). The protection of human rights is crucial, as it is contingent on national, regional, and international peace and security.

Consistent with the literature, progress has been made on the conflict diamond problem since the late 1990s with the proportion of conflict diamonds in the global diamond market decreasing to less than 1% today (Jerbi, 2012, p. 1039; Santos, 2015, p. 282). Two factors may have led to the decrease in the conflict diamond trade in the U.S., the KP certifications and CSR programs. With global attention drawn to the issue, the jewelry industry came to recognize that they had an interest in a certification program, which resulted in the Kimberley Process Certification Scheme (KPCS) (Smillie, 2011). This legislation incorporated the KP into U.S. law by directing the President of the U.S. to prohibit the import and export of any diamonds not under the control of the KPCS (Baker, Kabanda, & Kalombo, 2015). Human rights abuses and conflicts were the primary impetus for establishing the KPCS. At the heart of the KPCS is ensuring that the legitimate trade of diamonds is free from contributing to conflict and consequently the protection of human rights (Shaik-Peremanov, 2014).

Social change can be realized when all members of the U.S. jewelry industry begin to offer assurances that their products are conflict diamond free and implement a system of written warranties requiring that all invoices for the sale of diamonds include a

written warranty that the diamonds being sold are conflict free. The jewelry industry may continue to ignore certain outsider stakeholders and the issues they present, but no company can claim ignorance about the victims of blood diamonds (Bieri & Boli, 2011).

CSR is the articulation of the world's obligations and companies and states must recognize them. Code-of-conduct leadership as well as corporate code-of-conduct practices are essential to the success of positively implementing KP protocols and ethical CSR policies. As demonstrated in the KP/CSR survey all participants have acknowledged the KP protocols and have incorporated them into their business models and operationalized them to ensure conflict diamonds are not evident in their respective diamond supply chain sourcing.

Conclusions

The U.S. jewelry industry is being proactive concerning conflict diamonds. According to the findings of the KP/CSR survey companies are monitoring for conflict diamonds through auditing processes. Both self-auditing and utilization of third-party auditing has provided U.S. companies with confidence that their diamond supply chains are conflict free. The auditing processes are also tied to supplier certifications that measures a supplier's commitment to a clean diamond supply chain. Also through ethical behavior by leadership and corporations that are implementing a code-of-conduct that emphasizes proactive management of the diamond supply chain.

Increased public and industry discussion is needed to address the effectiveness of the self-regulated voluntary process currently in place in the U.S. jewelry industry and further expansion of the conflict resource perspectives need to be increased to address all

mined stones including color gem stones. Management needs to be aware of risks and prepared to deal with them as they arise. Addressing the diamond supply chain proactively is aligned with crisis management strategies. With self-regulated voluntary due diligence of the diamond supply chain enables the U.S. jewelry industry to address and enact what is needed reducing the need for legislative involvement that can be obstructive, complicated, and costly. NGOs provide an excellent safe guard watching to ensure compliance to KP protocols and monitor for diamond supply chain violators. The U.S. jewelry industry is the best expert to address itself and create innovative applications to address new and concerning issues as they arise. Maintaining an acceptable status quo with all stakeholders is critical to providing a clean diamond supply chain and to ensuring cooperative interaction throughout the U.S. jewelry industry.

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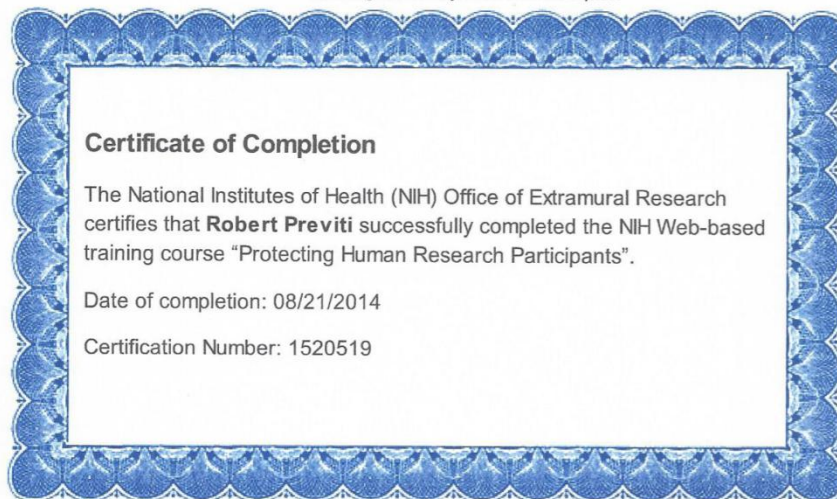
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Appendix A: Completion Certificate for NIH Training Course

14

Protecting Human Subject Research Participants



Appendix B: Letter of Cooperation

**Letter of Cooperation**

Mr. Robert Previti
1 Alexander Street
Unit 402C
Yonkers, NY 10701

October 14, 2014

Dear Mr. Previti,

We are pleased to work with you in your capacity as a doctoral student researcher who will be conducting research on “The Effectiveness of the Kimberley Process in Deterring the Use of Conflict Diamonds in the U.S. Jewelry Industry” over the next nine months. A survey will be administered via Survey Monkey to the attendees of the past six years of the annual Santa Fe Symposium (SFS) who volunteer to participate on a confidential basis.

We understand that you will also be undertaking a Walden University student researcher role that is separate from your daily managerial role. In regards to your student researcher role, I will forward to the SFS attendees of the past six years the survey via Survey Monkey so as not to violate my confidentiality agreements. Individuals’ participation will be voluntary and at their own discretion.

We understand that you will allow participants to volunteer and decline anonymously in order to minimize conflicts of interest, confidentiality agreement violations, and other potential ethical problems.

We understand that our organization’s responsibilities include:

- Forwarding the survey via a Survey Monkey® link to the past six years SFS attendees for whom we have email addresses.

I understand that the data collected will remain entirely confidential and will not be provided to anyone other than the student’s supervising faculty/staff and to further protect the anonymity of respondents, only compiled data will be published.

Sincerely,

Authorization Official Signature

Contact Information Eddie Bell

ebell@neutec.com

505 839 3000

Sharing your passion for making jewelry. Products. Service. Know-how.

7500 Bluewater Rd NW • Albuquerque, New Mexico 87121-1962 USA • Ph. 505.839.3000 • Fax 505.839.3001 • riogrande.com

Appendix C: Informed Consent Document and Survey Document

Dear Sir/Madam,

I am conducting a research study to better understand the impact of the Kimberley Process on corporate social responsibility policies in the jewelry industry. I am requesting your participation, which will involve completing a survey. Please Note.

- Your participation in this study is voluntary. You may choose not to participate or to withdraw from the study prior to submitting your responses with no ill will.
- The survey is completely anonymous and confidential. Your responses will be used solely for research purposes. The data collected will be maintained on jpeg under password protection known only to myself for a period of 5 years.
- The survey will take approximately 5 minutes to complete.
- All participants must be at least 18 years of age.
- The results of this study may be published but your identity will not be disclosed.
- There are no direct risks or benefits to you for your participation in this study. The data collected will provide researchers with a greater understanding of the jewelry industry's corporate social responsibility position on the Kimberley Process.

If you have any questions concerning this study please contact Robert Previti, the researcher, robert.previti@waldenu.edu or Dr. Leilani Endicott, the Walden University representative who can discuss this with you confidentially. Her office phone number is 612-312-1210. Walden University's approval number for this study is 09-10-15-0106294 and it expires on September 9, 2016. Please keep a copy of this consent form for your records

Responding to and submitting this questionnaire will be considered your informed consent to participate.

Thank you,

Robert Previti

Doctoral Candidate

Dr. Karla Phlypo, Faculty Adviser

- o I have read the consent form and I wish to participate in the survey (click on: Continue to Survey).
- o I have read the consent form and I do not wish to participate in the survey (click on: Exit Survey).

Continue to Survey

Exit Survey

SURVEY DOCUMENT

A Study of the Effectiveness of the Kimberley Process in Deterring the Use of Conflict Diamonds in the U.S. Jewelry Industry - Questionnaire

Thank you for participating in this survey. This survey consists of 4 demographic questions and 20 statements.

Demographic questions: Please indicate the response that is the best match.

1. Are you male or female?

- Male
- Female

2. Which category group includes your age?

- 18-29
- 30-39
- 40-49
- 50-59
- 60 or older

3. In which capacity does your company function within the jewelry industry?

- Contractor
- Importer
- Manufacturer
- Refiner
- Retailer
- Diamond/Stone supplier
- Wholesaler
- Other: Please specify - _____

4. In which region of the U.S. is your company located?

- Northeast
- Southeast
- Midwest
- Northwest
- Southwest

SURVEY

Please indicate to what extent you DISAGREE / AGREE with the following statements pertaining to your company's policies.

1. My customers require a System of Warranty pledge regarding conflict diamonds.
 - Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
2. Diamond supply sources are transparent to my customers.
 - Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
3. My company has a documented corporate social responsibility policy on conflict diamonds.
 - Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree

4. My company receives a written guarantee from all diamond suppliers that the diamonds supplied are conflict free.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
5. My company verifies that the diamonds received from all suppliers are conflict free.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
6. My company's customers inquire about conflict diamonds.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
7. My company considers the Kimberley Process to be an excellent process for addressing conflict diamonds.
- Strongly Disagree
 - Disagree

- Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
- 8.** My company's diamond suppliers participate in the Kimberley Process Certification Scheme.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
- 9.** My company understands the issues concerning conflict diamonds.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
- 10.** The U.S. jewelry industry is fully aligned with the Kimberley Process.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree

Strongly Agree

11. My company's corporate social responsibility policies are continuously monitored throughout the year.

Strongly Disagree

Disagree

Slightly Disagree

Neither Disagree nor Agree

Slightly Agree

Agree

Strongly Agree

12. Corporate social responsibility policies on the Kimberley Process mandates are fully comprehended by all employees within my company.

Strongly Disagree

Disagree

Slightly Disagree

Neither Disagree nor Agree

Slightly Agree

Agree

Strongly Agree

13. My company's leadership actively promotes ethical behavior.

Strongly Disagree

Disagree

Slightly Disagree

Neither Disagree nor Agree

Slightly Agree

Agree

Strongly Agree

14. My company and the social initiatives it is involved with fit well together.

Strongly Disagree

Disagree

- Slightly Disagree
- Neither Disagree nor Agree
- Slightly Agree
- Agree
- Strongly Agree

15. The main reason my company is involved with social initiatives is because it cares about the well-being of society.

- Strongly Disagree
- Disagree
- Slightly Disagree
- Neither Disagree nor Agree
- Slightly Agree
- Agree
- Strongly Agree

16. When my company supports different social causes, my company benefits more than the cause.

- Strongly Disagree
- Disagree
- Slightly Disagree
- Neither Disagree nor Agree
- Slightly Agree
- Agree
- Strongly Agree

17. There is a logical connection between my company and the social initiatives in which it is involved.

- Strongly Disagree
- Disagree
- Slightly Disagree
- Neither Disagree nor Agree
- Slightly Agree

- Agree
 - Strongly Agree
- 18.** Companies have a social responsibility beyond making a profit.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
- 19.** Being socially responsible is one of the most important things a company can do.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree
- 20.** My company's management actions are acknowledged throughout my company.
- Strongly Disagree
 - Disagree
 - Slightly Disagree
 - Neither Disagree nor Agree
 - Slightly Agree
 - Agree
 - Strongly Agree

Thank you for your participation in this survey.