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978-0-521-86684-2 - NGOs and Corporations: Conflict and Collaboration

Michael Yaziji and Jonathan Doh

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NGOs and Corporations

We live in a period marked by the ascendancy of corporations. At the same time, the number of non-governmental organizations (NGOs) – such as Amnesty International, CARE, Greenpeace, Oxfam, Save the Children and WWF – has rapidly increased in the last twenty years. As a result, these two very different types of organizations are playing an increasingly important role in shaping our society, yet they often have very different agendas. This book focuses on the dynamic interactions, both conflictual and collaborative, that exist between corporations and NGOs. It includes rigorous models, frameworks and case studies to document the various ways that NGOs target corporations through boycotts, proxy campaigns and other advocacy initiatives. It also explains the emerging pattern of cross-sectoral alliances and partnerships between corporations and NGOs. This book can help managers, activists, scholars and students to better understand the nature, scope and evolution of these complex interactions.

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Business, Value Creation, and Society

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The purpose of this innovative series is to examine, from an international standpoint, the interaction of business and capitalism with society. In the twenty-first century it is more important than ever that business and capitalism come to be seen as social institutions that have a great impact on the welfare of human society around the world. Issues such as globalization, environmentalism, information technology, the triumph of liberalism, corporate governance, and business ethics all have the potential to have major effects on our current models of the corporation and the methods by which value is created, distributed, and sustained among all stakeholders – customers, suppliers, employees, communities and financiers.

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Advance praise

“No major multinational today can ignore NGOs or the tremendous threats and opportunities they represent. With this book, Yaziji and Doh have provided the authoritative volume on the topic, filled with insights and illustrative case studies. I highly recommend it.”

Peter Brabeck-Letmathe, Chairman of the Board, Nestlé SA

“This book is the most comprehensive and insightful book on NGOs and NGO-corporations to date. It is essential reading for executives, students and thought leaders wanting to make sense of the rise of NGOs and to better understand how to respond to them.”

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“From environmental groups to social justice activists to consumer advocates, NGOs have become critical stakeholders with important business strategy impacts for almost every industry and every company. In *NGOs and Corporations*, Yaziji and Doh map this terrain with breadth and insight . . . a must-read for corporate leaders everywhere.”

Dan Esty, Hillhouse Professor, Yale University

“*NGOs and Corporations* is a comprehensive, thoughtful and well-grounded contribution to an important and timely topic. It is a valuable contribution to the evolving literature on NGOs and, particularly, their complex relationships with business firms.”

Stephen J. Kobrin, William Wurster Professor of Multinational Management, The Wharton School, University of Pennsylvania

“A useful and comprehensive analysis of the complex and changing relationships between corporations and NGOs.”

Sir Mark Moody-Stuart, Chairman of Anglo-American and ex-chairman of Royal Dutch Shell

“This book fills an important gap in our understanding of an increasingly important dimension of business-society relations. Its case studies and analytical framework provide a valuable overview of the dynamics of NGO-firm conflict and cooperation.”

David Vogel, Solomon P. Lee Distinguished Professorship in Business Ethics, Stanford University

“No global business executive can afford to ignore or not fully understand NGOs in the twenty-first century. Yaziji and Doh have written a seminal book that helps to explain the unique nature of NGOs and provides an excellent how-to approach to collaborating effectively with them. It is a must-read for any truly global business executive.”

Michael D. White, Vice Chairman, PepsiCo

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The writing of this book was done under very intense professional and personal conditions. (This meant that Jonathan needed to be exceptionally patient with me! Thank you, Jonathan!) I dedicate this book to those whom I love dearly, who have suffered my idiocies, who have supported me during the toughest times and who have given meaning and joy to my life. Thank you for your friendship, guidance, support, light and love. Let's look to the future with levity, optimism and a smile.

MY

I would like to thank my supportive family and all of my friends and colleagues who have helped me along the way, especially Hildy Teegen, without whom my ability to contribute to an effort such as this would not have been possible. I also thank the incredible and talented Michael Yaziji for inviting me to be part of this project.

JPD

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Preface

Nonprofit nongovernmental organizations (NGOs) have become important actors in the global political, social, economic and business environment. NGOs – such as Amnesty International, CARE, Greenpeace, Oxfam, Save the Children, World Wide Fund for Nature and hundreds of others – engineer campaigns with the goal of advancing specific causes. Many of these same groups provide goods and services to ameliorate intractable social and environmental problems. Recent statistics indicate a 400 percent increase in the number of international NGOs.¹ Through their advocacy and service delivery, social purpose NGOs work on multiple issues including combating hunger, curtailing human rights abuses, countering environmental degradation and improving health care.

Increasingly, corporations encounter NGOs as the scope of activities among governments, businesses and nonprofits converge. This is reflected, for example, in the twenty-fold increase in citations of “NGOs” or “nongovernmental organizations” in the *Wall Street Journal* and the *Financial Times* in the last ten years.²

In some instances, the relationship between NGOs and corporations is antagonistic. NGOs, through campaigns targeting corporations, are not only pushing firms to meet existing social expectations and legal requirements, but also seeking to change broader expectations about corporate responsibility and government regulation.³ By undermining the firm’s legitimacy with key stakeholders, NGOs can erode a firm’s market value, destroy its brand, destabilize employee morale, constrain its influence with various constituencies and limit its scope for strategic action. Using a wide range of tactics with different audiences, NGOs increasingly push their agendas – be it the reduction of negative externalities generated by corporations or the wholesale re-evaluation of the corporate capitalistic system – through campaigns targeting corporations.

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Simultaneously, NGOs and corporations are also developing more collaborative relationships on the assumption that these connections can yield benefits for both the corporate and NGO participants and the general welfare of the populations of concern to the NGO.⁴ These relationships provide corporations with access to different resources, competencies and capabilities than those that are otherwise available within their organizations or that might result from alliances with for-profit organizations.⁵ Interestingly, the particular resources and competencies that NGOs bring to a cross-sector partnership are often just what those firms need to address the growing demands of an increasingly diverse set of stakeholders. Similarly, NGOs may be in a position to access financial and nonfinancial resources and expertise from those corporations with whom they collaborate, including managerial and technical skills, marketing leverage and other capabilities.⁶

The impressive complementarities of NGOs and corporations that yield these benefits of partnering are, unfortunately, often accompanied by differences that make these partnerships especially hazardous. First, corporations may need to provide the NGOs with sensitive information. Knowledge about R&D projects, strategic plans and internal audits may help NGOs be better partners, but it may also make them riskier ones. Second, media coverage of the partnership, while potentially beneficial to the reputation of the firm, may put the legitimacy of the NGO under question (as the NGO might be seen as “selling out”) and increase the scrutiny of the firm. Finally, there are often cultural diversities and value differences between corporations and NGOs that they must conquer for the partnership to be successful. Corporations are highly focused on the markets and market competition. By contrast, NGOs live and die with shifts in the values and trends of society, as their main foci are on social, political, cultural and environmental issues.

Increasingly, interactions between NGOs and corporations are multidimensional, incorporating both elements of conflict and cooperation. For example, NGOs have been actively pressuring corporations – either individually or through industry-wide campaigns – while at the same time providing technical assistance, such as codes of conduct, standards or other policies and practices, to help corporations respond to the pressure.⁷ NGOs have also been active in the explosion of socially responsible investment, an important

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phenomenon that influences corporate behavior by excluding or including investment holdings based on the social or environmental performance of a company and by pressuring corporations through proxy proposals.⁸

The importance and impact of corporate–NGO engagements – both adversarial and collaborative – is growing. A fuller understanding of the role of business in society requires a comprehensive understanding of these engagements. To date, most of the work done in the area has been limited to descriptive case studies, with few efforts to provide a more comprehensive typology and theoretical framework for understanding these engagements. We seek to fill some of these gaps.

This is the first full-length volume to systematically examine these emerging relationships. Our objective in writing this book is to inform both managerial theory and practice related to the forces driving the emergence of relationships between NGOs and corporations. In doing so, we will examine the nature, scope and evolution of these relationships over time, with the objectives of:

1. Explaining why NGOs have emerged as important institutional and organizational actors on the global political–economic landscape.
2. Developing, synthesizing and presenting typologies of NGOs to help the reader gain a better understanding of their position in the broader political and economic environment and to differentiate the purpose, mission, organization and operation between and among various types of NGOs.
3. Explaining the range of ways in which corporations and NGOs interact, including NGO campaigns, corporate–NGO collaborations and other engagements.
4. Describing and documenting different types of NGO campaigns, including boycotts, media initiatives, shareholder resolutions and other tactics.
5. Describing and documenting the range of ways in which corporations and NGOs compete and collaborate, including via philanthropic contributions, formal and informal agreements, codes of conduct and standards, and other mechanisms.
6. Documenting the dynamics of corporate–NGO relationships as they evolve from conflicting to cooperative relationships through exploration of critical case studies.

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7. Discussing the emerging role of NGOs in the broader field of business and society.

In sum, we hope this volume makes a timely and innovative contribution to the literature on business and society and the growing importance of NGOs within that field. By offering a succinct, straightforward and sophisticated treatment of this important and emerging issue in global business and society, we hope that our contribution has the potential to change the way scholars, educators and practitioners think about this important topic.

Notes

- 1 M. Yaziji, "Turning gadflies into allies," *Harvard Business Review*, February (2004), 110–115.
- 2 M. Yaziji, "Institutional change and social risk: A study of campaigns by social movement organizations against firms," INSEAD (2004).
- 3 J. P. Doh and H. Teegen (eds.), *Globalization and NGOs: Transforming Business, Government, and Society* (Westport: Praeger, 2003).
- 4 H. Teegen, J. P. Doh and S. Vachani, "The importance of nongovernmental organizations (NGOs) in global governance and value creation: An international business research agenda," *Journal of International Business Studies* 35 (6) (2004), 463–483.
- 5 Yaziji, "Turning gadflies," 110–115.
- 6 J. W. Selsky and B. Parker, "Cross-sector partnerships to address social issues: Challenges to theory and practice," *Journal of Management* 31 (2005), 849–873; Teegen, Doh and Vachani, "The importance of nongovernmental organizations," 463–483.
- 7 J. P. Doh and T. R. Guay, "Globalization and corporate social responsibility: How nongovernmental organizations influence labor and environmental codes of conduct," *Management International Review* 44 (3) (2004), 7–30.
- 8 T. Guay, J. Doh and G. Sinclair, "Nongovernmental organizations, shareholder activism, and socially responsible investments: Ethical, strategic, and governance implications," *Journal of Business Ethics* 52 (1) (2004), 125–139.

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Foreword

This book could not have come at a more propitious time. With the global financial meltdown, sub-prime mortgage mess, collapse of the auto sector and escalating concerns about abrupt climate change, it is clear that “business-as-usual” strategies will simply not suffice. Never has stakeholder engagement and collaboration with civil society been more important. Indeed, the twenty-first century appears to demand nothing less than a new, more inclusive approach to capitalism that promotes “mutual value” for not only companies, customers and suppliers, but also communities and the environment.

Luckily for us, Michael Yaziji and Jonathan Doh provide a welcome roadmap for how to both understand this transformation and to benefit from it competitively. In *NGOs and Corporations* they first explain why non-governmental organizations (NGOs) have exploded onto the scene over the past two decades. They provide a lucid model for both explaining and predicting the emergence of civil society based upon underlying conditions at the national and global level.

Next, the authors provide a classification of NGOs so as to better organize our thinking about the different strategies and types of actors, and the range of ways that corporations and NGOs interact. They make a strong case that “social” risk is now as significant strategically as “political” or “technological” risk. In so doing, they provide a model for predicting which types of firms are most likely to be the target of NGO campaigns of “delegitimation.”

Yaziji and Doh also make clear that all NGO campaigns are not created equal. They show, for example, that NGOs serving as “watchdogs” – the enforcement of existing laws and norms – are more likely to employ tactics using dominant institutions such as courts, legislators and regulatory bodies. In contrast, those aiming for change to the central tenants of dominant institutions employ “counter-institutional” tactics, including civil disobedience, destruction of property and violence as tactics to achieve their aims. Indeed, they

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suggest that al Qaeda represents one of the most successful “radical” NGOs in the world today employing “counter-institutional” tactics.

The book greatly benefits from a number of practical cases and illustrations which bring the analytical and conceptual models to life. These cases range from GMO food, to Coke in India, to conflict diamonds, to Unilever and Oxfam. The cases selected represent not only the full range of NGO-Corporate engagement types, but also provide a wonderful sense of how NGO engagement has evolved and progressed over the past two decades: Historically, NGOs typically employed either a “collaborative” or a “confrontational” strategy; increasingly, however, evidence suggests that more NGOs are using a hybrid or “mixed” strategy, employing collaboration where appropriate but also engaging in confrontation or direct action where necessary.

Finally, the closing chapter of the book reflects upon the “next wave” of corporate-NGO interaction. Here, the globalization of both industry and civil society are discussed, along with the growing importance and emergence of NGOs in the developing world. This last topic is near and dear to me and, in my view, will become increasingly important in the next decade. Indeed, the role of NGOs in helping to create a sustainable form of development among the four billion poor at the “bottom of the economic pyramid” may turn out to be the most important role for civil society in the coming years.

We are very pleased indeed, to publish this book in the series on *Business, Value Creation, and Society*. The purpose of the series is to stimulate thinking about new ways to combine economic value creation with social contribution and environmental sustainability. Yaziji and Doh have clearly made an important contribution toward this end.

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