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Terms for Endearment: Business, NGOs and Sustainable Development

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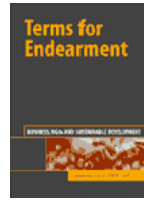
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INTRODUCTION

Working with stakeholder pressure for sustainable development

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Monsanto's [cotton] field trials . . . will be reduced to ashes in a few days. These actions will start a movement of direct action by farmers against biotechnology, which will not stop until all the corporate killers like Monsanto, Novartis, Pioneer etc. leave the country . . . [T]hese actions can also pose a major challenge to the survival of these corporations in the stock markets. Who wants to invest in a mountain of ashes, in offices that are constantly being squatted (and if necessary even destroyed) by activists? (Professor Nanjundaswamy, quoted in Cummins 1998: 1).

In 1998, Indian farmers in the Karnataka region, chanting 'Cremate Monsanto' and 'Stop genetic engineering', uprooted and burned genetically engineered cotton fields in front of a bank of television cameras and news reporters. Non-governmental organisations (NGOs), including the Karnataka State Farmers' Association, were calling on the biotechnology company Monsanto¹ to 'Get out of India', and for the government to ban field tests and imports of genetically modified (GM) seeds and crops.

This sort of antagonism between business and NGOs is not a new phenomenon. Back in 1962, Rachel Carson's *Silent Spring* sparked the contemporary environmental movement with an exposé on the dangers posed by pesticides for people and the natural environment. The chemical industry responded with a scathing attack on environmentalists, branding them 'a motley lot ranging from superstitious illiterates and cultists to educated scientists' (quoted in Hoffman 1996b: 53). From *Silent Spring* to the present day, relations between representatives of business and their NGO stakeholders have often been antagonistic.

1 On 3 April 2000, Monsanto Company merged with Pharmacia & Upjohn to form Pharmacia Corporation.

The mid-1995 confrontation between Shell and Greenpeace over the disposal of the Brent Spar offshore oil platform confirmed the long-standing image of two tribes engaged in perpetual war over values, words and ideas. Yet this was not the end of the story. Eventually the protests led Shell UK to engage the Environment Council, a British NGO, to facilitate a series of European-wide 'Dialogue Forums' between the company and a wide range of NGOs and other stakeholders on alternative disposal options for the Brent Spar (see Chapter 2). Subsequently, Shell UK's chief executive officer said that his company 'had no option but to pursue the goal of sustainable development' (quoted in Cowe 1996: 17). Similarly, since the outcry over Shell's operations in Ogoniland, both before and after the Nigerian government executed environmental activist Ken Saro-Wiwa, the company has consulted with Amnesty International on its business principles and new corporate human rights policy.

At daybreak on the 21st century, relations between businesses and NGOs range from the strongly antagonistic to the 'strangely' collaborative. In the following pages there are examples of international NGOs, such as the World Wide Fund for Nature, as well as local groups in both industrialised and less industrialised countries, all pursuing sophisticated market-oriented strategies to pursue their objectives. Examples of stakeholder pressure on timber companies (Chapter 4), biotechnology companies (Chapters 6 and 13), mining companies (Chapter 5), and companies investing in countries with repressive regimes (Chapter 3) are provided, as well as the case of an NGO action against a proposed intergovernmental agreement on investment (Chapter 3). However, the main focus of this book is on how and why companies are working *with* stakeholder pressure for sustainable development, by collaborating with NGOs on various initiatives.

In recent years there have been a number of books published that seek to help corporations defend themselves when 'under siege' from stakeholders (Neal and Davies 1998: 1), and advise them on 'Managing Outside Pressure' (Winter and Steger 1998) by providing a 'practical roadmap to protecting [a] company's reputation' (Peters 1999: 1). Indeed, models of effective stakeholder relations management can be proposed, which focus on: (1) defending the organisation's position against stakeholders who represent a high threat and a low potential for co-operation; (2) collaborating with stakeholders who represent a high threat and a high potential for co-operation; (3) involving stakeholders who represent a low threat and a high potential for co-operation; and (4) monitoring stakeholders who represent a low threat and a low potential for co-operation (Savage *et al.* 1991).

If this is the type of advice you are interested in, then you might consider closing this book now. In these pages you will not find advice on how to manage stakeholder pressure to corporate advantage. This is because much stakeholder pressure is motivated by belief in the principles of social justice and environmental sustainability. To try to analyse this pressure from a utilitarian approach both misunderstands these principles and denies the humanity of both managers and students of business. Therefore this book examines cases where business can work *with* stakeholder pressure for sustainable development; if you are interested in how businesses can become part of a better society, and cases when unfortunately they cannot, please read on.

▲ The rise and rise of civil society

In this book we make interchangeable use of the terms 'stakeholders', 'non-governmental organisations' (NGOs), 'non-profit organisations' and 'civil society groups'; the term 'third sector' is also used. Before proceeding, we need to clarify some terms and concepts.

First, there are 'stakeholders'. The idea that companies have stakeholders has now become commonplace, in both the academic literature and business practice, and relations with stakeholders are considered key to the strategic planning process (Starik *et al.* 1996). Freeman (1984: 52) suggests that stakeholders include 'any group or individual who can affect or is affected by the achievement of an organisation's purpose'. This definition is too broad for some as it includes interested parties as well as affected parties, and therefore an argument has been made for restricting the term to those 'who have a "stake", or vested interest, in the firm' (Carroll 1993: 22). In much management practice, however—for instance, in stakeholder reporting and social auditing—Freeman's approach holds, and stakeholders are defined as primary or secondary, depending on an assessment of whether they are immediately affected by, or can immediately affect, a firm's operations.

NGOs are often stakeholders in a company, whether they are formed by groups of people who are affected by a firm's operations (either immediately or in a broader context), or groups articulating on behalf of other people (or wildlife) that are affected by a firm. NGOs have been defined in a number of different ways, and in this book they are defined as 'groups whose stated purpose is the promotion of environmental and/or social goals rather than the achievement or protection of economic power in the marketplace or political power through the electoral process'. This definition includes groups that are non-profit as well as non-governmental, but excludes non-profit groups that work for economic interests, such as the International Chamber of Commerce (ICC), and those non-profit groups without an explicit social or environmental purpose, such as a school choir. Even so, NGO is a broad term, covering major international organisations such as Amnesty International, on the one hand, and a local development group such as FUNDE in El Salvador, on the other.

The total number of NGOs worldwide is unknown. The Union of International Associations estimated in the early 1990s that there were more than 20,000 international or transnational NGOs. This total included some 1,000 NGOs that have consultative status with the UN Economic and Social Council (Willets 1998). Within many nation-states, NGO numbers are much higher. At the end of 1998, there were 186,248 registered 'non-governmental' charities in England and Wales. Ten years ago, Rajesh Tandon (1989) estimated that there were several thousand voluntary agencies in India, including relief and rehabilitation agencies, philanthropic, charity-owned NGOs, social action groups and intermediary organisations. Researchers at The Johns Hopkins University reported that NGOs trade at least \$1.1 trillion worldwide, provide more aid than the World Bank, and employ more than 19 million people. The Netherlands leads the way—12.4% of its citizens work in NGOs, with other European nations following closely behind (Salamon *et al.* 1999).

NGOs are now widely regarded as nodes of civil society. The term 'civil society' has a long history and there are currently many competing definitions in use. State-centred definitions of civil society have strong historical routes—even Marx wrote about civil society and the state—and were given new vibrancy by political activists in Eastern Europe who spoke of it as the networks and markets that existed outside the totalitarian state (Walzer 1995). However, I agree with those who contend that 'the two part model . . . whereby civil society includes everything outside the state sector, is [not] useful today' (Cohen 1995: 35). A three-part model that draws on the work of Antonio Gramsci (1992) to differentiate between civil society, the state and the economy is more helpful. In this way organisations can be classified as either belonging to the state (government), market (business) or civil society (NGO) sectors—or a hybrid of them. What are the key differences between organisations in these sectors that make a book about relations between them of importance? Each organisational type has a different overriding imperative. Governments' primary concern is with a political system focusing on the creation of rules that can be enforced through coercive means such as the police and courts. Businesses' primary concern is with economic systems where owners are in control and people are induced to do what the organisation desires through monetary rewards. In contrast, NGOs focus on social systems and networks based on values and beliefs; they derive their power from their ability to speak to tradition, community benefit and values.

Why is civil society on the rise today? One argument is that it is because of people's alienation from the institutions established to serve them. The evolution of the modern nation-state has caused the public sector to take the form of large institutional structures that can create a sense of alienation among citizens. The same seems to have happened with the private sector as well, where individual enterprise has given rise to large institutional structures that rival nation-states. Indeed, the contemporary multinational corporation has the size and scope of many public entities. Alienation with state and private institutions may have necessitated the growth of organisations in the 'third sector', or civil society. In this book we concern ourselves with the relations between businesses and those NGOs that are working on aspects of sustainable development. These NGOs come from two main 'camps'—environment NGOs and development NGOs.

▲ NGOs and sustainable development

Many NGOs focus on issues related to the goal of sustainable development. Although there are intriguing relations between businesses and NGOs on issues such as black, gay or women's rights, the focus of this book is on those interactions relating to sustainable development. As a result of global environmental degradation and widespread poverty, the World Commission on Environment and Development (WCED), better known as the Brundtland Commission, presented the concept of sustainable development as a solution in 1987. The Brundtland Commission diagnosed the source of environmental and social problems as the conflict between an open economic system pushing against a closed ecological system. Therefore they defined sustainable development as 'develop-

ment that meets the needs of the present without compromising the ability of future generations to meet their own needs' and stated that it embodied 'two key concepts . . . the essential needs of the world's poor . . . [which] should be given overriding priority; and the idea of limitations . . . on the environment's ability to meet present and future needs' (WCED 1987: 43).

Because of the broad nature of the term 'sustainable development', it has been adopted by many, from local activists to multinational corporations (Adams 1993). The term has been somewhat co-opted, so that it has become synonymous with strategies for sustained economic growth that include economically viable environmental protection measures. Despite its basis on an existing industrial economy, the growth of the new digital economy is seen by some as evidence of the possibility of environmentally benign economic growth. This approach sets aside the original attention of sustainable development with the need to reconsider the environmental limits to production and consumption and the nature of human progress. Originally, sustainable development was about creating happy, just, secure and environmentally sensitive communities. Despite neo-liberal convictions about the efficacy of international trade and economic growth in creating such communities, the amount of money that changes hands per annum has never been a good indicator for sustainable development.

The concept is widely used by NGOs involved in environment and development. In the North, environmental NGOs have evolved towards a sustainable development orientation through three waves of environmentalism (Murphy and Bendell 1997a). The first wave of environmentalism began in the 1900s as a residue of the Romantic Movement, which championed a return to nature in the wake of the Industrial Revolution. This led to the establishment of the first national parks. The second wave in most Northern, industrialised countries began in the 1960s, fuelled by socioeconomic changes at that time and the emerging science of ecology. The first major environmental campaigning groups were established and they focused primarily on increasing regulation to protect people from industrial pollution. The third wave of environmentalism began in the mid to late 1980s as environmental NGOs began to seek practical ways of implementing solutions. The global environmental problematique began to be broken down into everyday issues with practical remedies. Third-wave environmentalism places increasing emphasis on market-oriented campaigns and on seeking workable solutions to environmental problems.

Many development NGOs based in the North have also begun to embrace the sustainability agenda and the advocacy route. Korten (1990) describes three generations of development NGO strategies. First-generation development NGOs focus on the provision of disaster relief and welfare—the original role of Northern NGOs such as Oxfam; second-generation strategies focus on promoting small-scale, self-reliant community development; and third-generation strategies involve increasingly large and sophisticated NGOs 'working in a catalytic, foundation-like role rather than an operational service-delivery role . . . facilitating . . . other organisations [to develop] the capacities, linkages and commitments required to address designated needs on a sustained basis' (Korten 1987: 149).

Korten goes on to describe the need for fourth-generation NGOs which aim to build 'a critical mass of independent, decentralised initiative in support of a social vision'

(1990: 127). Part of this strategy is building links between different NGOs and addressing the more structural issues at the heart of social and environmental problems. Whereas third-generation NGOs 'seek changes in specific policies and institutions', Korten suggests that fourth-generation NGOs will facilitate the coming together of loosely defined networks of people and organisations, across national borders in the North and South, to transform the institutions of global society (1990: 123).

For many Southern NGOs, community and activist groups, however, the division between environment and development is not so clear. When local Southern groups protest against their lands being acquired, or their rivers being poisoned, they are fighting for their mutual, material interests (Collinson 1996). Therefore many Southern groups have a natural orientation toward the goal of sustainable development.

Although NGOs around the world remain extremely heterogeneous, there is evidence of an emergent, shared discourse based around a critique of economic globalisation (Lynch 1998) and the promotion of sustainable development. Despite valid concerns over the way the term has been abused by vested interests, David F. Murphy and I recognised how sustainable development has become

a new organising principle, perhaps an emerging, positive myth, which has the potential to bring together diverse and often competing causes. The mythic quality of sustainable development lies in its capacity to clarify the Earth's complexity and facilitate commitment to new collaborative models (Murphy and Bendell 1997a).

▲ Driving factors for business–NGO engagement

The power of the sustainable development concept to convene different people and organisations and provide an apparently common vernacular on which to base a dialogue has been key to the growth in relations between corporations and NGOs. However, a number of other macro-level changes in economics and politics have been driving factors behind increased engagement between the sectors, and these are summarised here.

The first dynamic, explored by Peter Newell in Chapter 1, is the emergence of the global economy, the perceived decline in the role of the nation-state and the problem this is causing for regulating economies. In the less industrialised world, many governments have always had limited capacity to provide services or regulate business activities, yet today they are under pressure from financial organisations to adopt economic restructuring programmes and slim down even further. Meanwhile, in industrialised countries the range of functions that governments are expected to perform is contracting. This marks a decisive shift from the past when national markets were subject to state regulation by governments in order to deal with key market failures and externalities, and were taxed in order to provide public investment and welfare services to address issues of poverty, equity, security and justice. Today's markets have broken free from the state as

'alliances of various kinds have given rise to the stateless corporation in which people, assets and transactions move freely across international borders' (Snow *et al.* 1992: 8). This new situation is largely unregulated and not effectively taxed. It has imposed a discursive discipline on governments because all their domestic policies must be based on an overriding imperative to export cheaply and attract inward investment. In this way the international economy is determining state monetary and fiscal policy and drawing governments into a process of competitive deregulation. This situation makes it more likely that market externalities, such as social and environmental 'goods', will be ignored and market power will be monopolised.

We see, then, that the problem is not globalisation itself but rather our lopsided globalisation: while the globalisation of trade and finance is proceeding at a hare's pace, the globalisation of governance is dragging behind like a tortoise. Intergovernmental organisations have been notoriously slow in delivering meaningful regulatory systems, as Peter Newell argues in Chapter 1:

Often, international agreements are vaguely worded, slow to negotiate and difficult to enforce. The greatest indictment of all is that, despite the proliferation of inter-state accords relating to the environment, the rate of environmental degradation in most areas proceeds unabated (p. 33).

The resulting governance gap at the global level creates a need for those with new-found power to act responsibly, as indeed the United Nations hopes:

[E]stablishing new international legal agreements and building or reforming international organisations can be difficult. This makes the call for corporations to adopt responsible practices in return for the rights they have gained even more significant.²

Similar calls for corporations to adopt responsible practices are coming from a variety of stakeholders in a variety of contexts. In Chapter 4 the failure of state and inter-governmental processes to reverse the role of the timber trade in tropical deforestation is described as an antecedent of direct action against companies and subsequent efforts to set up an independent system for regulating responsible forestry. In Chapter 10, Simon Heap and Penny Fowler describe a similar process whereby a political stalemate over fishing restrictions led the World Wide Fund for Nature to work with a company that had a major frozen fish business, Unilever, to set up a system for regulating responsible fishing. Meanwhile, frustration over the inadequacy of regulation for genetically modified crops produced a wave of protest against the biotechnology companies, with no easy solution in sight (Chapter 6).

A second dynamic behind the rise in business–NGO engagements is the disintegration of some traditional views on the difference between political and economic institutions. Previously, business has often been regarded as an apolitical endeavour. With the growing recognition of corporate power in shaping political realities, this fallacy has been exposed, thereby creating a challenge to corporate legitimacy. Corporate legitimacy is a general perception that the actions of a company are desirable or acceptable within some

² www.unglobalcompact.com, p. 1.

assumed value system. Traditionally, corporate legitimacy was conferred by the nation-state and legality was within a system of state law, yet this can be questioned today. Companies find themselves having to work harder at legitimating themselves: statements defending a corporation's legitimacy and reputation such as 'we obey the law' or 'that is the government's responsibility not ours' are not sufficient in the 21st century.

In Chapter 2, Cheryl Rodgers illustrates this dynamic with examples from the oil industry. Shell once argued that 'politics is the business of governments' and that it should not interfere with national government policies, while critics countered that companies such as Shell held significant political influence and therefore considered this position dishonest (NGO Taskforce on Business and Industry 1997: 19). Rodgers shows that, since conflict with NGOs over the Brent Spar oil platform and the company's operations in Nigeria, the senior managers of Shell and their competitors have begun to change their approach, and corporate codes on human rights are now commonplace.

In parallel to these changes, the previous apolitical, or asocial, approach to the development of corporate policy is changing. The technique of employing only the advice of experts within narrow technical fields is being replaced by processes that include dialogue with stakeholders. More companies now realise that environmental issues are 'social and political dilemmas' with 'a range of possible answers' (Herkströter 1996: 9).

The implications of these changes are heightened as a result of the growing profile of major corporations and their brands around the world. A brand image is an aggregate of the thoughts that customers or investors associate with a particular company symbol, from a product logo to a stock market listing. Brand image has become so important that changes to it can have significant effects on company profitability or value (Griffith and Ryans 1997). Environmental and social issues hold both positive and negative potentials for companies with global brand images. Meanwhile, many NGOs carry public opinion with them on environmental and social issues, which means they have the ability to affect corporate brand image in these areas.

A third dynamic is the development in telecommunications and information technology. Global access to computers, fax machines, modems, satellite communications, solar-powered battery packs and hand-held video cameras has provided many NGOs with greater knowledge, voice and power. Although the vast majority of the world's poor and powerless do not have direct access to information technology, growing numbers of NGOs do. The flow of information around the world during political uprisings and following the disappearances or murders of notable campaigners lends added political weight to these events. 'Thanks to cyberspace, absolute control over information access is no longer possible' and atrocities can no longer be covered up easily (Johnston 1997: 336). In Chapter 3, John Bray presents examples of how NGOs have used the Internet to co-ordinate campaigns or send out information about problems such as human rights abuses, abysmal working conditions and environmental degradation, even at the very end of a company's complex supply chain. Once this information reaches the global media it can flash around the world by satellite, appearing in headlines and on television and radio within minutes. In this 'CNN world' no company can hide from the media searchlight. Therefore companies such as Unilever are well advised to proactively take

responsibility for what happens in their supply chains and to begin working on problems with local and international NGOs (Chapter 8).

▲ Why business is endeared

The preceding section sketched out the ‘big picture’, explaining the growing importance of civil society to business in a globalising economy. Now the practical reasons why individual companies should seek constructive relations with NGOs are covered. In Chapter 14 Steve Waddell argues that NGOs are able to *do* things that business corporations cannot, and this is why they make attractive partners for business. By joining forces the partnering organisations combine their resources and strengths, and offset their weaknesses:

NGOs are providing a means for linking the economic and production-oriented world of business with the social and value-generating one of civil society. At one level this translates into providing linkages to low-income people and interest groups that the comparatively wealthy, expensive, and elite world of business has difficulty connecting with and understanding. At another level this means making business aware of issues not immediately involved in production, such as the environment, poverty, inequality and social justice (Chapter 14, p. 205).

The reasons for working with NGOs can also be understood in terms of a management’s building of intellectual, social and reputational capital, as well as efforts to reduce risks posed to this value creation.

First, there are benefits to the intellectual capital of a corporation. The skills, expertise and ideas of staff are key to the success of companies, especially those involved in knowledge-based industries. It would be a mistake to think that the intellectual capital of a company is confined within the four walls of the office. Companies can access new forms of expertise and ideas externally by working with NGOs that have a wealth of knowledge in their respective areas of interest. For example, the DIY retailers in the WWF 1995 Group had complex supply chains and often strained buyer–supplier relations, so they benefited from their partner NGO’s free advice in implementing their forest product sourcing and certification programmes (see Chapter 4). NGOs are also a source of new ideas and critical thinking. If companies are to be able to meet growing social and environmental demands, they will need to undergo profound organisational change. In future, business leaders need to consider fundamental questions such as ‘Who really needs this product?’ and ‘Will the community be healthy and prosperous enough to produce and to buy our products in the future?’ In order to address such challenges, managers can work with other sectors of society and share ideas. Networks are also important elements of intellectual capital. Northern companies can tap into NGO networks in order to address sustainable development issues on the ground in countries where their suppliers are operating. Anne Weir of Unilever believes this to be important in helping to ‘ensure that the standards and values applied in our business are appro-

priate for the societies in which we operate' (Chapter 8, p. 124). International NGO networks also offer opportunities for Southern suppliers to access socially and environmentally progressive markets in the North.

Keeping the best staff so that a company does not lose its intellectual capital is increasingly recognised as fundamental to the success of companies in knowledge-based industries. Staff may be more inclined to continue working for a company if it is a good working environment—something that is partly shaped by a company's relationship with society. Therefore trust, or 'social capital', is a valuable asset for a company. The need to develop and maintain this social capital is another reason for being endeared to work with NGOs. The concept of social capital is based on the idea that companies can achieve greater productivity and higher quality because of trust generated by good labour relations, and closer relations with suppliers and other stakeholders. Working with NGOs on causes popular with the workforce can only stimulate a better working environment and thereby enhance the social capital of the company, while working with NGOs can help in sustainability-related supplier programmes (Chapter 8).

The social capital of a company is not locked up at night when the staff go home, as the level of trust shown for the company by communities and wider society has a bearing on the success of that company. Credibility is a cornerstone of trust, and it is an area that many have problems with today, due in part to society's questioning of traditional values, as outlined above. For example, a study by the Investor Responsibility Research Centre outlined how environmental reports and claims by companies suffer from a lack of credibility with customers and stakeholders (Coates 1998). Northern retailers of products from Southern countries are particularly in need of credible information to reassure consumers, while Southern producers require credibility for their social and environmental claims in order to access ethically or environmentally sensitive markets in the North. Rightly or wrongly, NGOs are warehouses of ethical and environmental credibility. Eurobarometer's poll found the same thing that BP's market research did a few years ago: people believe NGO campaigners more than spokespeople in industry or government (Coates 1998).

Perhaps a new term is required to capture this: what I am talking about here is a company's need to build 'reputational capital'. Recent research undertaken by Columbia University in the USA suggests that around one-third of shareholder value in many industry segments is accounted for by corporate reputation. Another study by Ernst & Young estimated that the intangible assets of skills, knowledge, relationships and reputation averages two-thirds of the total market value for companies focused on knowledge creation and/or market position (Coates 1998). This might be why, in the US, the Domini Social Index developed by investment research firm Kinder Lydenberg Domini, tracking companies with high social and environmental standards, has consistently outperformed the Standard & Poor's 500 Index. Corporate reputation is valuable, in real terms, and corporate reputation is affected by civil society, in real terms.

Intellectual, social and reputational capital can be built up over years but lost in a day. Mitigating this risk is another reason for working with NGOs. A selection of boycotts, protests, resignations, awkward shareholders, terrible media coverage, or negative knee-jerk reactions from corporate customers and legislators can constitute the fallout from a

media 'bomb'. The lessons from the oil industry (Chapter 2), timber industry (Chapter 4), biotechnology industry (Chapter 6) and fish product industry (Chapter 10), as well as investment in Burma (Chapter 3), all suggest that the old public relations tactics of deny, delay, divert and dismiss are not effective.

▲ The chapters

The chapters in this book have been written by people from corporations, consultancies, NGOs, research institutes and universities. Consequently, the book is a collection of diverse perspectives on aspects of business–NGO relations and sustainable development. The book is divided into six sections. Part 1 contains three chapters that expand on some of the key themes in this introduction, specifically those driving factors for increasing levels of business–NGO engagement: globalisation and the governance gap (Chapter 1), the decline of traditional means for generating organisational legitimacy (Chapter 2) and the free flow of information because of the telecommunications revolution (Chapter 3).

Part 2 contains four chapters that present examples of business–NGO relations from different industry sectors, specifically the timber, mining, biotechnology and financial sectors. In 'Planting the seeds of change: business–NGO relations on tropical deforestation' (Chapter 4), David F. Murphy and I discuss the myriad of relations between NGOs and companies involved in the timber trade around the globe. The deforestation issue provides one of the best examples of how, when governmental and intergovernmental policy processes fail to deliver significant change, civil society can work with the private sector to provide alternative modes for regulating those practices that are damaging to sustainable development. It is an example of how civil society can make responsible business a market necessity, and, in the Forest Stewardship Council (FSC), we are shown an institution that manages to bring diverse stakeholders together to define, identify and promote responsible practice.

Even when working together, NGOs can have very different values, priorities and objectives. Understanding these differences and how NGOs relate to each other is important for companies seeking to build stakeholder relations. Using case studies from Canada and Australia, in 'Shades of green: NGO coalitions, mining companies and the pursuit of negotiating power' (Chapter 5) Saleem H. Ali describes relations between mining companies, environmental and indigenous peoples groups. He finds that the environmental and indigenous NGOs often had quite different agendas, thereby presenting a challenge to a responsible corporation to build a consensus, or, alternatively, an opportunity to an irresponsible corporation to employ a 'divide and rule' strategy with NGOs. Ali rejects the latter approach, as it does not allow core issues to be addressed, thereby sustaining conditions for future conflict. Instead he argues that:

NGOs should be supported in various ways to partake in meaningful dialogue and then even negotiation. Companies cannot leave this process to civil society alone, as coalitions of NGOs can marginalise certain issues. Instead, companies

should take a leadership role in helping to support systems of independent consultation, which may include efforts to build the organising and negotiating capacity of affected groups. This is a major undertaking for an individual corporation, and so partnership with other companies, major international NGOs and intergovernmental agencies is advisable (p. 94).

In 'A no win-win situation? GMOs, NGOs and sustainable development' (Chapter 6), I consider an industry that has been plagued by controversy. As the quotation at the start of this introduction illustrated, emotions run high over the development and utilisation of biotechnology for agriculture. After reviewing the potentials and risks of the genetically modified (GM) crops and the reaction from governments, consumers, retailers, farmers, NGOs and the biotechnology companies, I conclude that what is at issue is more than the science. Rather, biotechnology is at the centre of a war of values that is being fought between business, governments and civil society at daybreak on the 21st century. What is at stake is the future balance of power between market, state and civil organisations, between the haves and the have-nots, between human greed and human kindness. The challenges are so great that I argue that companies need to reconsider their role in society and re-evaluate their systems of corporate governance. Therefore I discuss some possibilities for building systems of accountability into corporate governance.

In 'The listening banks: the development of stakeholder relations with NGOs' (Chapter 7), Mike Lachowicz provides a quick-fire tour around developments in the banking sector. He identifies the 1992 United Nations Environment Programme (UNEP) *Statement by Banks on the Environment and Sustainable Development* as a significant step forward on the part of managers in recognising the pivotal position that banks occupy. This recognition has led some banks, such as the Co-operative Bank, to engage with NGOs as part of a process for developing their proactive stance on ethical lending. The NatWest Bank is helping its existing clients to adopt more sustainable practices through an innovative partnership with the World Wide Fund for Nature (WWF). Together they produced the 'Better Business Package' in the form of a video, training pack and CD-ROM which are available at low cost to NatWest business account holders.

Part 3 includes three chapters that home in on the experiences of individual organisations. First, the experience and perspective of a major company that has embraced partnerships with NGOs as a means of furthering its sustainability policies and practices is presented. In 'Meeting social and environmental objectives through partnership: the experience of Unilever' (Chapter 8), Anne Weir summarises the company's involvement with WWF in order to establish the Marine Stewardship Council and its work with local community groups in Germany, Switzerland and Austria on the Living Lakes project. Unilever believes that working with stakeholders and other companies is essential for implementing improvements throughout the supply chains of its products, and this is why it has become an important player in the Tea Sourcing Partnership, which is now a member of the UK-based union, NGO and industry initiative on labour rights, called the Ethical Trading Initiative (ETI).

In 'Working non-STOP for sustainable development: case study of a Canadian environmental NGO's relationship with businesses since 1970' (Chapter 9), Marie-France

Turcotte describes the different ways one NGO has influenced the operating environment of chemical companies. STOP has been involved in many issues such as air quality, water quality, waste management, acid rain and energy over the past 30 years. Turcotte's analysis demonstrates that one NGO can successfully adopt various tactics in its attempt to influence corporate activity—tactics that include lobbying for environmental regulations, opposing business projects, participating in multi-stakeholder initiatives, consulting contracts for business organisations and building 'natural alliances' with some industries.

In 'Bridging troubled waters: the Marine Stewardship Council' (Chapter 10), Simon Heap and Penny Fowler consider whether there is an emerging model for environmental and social certification overseen by councils comprised of multiple stakeholders. The Marine Stewardship Council (MSC) is the second multi-stakeholder council, being based on the original Forest Stewardship Council (FSC). By comparing the separate processes to establish the FSC and MSC they highlight key issues about the potential replicability of the stewardship council model in other sectors such as mining, oil or agriculture. They argue that the FSC was a bottom-up process led by members, while the MSC has been a top-down process led by 'experts', and this difference has meant that the MSC faces more attacks about its legitimacy, especially from Southern NGOs. In addition, from their experience of the way social issues have been downplayed in the development of the MSC, they suggest that, currently, it may be easier to translate environmental issues into a business/financial case for corporate change than it is to translate the social aspects of sustainable development.

In Part 4 we move away from the individual cases to consider some of the cross-cutting management issues that arise from working together for sustainable development. Business–NGO partnerships pose novel management challenges, which have led to a recent proliferation of 'how to' guides such as those from the Prince of Wales Business Leaders' Forum (Tennyson 1998) and the Environmental Defense Fund (EDF 1999). Of course, one of the most important decisions is to pick the right people to work with, and in 'Partners for sustainability' (Chapter 11), John Elkington and Shelly Fennell present a typology to help businesses and NGOs understand each other and choose the right organisation to approach. Their tripartite typology of business–NGO relations, NGO attitudes towards business and business attitudes towards NGOs uses marine metaphors, such as sharks and dolphins, to illustrate the common characteristics of different organisations.

In 'Culture clash and mediation: exploring the cultural dynamics of business–NGO collaboration' (Chapter 12), Andrew Crane adopts a different level of analysis, recognising that organisations are not internally undifferentiated and that individuals are key to relations between businesses and NGOs. Crane looks at the management challenges that arise because of the differing organisational cultures brought together in the implementation of a partnership. He uses a case study of the WWF 1995 Plus Group and describes the role of individuals in the implementation process. Certain individuals, termed 'cultural mediators' played a crucial buffering role in the partnership by translating cultural knowledge between the different sectors and acting as architects of shared meanings across the sectors.

In 'The art of collaboration: lessons from emerging environmental business–NGO partnerships in Asia' (Chapter 13), Christopher Plante and I develop some key themes for the management of partnerships. First, though, we provide some examples of the diverse relations between businesses and NGOs in various countries across Asia, from protest to partnership. For a variety of logistic and linguistic reasons there is a limited amount of work on the state of business–NGO relations in the non-Western world, including Asia. The partnership initiatives we draw on are those supported by the Asia Foundation's NGO–Business Environmental Partnership Initiative. We feature initiatives that have brought benefits and reduced risks to the partners, their communities and the global community, while recognising that this is not typical of the continent as a whole. We re-work the principles of ancient Asian strategic military lore, which have been used by corporations on the commercial battlefield (the 'Art of War'), into an 'Art of Collaboration' which outlines management approaches that contribute to the success of business–NGO partnerships.

In Part 5, three different ways of conceptualising the growing trend for business–NGO partnerships are presented. The opportunity to bring together the complementary resources of civil and private-sector organisations is one conceptualisation developed by Steve Waddell in Chapter 14. He believes that the 'transactional corporate culture' means it is impossible for corporations to achieve the same reflective depth and understanding of society as NGOs, with their longer time-horizons and value orientation. In 'Complementary resources: the win–win rationale for partnership with NGOs', he demonstrates this with concrete examples grouped together into eight areas: risk management; cost reduction and productivity gains; new product development; new market development; human resource development; supply chain organising; building barriers to entry; and stimulating creativity.

In 'Thinking partners: business, NGOs and the partnership concept' (Chapter 15), David F. Murphy and Gill Coleman conceive of business–NGO endearment as part of a wider social trend toward partnership thinking. They explain how partnership is an idea with increasing political power today, in the sense that it invokes positive connotations within society which make people act in novel ways. They explore the meaning of the 'partnership' concept for organisations, before considering policy debates on sustainable development and discussing some examples of the partnership approach between business and civil society. In doing so they locate innovative business–NGO initiatives as part of an emerging global partnership of state, private and civil society organisations at local and international levels, for sustainable development.

It is probable that the growing consensus on the benefits of partnership and on the existence of win–win opportunities are now key drivers in shaping business–NGO relations, alongside the power of the discourses on sustainable development, globalisation, corporate legitimacy and the communications revolution explored in Part 1. The articulation between discourses and social realities has parallels with the debate on the articulation between individual agency and social structure, the topic of Chapter 16. In 'Change the rules! Business–NGO relations and structuration theory', Uwe Schneide-wind and Holger Petersen use structuration theory to throw light on the powerfulness of the relationships we deal with in this book. They challenge a typical view in business

studies that the commercial, political and societal environment of a company is a given set of parameters. Such a view is dependent on the concept of society as embodying a set of rules and unchanging structures. Instead, they agree with sociologists such as Anthony Giddens that there is an intercourse between social structure and social agency: we, the people, may have certain options open to us because of the way in which our societies are structured, yet we, the people, can change those structures by our actions and thereby influence the actions of others in society. With three examples from Germany they show that companies who collaborate with NGOs are able to change the rules of markets, politics and societies in order to implement a shift toward sustainability.

The concluding Part 6 of the book focuses on the future directions of relations between business and civil society, pulling together the different examples and various strands of thought to describe an emergent civil framework for doing business in the 21st century. In 'New frontiers: emerging NGO activities to strengthen transparency and accountability in business' (Chapter 17), Rob Lake and I discuss emerging trends in civil society, particularly the increasing interest of development and human rights NGOs in the activities of the corporate sector. As campaigners in various NGOs—focused on quite different goals—begin to recognise the common threads of their individual efforts to influence corporate behaviour, and consider the frameworks within which all businesses operate, so we may be on the verge of a powerful new social movement. Broad and Cavanagh (1999) call this the corporate accountability movement, and the key frontiers of this movement relate to corporate transparency, accountability and financing. We argue that the first step for a business toward generating legitimacy is to be transparent—by providing all information that a society considers relevant to its interests, and to make it widely available in an understandable format, with ample time for potential implications and responses to be discussed. Therefore, business and NGOs are engaged in dialogue, through processes such as the Global Reporting Initiative, to define the type of reporting required to deliver meaningful transparency.

A second frontier of business–NGO relations relates to corporate accountability. As the power of corporations to shape society is recognised (Chapter 16), all sorts of civil society groups are calling on businesses to be more accountable to society. The extent to which a company can be both accountable to different stakeholders and its shareholders is a difficult issue, and leads us to consider the issue of corporate governance—who should own the corporation, who should run it, and how. We agree that 'as the 21st century gets into its stride, the make-up and activities of corporate boards will be in the spotlight as never before' (Zollinger and Elkington 1999). Consequently, we discuss some of the options open to corporations seeking to engineer stakeholder accountability into the very systems of corporate governance.

The final frontier of business–NGO relations is finance. As NGO campaigners have begun to understand business more clearly and realise the constraints experienced by managers seeking to maximise shareholder value, so their attentions have begun to turn to the financial community. NGOs have woken up to the fact that institutional investors are the real force and are working on various fronts to make the financial community more supportive of the advances being made by pragmatic NGOs and leadership companies on sustainable development issues. In Chapter 17 we detail some of the new initiatives in this area.

In 'Civil regulation: a new form of democratic governance for the global economy?' (Chapter 18), the material presented in the previous chapters is brought together under a unifying concept called 'civil regulation'. The thesis is this: global business is beginning to be regulated by a global civil society, a situation that provides some promise for a just and sustainable global order in the 21st century, while showing significant shortcomings and posing major political challenges. A key challenge is to bring some order to what is a very anarchic process at present, to build the necessary institutions as quickly as possible, and to ensure that democratic principles are upheld. The United Nations has taken up this challenge with the establishment of the Global Compact. John Gerard Ruggie and Georg Kell, who worked with UN Secretary-General Kofi Annan on creating the Global Compact with business, hope that interactions between the corporate and NGO communities could provide a springboard from which to establish a social basis for global economic activity (Ruggie and Kell 1999).

▲ A personal challenge

Businesses and NGOs are seen by many to be locked in a perpetual war of values and ideologies. What this book demonstrates is that the war has moved on. Today's battles are often fought within companies themselves, as those who understand the strategic importance of sustainability issues and stakeholder relations struggle with those who are not convinced. With the weight of experience, managers who argue the case for their company to deepen their involvement with the sustainable development agenda in partnership with stakeholders will hopefully win out and more companies will make the change. In the end it is down to each individual manager to make the move. This is a theme that seems to resonate from most of the contributions in this book: the role of individual commitment, ingenuity and bravery in stepping outside one's role as manager or campaigner in an attempt to become part of the solution. The ability of individuals to assume new responsibilities and try new ways of working is at the heart of the partnerships described in this book. Such action involves personal professional risk. I just hope for the sake of everyone this risk is taken more often than not.

A WEBSITE AND DISCUSSION LIST PROVIDES AN OPPORTUNITY TO EXPLORE further the issues in this book and keep up to date with developments in this field. The 'Business-NGO-Relations Online Gateway' contains publications available for viewing or downloading, links to organisations working in this area, and to consultancies that are providing relevant services. Messages sent to the discussion group can be browsed or searched. Most of the authors of the chapters in this book are members of the discussion group and will respond to interesting questions. To access the new online gateway, go to: www.mailbase.ac.uk/lists/business-ngo-relations/files/welcome.html.

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