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“How NGOs Can Advance Corporate Citizenship Objectives: Roadmap to Partnership Success”

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Companies engaged in building out their corporate citizenship initiative to embrace a more robust, even global commitment to “doing well by doing good” inevitably confront a sequence of questions: What about NGOs? Can we be more effective by partnering with an NGO? If so, which one(s)? And what, exactly, do we want from the relationship?

These questions are “inevitable” given the increasingly trans-national nature of business today and the concomitant expectations of global society that businesses be sustainable, socially aware, and committed to functioning effectively as global corporate citizens. No matter which market a business operates within, as they begin the process of establishing a corporate responsibility platform, they will find that one or more non-governmental organizations (NGOs) have been active in the field before them. In developing a strategy and examining all options to be fully effective, the questions of NGO partnerships will, indeed, *inevitably* arise.

As Paul Hawken writes in the occasionally purplish prose of his seminal work, *Blessed Unrest*: “Despite centuries-long practices of despoliation and pollution, almost every responsible corporation in the world is moving away from destructive practices and trying to institute more sustainable ones, and all of them have turned to NGOs to assist, teach, inspire, and urge them on.” Underscoring the fact that NGOs can no longer be ignored is the finding in Edelman's annual "Trust Barometer" survey that the general public trusts NGOs more than they do business or government.

Of course, the flip side of Hawken’s scenario is that corporations know that many NGOs also exist to expose, criticize, protest, and bring them down. But for every extremist cream-pie armed activist waiting to sully an unsuspecting CEO, there are hundreds of deeply committed, development- and advocacy-oriented NGOs eager to work with businesses toward mutually agreed-upon citizenship goals. The challenge is to find the right organizations with which to partner, and to have a set of reasonable expectations as to what a business can expect to gain from the partnership.

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Statistics show that, of the world’s top 100 economic entities, 49 are countries and 51 are corporations and in many social sectors and in many global regions, companies are able to provide more services and a more sustainable infrastructure than governments. Sometimes the interventions are voluntary, and sometimes they are born of necessity. This is especially the case in failed and fragile states. What this means, says pioneering CSR consultant Chris Lazlo in his book, *Sustainable Value: How the World’s Leading Companies Are Doing Well by Doing Good*, is “that corporations, as the most powerful and global form of organization on Earth, are

uniquely suited to providing innovative solutions to seemingly intractable social and environmental challenges.”

But with this great power comes even greater responsibility, as businesses increasingly find they need a social license to operate and investors, customers, regulators, and media come to carry as much clout with businesses as shareholders. Whether expanding into a new regional market in the developing world or engaging aggressively for the first time in a new policy area such as climate control or workforce diversity, businesses realize that companies that fully embrace social responsibility are more successful than those that ignore social responsibility – and that one of the most attractive first steps in a strategy is to reach out to an NGO who has “been there, done that.”



While business leaders may have misgivings about working with NGOs, evidence shows that companies that forego NGO partnerships potentially miss out on opportunities to execute CSR initiatives that will ultimately benefit them. Here is Chris Lazlo again: “In the minds of many business leaders, stakeholders have gone from having illegitimate claims on business value to having a limited voice primarily focused on ensuring compliance, to now being value-creating partners with whom the company can collaborate for mutual benefit.” Supporting Lazlo’s contention is the survey of leading global companies conducted by the UK’s Institute of Business Ethics that shows businesses with a code of ethics in place for five years or more perform better than those that do not.

To obtain full benefit from an NGO partnership, companies must realize, first, that each NGO is unique in terms of its focus and methodology. Some are campaign and advocacy-oriented and are often confrontational. Others focus on project implementation and eschew headlines-grabbing actions. Still others evince an overlap of these two types. With proper vetting and research, companies can choose suitable NGOs - even from among those engaged in advocacy work – that can make substantive contributions and add real value to their business. A “friendly” challenge from an NGO can actually set the stage for a company to innovate in ways that promote its goals and objectives

NGOs potentially have useful skills that can help businesses meet their CSR and other objectives. First, for companies that have physical assets sited in areas that affect local communities - especially in developing countries - NGOs can provide expertise in stakeholder management ( “stakeholder” is here defined as the individuals and groups that have an interest in the activities of a business, whether financial, operational, or otherwise). Large corporations often have difficulty in managing relationships with local communities, which are a key stakeholder group. Working with these actors can be particularly challenging for companies in high-impact sectors such as mining, logging, oil and gas.

Such companies will find that NGOs with a local presence are often adept at brokering interactions with communities that may distrust their large, powerful business neighbours. NGOs tend to understand a community’s concerns and aspirations, and possess invaluable local knowledge as to whether there are hot-button issues present, such as vulnerable ethnic or indigenous minorities or environmental concerns. NGOs with an on-the-ground presence can

skilfully translate this knowledge into political action that matters for companies, and companies success in effectively engaging NGOs in these instances can impact how successfully they function in new markets.

NGOs' value extends beyond what they can offer in terms of local community relations, and can also include their ability to identify and communicate with other important stakeholders that can and do affect corporate performance. The latter can include consumer groups, regulatory bodies, student organizations, cause-advocacy groups, and other civil society groups that companies ignore at their peril.

Experience shows that there are specific steps that businesses should take in creating successful partnerships with non-governmental organizations. First, a period of informal, trust-building interactions and activities should be explored. Think of this as the "courtship" phase before a commitment to partnering happens. Meeting at corporate headquarters and on the NGO's turf, holding discussions about critical issues that affect both business and civil society, etc. all help both sides understand motivations, philosophies, cultures – all of which are important in how any partnership will be carried out.

Next, the two must identify shared values that will guide and underpin any partnership that may emerge. This requires addressing such questions as, is the NGO interested in helping communities benefit from the company's presence? Or are both interested in minimizing negative environmental consequences of business operations? Coming to a shared understanding is a critical step in the process, and this underlying principle must be re-visited repeatedly throughout the life of the partnership.

Third, the stakes must be clearly spelled out in ways that generate safeguards to protect both the business and the NGO. How will the partnership be governed? Will there be triggers that lead to re-examination, or even suspension/termination of the partnership? If so, what will they be? What kind of evaluation tools and methodologies will be used? Will third-party monitoring of the agreement be allowed? How will such an entity be selected? These and other critical questions must be thoroughly discussed and articulated in the agreement that governs the partnership. Both sides must be held accountable.

Finally, what are the desired outcomes of the business-NGO partnership? While these must flow logically from the two parties' shared values, they also must be clear and measurable. Is the partnership about improved security at a project site for local workers? Is it about creating a local supply chain? Is it about reducing the company's carbon footprint? Whatever the goals, there can be no assumptions – only explicit objectives.

While the work involved in developing a business-NGO partnership is not insignificant, the rewards for a business are many. CSR, while benefiting society, helps businesses to execute strategically in ways that can open new markets, reduce various risks, enhance brand equity, and help to acquire the best talent. Recent Stanford Business School research found that MBA students at top business schools increasingly cite a company's reputation as being an important factor in their decision as to whether to accept or reject a job offer and say they would

be willing to accept a salary reduction of ten percent or more to work for a socially responsible firm.

Securing the best talent is recognized as critical to corporate success. Partnering with NGOs can provide businesses with coveted brand endorsement from a trusted sector. Smart businesses know that there is a connection between such approval and enhanced brand equity and ultimately, shareholder value. Put another way, working with NGOs can both offset potential reputation and operational risks, while adding value to the company.