

Interactions between businesses and nongovernmental organizations

New social practices for sustainable development

Business actors play an increasingly central role in sustainable development. This is why direct interactions between businesses and nongovernmental organizations are on the rise. However, the consequences of these interactions for the involved actors and ultimately, sustainable development, remain unclear.

By Mariëtte van Huijstee

The past decades have been characterized by a continued process of globalization. It has been argued that the broadened scope and scale of economic activities activates the globalization of the negative effects of these activities, such as pollution, unsafe labour circumstances and loss of biodiversity. These large scale and complex problems are also referred to as messy problems (Ackoff 1999). Diverse societal actors are interdependent in resolving those messes, since the responsibilities and resources necessary to reach these goals are assigned to different societal domains (Bozeman 1987; Kaptein/Van Tulder 2003). Sustainable development requires the solving of many messy problems, since it refers to development that meets the need for the present without compromising the ability of future generations to meet their own needs (World Commission on Environment and Development 1987), and stresses the need for mutual attainment of social equity, environmental health and economic wealth (Van Huijstee et al. 2007).

Continued globalization and the spread of the sustainability discourse have contributed to the fact that society attributes to business actors an increasingly central role and responsibility in societal problem solving (Margolis/Walsh, 2003; Norris 2005). This broader societal responsibility of corporations is captured in the concept of Corporate Social Responsibility (Carroll 1991; Elkington 1997). In accordance with Elkington's "triple bottom line" conception of Corporate Social Responsibility (CSR), referring to the simultaneous consideration of People, Planet and Profit by business, and in line with the trend from environmental to sustainability reporting in the business community itself, I understand CSR as the positive corporate contribution to sustainable development (KPMG 2005).

In the sustainable development and CSR context, we have witnessed the emergence of more and more collaborative interactions between businesses and nongovernmental organizations (NGO), including stakeholder dialogues and partnerships

(Calton/Payne 2003; Glasbergen 2007; Holzer 2008; Teegen et al. 2004; Van Huijstee et al. 2007; Van Huijstee/Glasbergen 2007).

But although they are widely accepted and even propagated through several influential platforms like the World Business Council for Sustainable Development, the United Nations Commission for Sustainable Development, and the Global Compact, their contribution to sustainable development is yet unclear (Van Huijstee et al. 2007). This paper summarizes the findings of a research project that aimed to address this knowledge gap. It specifically focused on initiatives stemming from the private domains in market and civil society that aim to contribute to sustainable development, since these sectors do not have a formal responsibility for problem solving in this area, in contrast to government. The main research question was formulated as follows: To what extent, and in what way, do business-NGO interactions induce new social practices for sustainable development, and how can this be explained? The main question was tackled by specifying sub-questions that were addressed in several sub-projects. I will address these sub-projects one-by-one below.

The practice of stakeholder dialogue

Starting point of the research was an investigation of the practice of stakeholder dialogue between multinationals and NGO's within the Netherlands (1), since NGO's are an increasingly important stakeholder group for companies, and a key aspect of CSR is stakeholder engagement through stakeholder dialogue (Dahlsrud In Press; Downey 2002; Hemming et al. 2004; Pedersen 2006).

We assessed whether a pattern in the emerging dialogue practice between Dutch multinationals and NGO's could be revealed. We assessed five different elements of the dialogue practice: the drivers for the practice, its position in the organizational structure, the selection procedures for dialogue topics and partners, the different types of dialogue and the outcomes of stakeholder dialogues. To that end, two ideal-typical models were constructed that were derived from the available literature on stakeholder dialogues. The strategic management model and the sustainability model are illustrated in Table 1. An effort was made to identify some of their characteristics in the current dialogue practice of multinational corporations.

The research revealed that the strategic management model could be found in all elements of the dialogue practice of Dutch multinationals. High risk issues are identified at an early stage; the relationships with NGOs are improved; NGO campaigns may be noticed early and might be avoided altogether; and →

Table 1: Two ideal-types of the corporate dialogue practice

Elements of dialogue practice	Sustainability model	Strategic management model
Drivers	limit negative environmental impact and/or enlarge contribution to environmental sustainability.	limit/avert damage to reputation and/or to take advantage of business opportunities.
Position of stakeholder management in organization	Stakeholder dialogues are part of corporate social responsibility management.	Stakeholder dialogues are part of risk management/ external communication/ Research & Development.
Selection of dialogue topics and partners	Dialogue topics relate to key environmental sustainability aspects of the firm's activities; partners are selected for their expertise and knowledge on these topics.	Dialogue topics relate to corporate risk/business opportunities; partners are selected for their potential negative impact on the company.
Types of dialogue	Dialogues are held to stimulate learning for CSR purposes.	Dialogues are held to manage relationships and obtain market information.
Dialogue Outcomes	Dialogue provides expert knowledge and innovative ideas to limit environmental impact or promote environmental sustainability.	Dialogue diminishes risk of damage to reputation or provides strategic information for market/product development.

Source: Van Huijstee/Glasbergen 2008

the company can quickly prepare responses grounded in societal norms and values.

Most of the elements of the sustainability model were also found in practice, however, the drivers and selection of dialogue topics were purely grounded in the strategic management model. Therefore it was concluded that the decision to embark on stakeholder dialogue in practice is determined by strategic management considerations. This seems to imply that the sustainability function of business – NGO dialogue only plays out within a larger strategic management framework.

Corporate and NGO interviewees pointed at several possible outcomes of stakeholder dialogue: (a) improved relationships, increased understanding, and trust, (b) creation of partnerships, (c) gaining knowledge and expertise, (d) improvement of corporate policies, (e) amendments in corporate activities, mostly indirect, running via the amendment of corporate policies in a more sustainable direction. In terms of their contribution to CSR and thereby to sustainable development, the largest contribution of stakeholder dialogue seemed to run via the amendment of corporate policies. Therefore, the next sub-project was dedicated to the examination of the process and dynamics through which this contribution materializes.

How interactions foster CSR

An in depth case study taking a long term view into an interaction process between a Dutch bank and a Dutch environmental NGO, spanning eight years, served to examine if, how and why this business-NGO interaction process fostered improved CSR. The results of the analysis suggested that the extent of the influence of business-NGO relationships on CSR is largely determined by the character of the interdependencies between the business and other stakeholders, for example investors, clients and competitors. The character of the business-NGO relationship in terms of collaborativeness explains the influence to a far lesser extent. While in one context a collaborative business-NGO interaction might both be feasible and conducive for CSR change, in another context conflictual interaction might be more functional for CSR.

The case study indicated the relevance of a stakeholder approach to the study of business-NGO interactions, which highlights that the social and political arena and the character of the dependence relationship between the focal firm and other stakeholders than the NGO, may impede or encourage the realization of CSR outcomes of a business-NGO interaction process.

Summarizing, this in depth case study established that, notwithstanding the popularity of the collaborative discourse, confrontational business-NGO interactions can be quite effective in fostering CSR changes within a company. However, collaborative arrangements between businesses and NGOs are increasingly common in practice. Therefore, in order to understand the relative impact of each of these interaction types for the advancement of CSR, in the subsequent sub-project it was decided to compare the effectiveness of collaborative, reformative and radical, confrontational NGO strategies towards business.

Radical versus reformative strategies

A comparative case study of a radical and a reformative NGO strategy towards a company demonstrated that both NGO strategies had some tangible CSR effects through the strategic leveraging of the resource dependence relationship that existed with the company (Pfeffer/Salancik 1978). Symbolic, for example reputational, damage tactics, corresponding with a radical NGO strategy, were effective in fostering both deinstitutionalization of unwanted corporate policies and practices and reinstitutionalization of desired, alternative policies and practices. Symbolic gain tactics, corresponding with a reformative NGO strategy, were also effective in inducing reinstitutionalization of desired practices, but did not induce deinstitutionalization processes. Furthermore, the material tentatively suggested that symbolic gain tactics might be better suited to induce firms to develop high ambition CSR products, while symbolic damage tactics are better suited to induce firms to develop high ambition CSR policies.

It is important to highlight that, although unintended, this part of the study made clear that different NGO strategies to-

wards business influence not only business, but also each other. In their interaction with business, more radical and more reformative NGOs, the one using the 'carrot' of improved reputation while the other is using the 'stick' of reputation damage, might reinforce each other. Where the negative reputation mechanism used by radical NGOs might be effective in igniting policy developments, constructive dialogue is desirable to bring such processes to an end, and such a dialogue is more feasible with a reformative NGO than with a radical NGO, since trust is more easily developed between a reformative NGO and a business (Van Huijstee/Glasbergen 2008). This finding drew my attention to the effect of increased business-NGO interactions on the NGO sector, which would be the main concern of the last sub-project.

Coping strategies of partners

In this last sub-project, my fellow researchers Leo Pollock, Pieter Glasbergen, Pieter Leroy and I started with the notion that NGOs that consider opportunities to partner with business will need to develop strategies to cope with the contesting institutional demands of the market and the civil society. Therefore we developed a framework to assess coping strategies of partnering NGO, which specifies four key elements of NGO coping strategies: action strategy, primary stakeholders, funding, and organizational capacity.

An analysis of the strategies of two different partnering NGOs demonstrated that these individual NGOs manage to adequately cope with the challenges the partnership trend poses to their organization. The case analysis suggests that a partnering NGO's action strategy, that is solely collaborative action or a combination of collaborative and more confrontational action, is actually the leading element within the partnership coping strategy. Different action strategies are accompanied by different risks that require different strategic choices. The guiding principle in the NGO coping strategies seems to maximize environmental impact, while minimizing risks. Although previous research has assumed that partnering and independence are incompatible, our case study demonstrated that it is possible for an NGO to combine a partnership strategy with more confrontational litigation and advocacy activities (Åhlström/Sjöström 2005). The key to this arrangement is the NGO's independence from corporate funding.

Interactions can contribute positively to sustainable development

Having reviewed the main findings of the several sub-projects, let's now attempt to answer the main overall research question. Yes, we have seen that business-NGO interaction processes induce several new social practices that contribute to the advancement of sustainable development. We have seen the following new practices emerge:

- The development of new organizational structures and staff positions, for example CSR departments and CSR staff

„Business-NGO interactions pose challenges to the legitimacy of NGO action strategies.“

- The development of new organizational strategies, for example proactive stakeholder engagement by firms, development of partnership coping strategy by NGOs
- The development of new policies, for example sustainable investment policy for a bank
- The development of new products, for example a credit card with inbuilt carbon dioxide compensation

Furthermore we have seen that both collaborative and confrontational business-NGO interaction processes can contribute to sustainable development, and that both have their strengths and weaknesses.

Although these research results might seem hopeful by acknowledging a positive contribution of private initiatives to sustainable development, they should be taken with some cautiousness. First of all, no comparison was made between the contribution of business-NGO interactions and other possible mechanisms, most importantly arrangements that involve governments and some form of governmental regulation. The fact that business-NGO interaction processes provide some positive results does not mean that processes involving governments could not provide for more far-reaching results. Therefore, at this point the results do not subscribe a reliance on business-NGO interactions for sustainable development.

Second of all, we witness an increase in collaborative business-NGO interactions. These might not only pose challenges to the partnering actors, but also to their non-partnering colleagues. Specifically, I anticipate some challenges for the NGO field as a whole. These challenges are related to the legitimacy of different NGO action strategies, resource availability for NGOs, the possibilities for a common NGO agenda and ultimately the effectiveness of the NGO field in furthering sustainable development. It remains to be seen to what extent these anticipated challenges will materialize and how the NGO sector will manage these challenges.

Annotations

- (1) The full results of this research have been published elsewhere (Van Huijstee/Glasbergen 2007), but I will highlight the main findings here. →

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